

**STARK METROPOLITAN
HOUSING AUTHORITY**

AUDIT REPORT

**FOR THE FISCAL YEAR ENDED
MARCH 31, 2015**

James G. Zupka, CPA, Inc.
Certified Public Accountants



Dave Yost • Auditor of State

Board of Directors
Stark Metropolitan Housing Authority
400 E. Tuscarawas St.
Canton, Ohio 44702

We have reviewed the *Independent Auditor's Report* of the Stark Metropolitan Housing Authority, Stark County, prepared by James G. Zupka, CPA, Inc., for the audit period April 1, 2014 through March 31, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Stark Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

December 3, 2015

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**STARK METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE FISCAL YEAR ENDED MARCH 31, 2015**

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JAMES G. ZUPKA, C.P.A., INC.

Certified Public Accountants

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Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Stark Metropolitan Housing Authority
Canton, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the Stark Metropolitan Housing Authority, Stark County, Ohio, (the Authority) as of and for the fiscal year ended March 31, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Hunter House PSH, LLC, which represent 73 percent, 93 percent and 66 percent, respectively, of the assets, net position and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Hunter House PSH, LLC, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the Stark Metropolitan Housing Authority, Ohio, as of March 31, 2015, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the financial statements, the Authority restated the net position of the primary government and component units due to the elimination of two component units. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Stark Metropolitan Housing Authority, Ohio's basic financial statements. The Financial Data Schedules are presented for purposes of additional analysis and are not a part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The Financial Data Schedules, and the Schedule of Expenditures of Federal Awards, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Financial Data Schedules and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2015, on our consideration of the Stark Metropolitan Housing Authority, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

James G. Zupka,
CPA, President

Digitally signed by James G. Zupka, CPA, President
DN: cn=James G. Zupka, CPA, President, o=James
G. Zupka, CPA, Inc., ou=Accounting,
email=jgzcpa@sbcglobal.net, c=US
Date: 2015.09.29 12:04:10 -0400

James G. Zupka, CPA, Inc.
Certified Public Accountants

September 28, 2015

STARK METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis
for the Fiscal Year ended March 31, 2015
(Unaudited)

The Stark Metropolitan Housing Authority (“the Authority”) management’s discussion and analysis is designed to assist the reader on significant financial issues, provide an overview of the Authority’s financial activity, identify changes in the Authority’s financial position, and identify individual fund issues or concerns.

The Management’s Discussion and Analysis (MD&A) is designed to focus on the fiscal year end March 31, 2015 activities, resulting changes, and currently known facts of the primary government. Please read it in conjunction with the Authority’s financial statements (beginning on page 11).

Management of the Authority continued its efforts to strengthen its internal controls and compliance of its policies. During the fiscal year end March 31, 2015, the Authority created an adhoc Finance Committee. The Finance Committee, comprised of two members of the Board, meets monthly and reports its activities to the Board of Commissioners.

FINANCIAL HIGHLIGHTS

- The Authority’s financial position at March 31, 2015, reflected total assets of \$68.84 million and total liabilities of \$10.73 million. The total net position was \$58.11 million. The financial operations were in accordance with revenue expectations and the approved budget plan. Net position decreased by \$5,805,446 or less than 9.08 percent.
- Total revenue decreased by \$1,400,144 or 5.29 percent of which the change is directly related to the decrease in HUD Subsidy of \$2,628,192. Total revenue was \$25.06 million in fiscal 2015 and \$26.46 in fiscal 2014.
- Total expenses increased by \$2,768,532 or 9.85 percent. Total expenses were \$30.87 million in fiscal year 2015 and \$28.10 in fiscal year 2014.

Financial Statements

The Authority’s financial statements include a Statement of Net Position, which is similar to a balance sheet. The Statement of Net Position reports all financial and capital resources of the Authority. The Statement is presented in a format where assets minus liabilities equal Net Position, formerly known as equity. Assets and liabilities are presented in order of liquidity and are classified as “current” (convertible into cash within one year) and “non-current”.

STATEMENT OF NET POSITION

The Statement of Net Position presents the financial position of the Authority at the end of the fiscal year and includes all assets and liabilities. Net position, the difference between total assets and total liabilities, is an important indicator of the current financial condition, while the change in net position is an indicator of whether the overall financial position has improved or worsened during

STARK METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis
for the Fiscal Year ended March 31, 2015
(Unaudited)

the year. The focus of the Statement of Net Position (the “unrestricted” net position) is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net position (formerly net assets) is reported in three broad categories.

Net Investment in Capital Assets: This component of net position consists of capital assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position: This component of net position consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

Unrestricted Net Position: Consists of net position that does not meet the definition of “Net Investment in Capital Assets”, or “Restricted Net Position”.

The financial statements also include a Statement of Revenues, Expenses, and Changes in Net Position, which is similar to an income statement. This Statement includes Operating Revenues, such as rental income; Operating Expenses, such as administrative, utilities, maintenance, and depreciation; and Non-Operating Revenue and Expenses, such as capital grant revenue, investment income, and interest expense.

The focus of the Statement of Revenues, Expenses, and Changes in Net Position is the “Changes in Net Position”, which is similar to Net Income or Loss.

Finally, a Statement of Cash Flows is included, which discloses net cash provided by or used for operating activities, investing activities, and from capital and related financing activities.

The Authority's Programs

Conventional Public Housing - Under the Conventional Public Housing Program, the Authority rents units it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy and Capital Grant funding to enable the PHA to provide the housing at a rent that is based upon 30 percent of household income. The Conventional Public Housing Program also includes the Capital Fund Program, which is the primary funding source for physical and management improvements to the Authority's properties.

Housing Choice Voucher Program - Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure a lease that sets the participants' rent at 30 percent of household income.

STARK METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis
for the Fiscal Year ended March 31, 2015
(Unaudited)

Capital Fund Program (CFP) - This is the current primary funding source for the Authority's physical and management improvements. While the formula funding methodology used for the CPG was revised for the CFP, funds are still provided by formula allocation and based on size and age of the Authority's units.

Shelter Plus Care Program - This grant program, funded by the U.S. Department of Housing and Urban Development, is designed to link rental assistance to supportive services for hard-to-reach homeless persons with disabilities (primarily those who are seriously mentally ill, have chronic problems with alcohol, drugs, or both, or have acquired immune deficiency syndrome (AIDS) and related diseases), and their families.

Component Unit - These resources were developed from a variety of activities.

Business Activities - These non-HUD resources were developed from a variety of activities.

AUTHORITY-WIDE STATEMENTS

The following table reflects the condensed Statement of Net Position compared to prior year. The Authority is engaged only in Business-Type Activities.

Table 1 - Condensed Statement of Net Position Compared to Prior Year
Primary Government

	2015	2014
ASSETS		
Current Assets	\$ 5,705,838	\$ 6,735,936
Capital Assets	62,915,186	67,636,156
Other Non-Current Assets	223,431	0
Total Assets	<u>\$68,844,455</u>	<u>\$74,372,092</u>
LIABILITIES		
Current Liabilities	\$ 2,958,745	\$ 2,438,515
Non-Current Liabilities	7,771,845	8,014,266
Total Liabilities	<u>10,730,590</u>	<u>10,452,781</u>
NET POSITION		
Net Investment in Capital Assets	54,793,246	58,948,551
Restricted	0	181,335
Unrestricted	3,320,619	4,789,425
Total Net Position	<u>58,113,865</u>	<u>63,919,311</u>
Total Liabilities and Net Position	<u>\$68,844,455</u>	<u>\$74,372,092</u>

For more detailed information see page 11 for the Statement of Net Position.

STARK METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis
for the Fiscal Year ended March 31, 2015
(Unaudited)

Major Factors Affecting The Statement of Net Position

Total assets decreased by \$5,527,637 or about 7.43 percent, of which the change includes the \$5,138,650 non-cash increase of accumulated depreciation. Total current assets decreased \$1,030,098 partially related to a \$912,573 due from component unit decrease. The decrease in total current assets was offset by a \$323,131 increase in unrestricted cash. Total non-current assets primarily decreased by \$4.50 million of capital assets. Total liabilities increased by \$277,809 or 2.66 percent due primarily to an increase in various liability accounts.

Table 2 presents details on the change in Unrestricted Net Position.

Table 2 - Change of Unrestricted Net Position - Primary Government

	<u>2015</u>
Beginning Balance - March 31, 2014, as restated	\$ 4,789,425
Results of Operations	(5,805,446)
Adjustments:	
Current Year Depreciation Expense (1)	5,138,650
Capital Expenditures (2)	(417,680)
Debt Principal Payments	(565,665)
Transfer from Restricted Net Position	<u>181,335</u>
Ending Balance - March 31, 2015	<u>\$3,320,619</u>

(1) Depreciation is treated as an expense and reduces the results of operations but does not have an impact on Unrestricted Net Position.

(2) Capital expenditures represent an outflow of unrestricted net position, but are not treated as an expense against Results of Operations, and therefore must be deducted.

While the Results of Operations are a significant measure of the Authority's activities, the analysis of the changes in Unrestricted Net Position provides a clearer change in financial well-being.

Statement of Revenues, Expenses, and Changes in Net Position

Total revenues decreased by \$1.40 million or 5.29 percent. This net decrease is a result of the continuing decrease in the Capital Fund Grant allocation, the timing differences in Capital Fund projects from year to year, the public housing subsidy and Other Revenues. Total expenses increased \$2.77 million. This change was primarily due to an increase in general and protective expense of \$2.08 million as well as increases in various expense items due to increased prices.

STARK METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis
for the Fiscal Year ended March 31, 2015
(Unaudited)

Table 3 - Statement of Revenues, Expenses and Changes in Net Position
Primary Government

	2015	2014
Revenues		
Tenant Revenue - Rents and Other	\$ 5,693,548	\$ 5,408,559
Operating Subsidies and Grants	18,548,653	19,377,615
Capital Grants	321,945	1,083,651
Investment Income	31,288	13,548
Other Revenues	466,485	578,690
Total Revenues	25,061,919	26,462,063
Expenses		
Administrative	4,684,428	4,209,781
Utilities	3,610,213	3,269,741
Maintenance	5,522,007	5,219,850
Tenant Services	132,620	188,974
General and Protective Services	3,682,152	1,604,087
Interest and Other Expenses	322,049	472,016
Housing Assistance Payments	7,775,246	7,944,565
Depreciation	5,138,650	4,981,353
Transfers	0	208,466
Total Expenses	30,867,365	28,098,833
Net Increase (Decrease)	<u>\$(5,805,446)</u>	<u>\$(1,636,770)</u>

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of year end, the Authority had \$62.92 million invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (addition, deductions, and depreciation) of \$4.72 million from the end of last year.

Table 4 - Capital Assets at Year-End (Net of Depreciation) - Primary Government

	2015	2014
Land	\$16,104,311	\$16,019,605
Construction in Progress	1,358,185	6,305,249
Buildings	159,334,238	154,290,865
Equipment	5,587,489	5,350,824
Accumulated Depreciation	<u>(119,469,037)</u>	<u>(114,330,387)</u>
Total	<u>\$ 62,915,186</u>	<u>\$67,636,156</u>

The following reconciliation summarizes the change in Capital Assets, which is presented in detail in the notes on capital assets.

STARK METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis
for the Fiscal Year ended March 31, 2015
(Unaudited)

Table 5 - Change in Capital Assets - Primary Government

Beginning Balance - March 31, 2014	\$67,636,156
Current Year Additions	417,680
Current Year Depreciation Expense	<u>(5,138,650)</u>
Ending Balance - March 31, 2015	<u>\$62,915,186</u>

DEBT OUTSTANDING

As of year-end, the Authority had \$8.12 million in debt outstanding compared to \$8.69 million last year, a \$0.57 million decrease (regularly scheduled debt retirement and debt retirement as a result of refinancing the outstanding bonds).

Table 6 - Outstanding Debt, at Year-End - Primary Government

	<u>2015</u>	<u>2014</u>
Beginning Balance - March 31, 2014	\$ 8,687,605	\$ 8,906,617
Current Year Debt Issued	0	200,000
Current Year Principal Payments	<u>(565,665)</u>	<u>(419,012)</u>
Ending Balance - March 31, 2015	<u>\$ 8,121,940</u>	<u>\$ 8,687,605</u>

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- Federal funding of the U.S. Department of Housing and Urban Development and the subsidies provided to the Authority by the U.S. Department of Housing and Urban Development.
- Local labor supply and demand, which can affect salary and wage rates.
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income.
- Inflationary pressure on utility rates, employee health care costs, insurances, rents, supplies, and other costs.

FINANCIAL CONTACT

Questions concerning any information provided in this report or request for additional information should be addressed to Herman Hill, Executive Director, Stark Metropolitan Housing Authority, 400 East Tuscarawas Street, Canton, Ohio 44702-1131, or call 330-454-8051.

Basic Financial Statements

STARK METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET POSITION
PROPRIETARY FUND TYPE AND DISCRETELY PRESENTED COMPONENT UNITS
MARCH 31, 2015

	<u>Primary Government</u>	<u>Component Units</u>
<u>ASSETS</u>		
Current Assets:		
Cash - Unrestricted	\$ 2,277,132	\$ 332,919
Cash - Restricted	1,478,935	578,218
Accounts Receivable - Net of Allowance	1,426,401	23,824
Inventories - Net of Allowance	334,160	0
Prepaid Expenses	189,210	39,035
Total Current Assets	<u>5,705,838</u>	<u>973,996</u>
Non-Current Assets:		
Capital Assets - Non-Depreciated	17,462,496	58,401
Depreciable Capital Assets - Net	45,452,690	8,391,585
Other Non-Current Assets	223,431	0
Total Non-Current Assets	<u>63,138,617</u>	<u>8,449,986</u>
TOTAL ASSETS	<u>\$ 68,844,455</u>	<u>\$ 9,423,982</u>
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts Payable	\$ 12,430	\$ 18,862
Current Portion of Long-Term Debt	827,539	52,320
Intergovernmental Payable	415,338	0
Accrued Wages and Payroll Taxes	341,080	1,298
Tenant Security Deposits	398,301	29,324
Other Current Liabilities	964,057	858,888
Total Current Liabilities	<u>2,958,745</u>	<u>960,692</u>
Non-Current Liabilities:		
Long-Term Debt - Net of Current Portion	7,294,401	5,455,292
Other Long-Term Liabilities and Compensated Absences	477,444	0
Total Non-Current Liabilities	<u>7,771,845</u>	<u>5,455,292</u>
Total Liabilities	<u>10,730,590</u>	<u>6,415,984</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	54,793,246	2,942,374
Restricted	0	548,894
Unrestricted	3,320,619	(483,270)
Total Net Position	<u>58,113,865</u>	<u>3,007,998</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 68,844,455</u>	<u>\$ 9,423,982</u>

See accompanying notes to the basic financial statements.

**STARK METROPOLITAN HOUSING AUTHORITY
 COMBINED STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN NET POSITION
 PROPRIETARY FUND TYPE AND DISCRETELY PRESENTED COMPONENT UNITS
 FOR THE FISCAL YEAR ENDED MARCH 31, 2015**

	<u>Primary Government</u>	<u>Component Units</u>
<u>Operating Revenues</u>		
Program Operating Grants/Subsidies	\$ 18,548,653	\$ 0
Tenant Revenues	5,693,548	954,156
Other Income	466,485	151,290
Total Operating Revenues	<u>24,708,686</u>	<u>1,105,446</u>
<u>Operating Expenses</u>		
Administrative	4,684,428	264,051
Utilities Expenses	3,610,213	196,325
Ordinary Maintenance	5,522,007	225,543
Tenant Services	132,620	46,141
Protective Services	385,961	78,197
Housing Assistance Payments	7,775,246	0
Other Expenses	3,296,191	216,638
Depreciation	5,138,650	348,892
Total Operating Expenses	<u>30,545,316</u>	<u>1,375,787</u>
Operating Income (Loss)	<u>(5,836,630)</u>	<u>(270,341)</u>
<u>Non-Operating Revenue (Expenses)</u>		
Interest Income	31,288	167
Interest Expense	<u>(322,049)</u>	<u>(144,219)</u>
Total Non-Operating Revenue (Expenses)	<u>(290,761)</u>	<u>(144,052)</u>
Excess (Deficiency) of Revenue Over (Under) Expenses before Capital Revenue and Transfers	<u>(6,127,391)</u>	<u>(414,393)</u>
<u>Capital Grants, Contributions and Transfers</u>		
Capital Grants	321,945	0
Capital Contributions	<u>0</u>	<u>1,040,666</u>
Total Capital Grants, Contributions and Transfers	<u>321,945</u>	<u>1,040,666</u>
Results of Operations	<u>(5,805,446)</u>	<u>626,273</u>
Restated Beginning Net Position	<u>63,919,311</u>	<u>2,381,725</u>
ENDING NET POSITION	<u>\$ 58,113,865</u>	<u>\$ 3,007,998</u>

See accompanying notes to the basic financial statements.

STARK METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE AND DISCRETELY PRESENTED COMPONENT UNITS
FOR THE FISCAL YEAR ENDED MARCH 31, 2015

	Primary Government	Component Units
<u>Cash Flows from Operating Activities</u>		
Cash Received from HUD and Other Governments	\$ 18,834,489	\$ 0
Cash Received from Tenants	5,653,316	938,925
Cash Received from Other Sources	529,592	151,290
Cash Payments for Housing Assistance Payments	(7,775,246)	0
Cash Payments for Administrative	(4,626,704)	(274,415)
Cash Payments for Other Operating Expenses	<u>(11,411,140)</u>	<u>(1,524,851)</u>
Net Cash Provided by Operating Activities	<u>1,204,307</u>	<u>(709,051)</u>
<u>Cash Flows from Capital and Related Financing Activities</u>		
Principal Payments on Debt	(565,665)	(23,438)
Acquisition of Capital Assets	(417,680)	0
Debt Proceeds	0	200,000
Capital Grants and Contributions	321,945	1,040,666
Other Non-Current Assets	<u>(223,431)</u>	<u>0</u>
Net Cash (Used for) Capital and Other Related Financing Activities	<u>(884,831)</u>	<u>1,217,228</u>
<u>Cash Flows from Investing Activities</u>		
Investment Income	31,288	167
Interest Expense	<u>(322,049)</u>	<u>(144,219)</u>
Net Cash (Used for) by Investing Activities	<u>(290,761)</u>	<u>(144,052)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	28,715	364,125
Cash and Cash Equivalents, Beginning (Restated)	<u>3,727,352</u>	<u>547,012</u>
Cash and Cash Equivalents, Ending	<u>\$ 3,756,067</u>	<u>\$ 911,137</u>
<u>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities</u>		
Net Operating Income (Loss)	\$ (5,836,630)	\$ (270,341)
Net Cash Provided by Operating Activities		
Depreciation	5,138,650	348,892
(Increase) Decrease in:		
Receivables - Net of Allowance	245,604	(15,231)
Inventory and Prepaid Expense	(75,933)	(29,018)
Due from Component Units	912,573	0
Increase (Decrease) in:		
Accounts Payable	(86,968)	(490,965)
Due to Primary Government	0	(68,172)
Non-Current Liabilities	62,579	0
Accrued Wages/Payroll Taxes	111,090	(10,364)
Intergovernmental Payable	28,853	0
Tenant Security Deposits	(19,112)	(151)
Deferred Credits/Other Liabilities	<u>723,601</u>	<u>(173,701)</u>
Net Cash Provided by Operating Activities	<u>\$ 1,204,307</u>	<u>\$ (709,051)</u>

See accompanying notes to the basic financial statements.

**STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2015**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity and Programs

The Stark Metropolitan Housing Authority (the Authority) is a political subdivision created under Ohio Revised Code Section 3735.27 to engage in the acquisition, development, leasing, and administration of a low-rent housing program. The Authority contracts with the United States Department of Housing and Urban Development (HUD) to provide low and moderate income persons with safe and sanitary housing through rent subsidies provided by HUD. The Authority depends on the subsidies from HUD to operate. The Authority participates in the Section 8 Existing, Moderate Rehab, and Voucher Program provided by HUD. These programs help assist families in the payment of rent. Under the Certificate Program, the dwelling unit a family will occupy must not exceed rent limitations in accordance with HUD guidelines. Under the Voucher Program, the Authority determines the amount of subsidy a family will receive using HUD guidelines; however, there is a limit to the amount charged to the family. Under the Moderate Rehab Program, subsidy payments are made directly to the landlord on behalf of families living in their respective unit. The Authority also participates in the Public Housing Program. Under this Program, the Authority manages constructed or financed public housing units using grant funds from HUD. Tenants of these facilities pay a percentage of his/her adjusted gross income towards rent and utilities.

B. Summary of Significant Accounting Policies

The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

C. Reporting Entity

For financial reporting purposes, the reporting entity is defined to include the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading consistent with GASB Statement No. 14, *The Financial Reporting Entity*. Based on application of the criteria set forth in GASB Statement No. 14 (as amended by GASB Statement No. 61), the Authority evaluated potential component units (PCU) for inclusion based on financial accountability, the nature and significance of their relationship to the Authority, and whether exclusion would cause the basic financial statements to be misleading

**STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
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(CONTINUED)**

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

C. **Reporting Entity** (Continued)

or incomplete. Among the factors considered were whether the Authority holds the PCU's corporate power, appoints a voting majority of the PCU's board, is able to impose its will on the PCU, or whether a financial benefit/burden relationship exists between the Authority and the PCU.

The primary government of the Authority consists of all funds, agencies, departments and offices that are not legally separate from the Authority. The preceding financial statements include all funds and account groups of the Authority (the primary government) and the Authority's component units. The following organizations are described due to their relationship to the Authority.

Discretely Presented Component Units

The component units column in the combined financial statements identifies the financial data of the Authority's two component units: the Alliance Senior Towers LLC and Hunter House LLC. They are reported separately to emphasize that they are legally separate from the Authority and provide services to clients of the Authority and others.

The Alliance Senior Tower, LLC, is a for-profit limited liability corporation formed under the laws of the State of Ohio. The Corporation was formed for the purpose of acquiring and operating Alliance Towers, a multi-family residential housing project in Stark County, Ohio. Separately issued audited financial statements can be obtained from the Authority.

The Hunter House, LLC, is a for-profit limited liability corporation formed under the laws of the State of Ohio. The entity was formed for the purpose of acquiring and operating Hunter House, a multi-family residential housing project in Stark County, Ohio. Hunter House, LLC, has a December 31st fiscal year end and the audited financial statements can be obtained from the Authority.

Management believes the financial statements included in this report represent all of the funds of the Authority over which the Authority is financially accountable.

D. **Fund Accounting**

The Authority uses enterprise funds to report on its financial position and the results of its operations for the Section 8 and public housing programs. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Funds are classified into three categories: governmental, proprietary and fiduciary. The Authority uses the proprietary category for its programs.

**STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2015
(CONTINUED)**

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

E. **Proprietary Fund Types**

Proprietary funds are used to account for the Authority's ongoing activities which are similar to those found in the private sector. The following is the proprietary fund type:

Enterprise Fund - This fund is used to account for the operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

F. **Measurement Focus/Basis of Accounting**

The proprietary funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred.

Pursuant to GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance, Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the Authority follows GASB guidance as applicable to enterprise funds.

G. **Investments**

Investments are restricted by the provisions of the HUD Regulations (See Note 3). Investments are valued at market value. Interest income earned in fiscal year 2015 totaled \$31,288 for the primary government and \$167 for the component unit.

H. **Capital Assets**

Capital assets are stated at cost. The capitalization policy of the Authority is to depreciate all non-expendable personal property have a useful life of more than one year and purchase price of \$5,000 or more per unit. The cost of normal maintenance and repairs, that do not add to the value of the asset or materially extend the asset life, are not capitalized.

**STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2015
(CONTINUED)**

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

H. **Capital Assets** (Continued)

The estimated useful lives for each major class of depreciable assets are as follows:

Buildings	40 Years
Building and Improvements	15 Years
Furniture and Equipment Dwellings	5 to 10 Years
Furniture and Equipment Administrative	1 to 10 Years

I. **Cash and Cash Equivalents**

For the purpose of the Statement of Cash Flows, cash and cash equivalents include all highly liquid debt instruments with original maturities of three months or less.

J. **Compensated Absences**

The Authority accounts for compensated absences in accordance with GASB Statement No. 16. Sick leave and other compensated absences with similar characteristics are accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments. To calculate the liability, these accumulations are reduced to the maximum amount allowed as a termination payment. All employees who meet the termination policy of the Authority for years of service are included in the calculation of the compensated absences accrual amount.

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: **(1)** the employees' rights to receive compensation are attributable to services already rendered and are not contingent on a specific event that is outside the control of the employer and employee; and **(2)** it is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

In the proprietary fund, the compensated absences are expensed when earned with the amount reported as a fund liability.

K. **Capital Grants and Contributions**

Capital Grants made available by HUD with respect to all federally aided projects under an annual contributions contract. Capital contributions in fiscal year 2015 came from the private investors in Hunter House, LLC.

**STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2015
(CONTINUED)**

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

L. **Budgetary Accounting**

The Authority annually prepares its budget as prescribed by HUD. This budget is adopted by the Board of the Authority and then submitted to HUD.

M. **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

N. **Inter-Program Loans**

Inter-Program Due to and Due from are reflected on the supplemental Financial Data Schedules (FDS) and are eliminated in the totals on both the FDS and the Statement of Net Position.

NOTE 2: **RESTATEMENT OF NET POSITION**

A restatement of net position was made for the primary government and component units. Freed Housing Corporation and Washington Housing LLC were determined not to be component units and have been removed from the reporting entity. Freed Housing has equity in programs that were transferred back to the Authority.

	Primary Government	Component Units
Beginning Balance - Net Position, March 31, 2014	\$63,527,453	\$ 3,365,915
Elimination of Freed Housing Corporation and Washington Housing, LLC from reporting entity	<u>391,858</u>	<u>(984,190)</u>
Restated Net Position, March 31, 2014	<u>\$63,919,311</u>	<u>\$ 2,381,725</u>

NOTE 3: **DEPOSITS AND INVESTMENTS**

The Authority has adopted the provisions of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. This standard revised the existing requirements regarding disclosure of custodial credit risk and establishes requirements for disclosures regarding credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. Adoption of GASB Statement No. 40 had no effect on net position and change in net position in the prior or current year.

**STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2015
(CONTINUED)**

NOTE 3: **DEPOSITS AND INVESTMENTS** (Continued)

A. **Deposits**

State statutes classify monies held by the Authority into three categories.

Active deposits are public deposits necessary to meet demands on the treasury. Such monies must be maintained either as cash in the Authority's Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Authority has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

At year-end, the carrying amount of the Authority's deposits was \$2,675,433 (including \$1,478,933 of restricted funds and \$1,600 of petty cash).

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority's policy is to place deposits with major local banks approved by the Board. Multiple financial institution collateral pools that insure public deposits must maintain collateral in excess of 105 percent of deposits, as permitted by Chapter 135 of the Ohio Revised Code. As of year-end, deposits of the primary government totaling \$500,000 were covered by Federal Depository Insurance, and deposits totaling \$2,374,329 were uninsured and collateralized with securities held by the financial institution's trust department or agent, but not in the Authority's name.

**STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2015
(CONTINUED)**

NOTE 3: **DEPOSITS AND INVESTMENTS** (CONTINUED)

A. **Deposits** (Continued)

Custodial Credit Risk (Continued)

HUD, State Statute, and Board resolutions authorize the Authority to invest in obligations of the U. S. Treasury, agencies and instrumentalities, certificates of deposit, repurchase agreements, money market deposit accounts, municipal depository funds, super NOW accounts, sweep accounts, separate trading of registered interest and principal of securities, mutual funds, bonds and other obligations of this State, and the State Treasurer's investment pool. Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Authority and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

B. **Investments**

The Authority has a formal investment policy. The objective of this policy shall be to maintain liquidity and protection of principal while earning investment interest. Safety of principal is the primary objective of the investment program. The Authority follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and records all its investments at fair value.

Interest Rate Risk

As a means of limiting its exposure to fair value of losses caused by rising interest rates, the Authority's investment policy requires those funds which are not operating reserve funds to be invested in investments with a maximum term of one year or the Authority's operating cycle. For investments of the Authority's operating reserve funds, the maximum term can be up to three years. The intent of the policy is to avoid the need to sell securities prior to maturity. The Authority's investment in Wells Fargo 100% Treasury Money Market Fund matures in less than six months.

**STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2015
(CONTINUED)**

NOTE 3: **DEPOSITS AND INVESTMENTS** (Continued)

B. **Investments** (Continued)

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Authority has no investment policy that would further limit its investment choices. Credit risk does not apply to the Authority's investment in the Wells Fargo 100% Treasury Money Market Fund.

Concentration of Credit Risk

Generally, the Authority places no limit on the amount it may invest in any one insurer. However, the investment policy limits the investment of HUD-approved mutual funds to no more than 20 percent of the Authority's available investment funds. The Authority's deposits in financial institutions represents 100 percent of its deposits.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. As of year-end, the Authority had no exposure to foreign currency rate risk, as regulated by HUD.

Reconciliation of the primary government's cash and cash equivalents and investments is as follows:

	Cash and Cash	
	<u>Equivalents</u>	<u>Investments</u>
Per Statement of Net Position	\$ 3,756,067	\$ 0
Wells Fargo 100% Treasury Money Market Fund	<u>(1,080,634)</u>	<u>1,080,634</u>
Per GASB Statement No. 3	<u>\$ 2,675,433</u>	<u>\$ 1,080,634</u>

C. **Component Units**

At year end, the carrying amount of the component units' investments and deposits was \$911,137. Bank deposits of \$918,594 were covered by FDIC insurance and the balance was covered by a pledged collateral pool. Investments of the component units consisted of money market funds at a local financial institution.

**STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2015
(CONTINUED)**

NOTE 4: RESTRICTED CASH

Restricted cash balances as of March 31, 2015 represents cash on hand for the following:

	<u>Primary Government</u>	<u>Component Units</u>
Tenant Security Deposit	\$ 398,301	\$ 29,324
Bond Proceeds to be Used for Capital Improvement	1,080,634	0
Other Restricted Cash	<u>0</u>	<u>548,894</u>
Total Restricted Cash	<u>\$ 1,478,935</u>	<u>\$ 578,218</u>

NOTE 5: INSURANCE COVERAGE

The Authority is exposed to various risks of loss related to torts; damage to and theft or destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Authority is covered for property damage and general liability through the Housing Authority Insurance Company. Auto liability and auto physical damage are covered through separate insurance companies. Deductible and coverage limits are summarized below:

	<u>Deductible</u>	<u>Coverage Limits</u>
Property	\$ 10,000	\$ 266,758,623
General Liability	5,000	5,000,000
Auto Liability	0	1,000,000
Auto Physical Damage	500	ACV
Commercial Inland Marine	13,000	130,000
Lead Inspectors' Professional Liability	5,000	1,000,000
Boiler and Machinery	10,000	50,000,000

There was no significant reduction in coverages and no claims exceeded insurance coverage during the past three years.

STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2015
(CONTINUED)

NOTE 6: CAPITAL ASSETS

The following is a summary of the Authority's capital assets:

	Primary Government	Component Units	Totals
<i>Capital Assets Not Being Depreciated</i>			
Land	\$ 16,104,311	\$ 58,401	\$ 16,162,712
Construction in Progress	1,358,185	0	1,358,185
Total Capital Assets Not Being Depreciated	17,462,496	58,401	17,520,897
<i>Capital Assets Being Depreciated</i>			
Buildings and Building Improvements	159,334,238	9,007,159	168,341,397
Furniture and Equipment Dwelling	5,587,489	193,412	5,780,901
Less: Accumulated Depreciation	<u>(119,469,037)</u>	<u>(808,986)</u>	<u>(120,278,023)</u>
Total Capital Assets Being Depreciated	45,452,690	8,391,585	53,844,275
Total Capital Assets	\$ 62,915,186	\$ 8,449,986	\$ 71,365,172

The following is a summary of changes:

	Primary Government			
	Balance 03/31/2014	Additions	Deletions	Balance 03/31/2015
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 16,019,605	\$ 84,706	\$ 0	\$ 16,104,311
Construction in Progress	6,305,249	0	(4,947,064)	1,358,185
Total Capital Assets Not Being Depreciated	22,324,854	84,706	(4,947,064)	17,462,496
<i>Capital Assets Being Depreciated</i>				
Buildings and Building Improvements	154,290,865	5,043,373	0	159,334,238
Furniture and Equipment Dwelling	5,350,824	236,665	0	5,587,489
Total Capital Assets Being Depreciated	159,641,689	5,280,038	0	164,921,727
Accumulated Depreciation:				
Buildings and Improvements	(112,683,956)	(4,884,596)	0	(117,568,552)
Furniture and Equipment	(1,646,431)	(254,054)	0	(1,900,485)
Subtotal Accumulated Depreciation	(114,330,387)	(5,138,650)	0	(119,469,037)
Net Capital Assets Being Depreciated	45,311,302	141,388	0	45,452,690
Total Primary Government	\$ 67,636,156	\$ 226,094	\$ (4,947,064)	\$ 62,915,186
	Component Units			
	Restated Balance 03/31/2014	Additions	Deletions	Balance 03/31/2015
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 58,401	\$ 0	\$ 0	\$ 58,401
Total Capital Assets Not Depreciated	58,401	0	0	58,401
<i>Capital Assets Being Depreciated</i>				
Buildings and Building Improvements	9,007,159	0	0	9,007,159
Furniture and Equipment Dwelling	193,412	0	0	193,412
Total Capital Assets Being Depreciated	9,200,571	0	0	9,200,571
Accumulated Depreciation:				
Buildings	(368,483)	(310,210)	0	(678,693)
Furniture, Machinery & Equipment	(91,611)	(38,682)	0	(130,293)
Total Capital Assets Being Depreciated	(460,094)	(348,892)	0	(808,986)
Net Capital Assets Being Depreciated	8,740,477	(348,892)	0	8,391,585
Net Component Units	\$ 8,798,878	\$ (348,892)	\$ 0	\$ 8,449,986

**STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2015
(CONTINUED)**

NOTE 7: **DEFINED BENEFIT PENSION PLAN**

Ohio Public Employees Retirement System

All Authority full-time employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans, as described below:

- The Traditional Pension Plan (TP) - a cost-sharing, multiple-employer defined benefit pension plan;
- The Member-Directed Plan (MD) - a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings;
- The Combined Plan (CO) - a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulated retirement assets in a manner similar to the Member Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of both the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6701 or 1-800-222-7377, or by using the OPERS website at www.opers.org.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2014-2015, member and employer rates were consistent across all three plans. The 2014-2015 member contributions rates were 10.0 percent for members, and 14.0 percent for employers of covered payroll. The Authority's contributions for the years ended March 31, 2015, 2014, and 2013, \$653,671, \$672,924, and \$660,382, respectively. These costs have been charged to the employee fringe benefit account. All required payments of contributions have been made through March 31, 2015.

**STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2015
(CONTINUED)**

NOTE 8: **POST-EMPLOYMENT BENEFITS**

A. Plan Description

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan - a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan - a defined contribution plan; and the Combined Plan - a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension and Combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issue a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 1-800-222-7377.

B. Funding Policy

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits.

**STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2015
(CONTINUED)**

NOTE 8: **POST-EMPLOYMENT BENEFITS** (Continued)

B. Funding Policy (Continued)

Employer contributions rates are expressed as a percentage of the covered payroll of active members. In 2014-2015 periods, the Authority contributed at a rate of 14.00 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00 percent of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post-Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code (401(h)). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan and Combined Plan was 2.0 percent for Stark Metropolitan Housing Authority's period ended March 31, 2015.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Actual Authority contributions for the year ended March 31, 2015, 2014, and 2013 which were used to fund post-employment benefits were \$93,382, \$60,083, and \$239,624, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 2, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

NOTE 9: **SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS**

The accompanying Schedule of Expenditure of Federal Awards is a summary of the activity of the Authority's federal programs. This Schedule has been prepared on the accrual basis of accounting.

STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2015
(CONTINUED)

NOTE 10: COMPENSATED ABSENCES

Vacation and sick leave policies are established by the Board of Commissioners based on local and state laws.

All permanent employees earn 4.6 hours sick leave per eighty (80) hours of service. Unused sick leave may be accumulated without limit. At the time of separation, if an employee or retiree qualifies under OPERS, and if the employee or retiree qualifies under OPERS and was hired prior to April 1, 2008, the employee will be eligible to receive payment for 50 percent of their accumulated sick leave balance. This payment is reduced from 50 percent to 33.33 percent for employees hired on or after April 1, 2008. Employees hired after April 1, 2011 may cash in at the rate of 1 day for every 4 days (25 percent) earned. All permanent employees earn vacation hours accumulated based on length of service. All vacation time earned may be accumulated up to 3 times the annual amount that can be accrued in a calendar year.

The following is a summary of changes in compensated absences for the year ended March 31, 2015:

<u>Description</u>	<u>Balance</u> <u>at 3/31/14</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>at 3/31/15</u>	<u>Due Within</u> <u>One Year</u>
Liability Amount	<u>\$ 460,962</u>	<u>\$ 138,428</u>	<u>\$ 70,579</u>	<u>\$ 528,811</u>	<u>\$ 52,881</u>

NOTE 11: LONG-TERM OBLIGATIONS

Changes in the Authority's long-term obligations during fiscal year 2015 are as follows:

	<u>Restated</u> <u>Balance</u> <u>at 3/31/14</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>at 3/31/15</u>	<u>Due Within</u> <u>One Year</u>
<u>General Long-Term Obligations</u>					
<i><u>Primary Government</u></i>					
Long-Term Debt:					
First Merit - Washington	\$ 187,020	\$ 0	\$ (187,020)	\$ 0	\$ 0
First Merit - Cleveland Ave.	611,184	0	(88,645)	522,539	522,539
Fifth Third - Equipment Lease	1,889,241	0	0	1,889,241	0
Ohio Housing Finance Agency, Serial Bonds, 07/17/07	6,000,160	0	(290,000)	5,710,160	305,000
<i>Total Primary Government</i>	<u>\$ 8,687,605</u>	<u>\$ 0</u>	<u>\$ (565,665)</u>	<u>\$ 8,121,940</u>	<u>\$ 827,539</u>
<i><u>Component Units</u></i>					
Alliance Senior Tower, LLC	\$ 2,085,258	\$ 200,000	\$ (23,438)	\$ 2,261,820	\$ 52,320
Hunter House, LCC.	3,245,792	0	0	3,245,792	0
<i>Total Component Units</i>	<u>\$ 5,331,050</u>	<u>\$ 200,000</u>	<u>\$ (23,438)</u>	<u>\$ 5,507,612</u>	<u>\$ 52,320</u>

**STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2015
(CONTINUED)**

NOTE 11: **LONG-TERM DEBT** (Continued)

The Authority was obligated on the following notes as of March 31, 2015:

	2015
<u>First Merit Bank</u>	
Note dated November 22, 2006; payable in monthly installments of \$6,611, including interest at a fixed rate of 5.02% with the note due December 2014. The note is issued for purchase and improvements of property at 601 Cleveland Avenue North. The Authority and First Merit Bank have entered into a forbearance agreement. (See Note 16)	\$ 522,539
<u>Fifth Third Bank</u>	
Note dated May 22, 2006; due January 2017; payable in monthly installment of \$24,176 in principal plus interest at a fixed rate of 7.57%. The note was issued for the purpose of making energy efficiency improvements associated with the Canton Senior Center construction project. The Authority has suspended payments since January 2013 and is in default on the loan. Fifth Third Bank and the Authority are in discussion regarding resolution of this debt.	1,889,241
<u>Ohio Housing Finance Agency</u>	
Note dated July 17, 2007, due March 2027, funding by a bond issue in the principal amount of \$40,532,000, of which SMHA's share is \$7,620,000. Repayment of the loan funded through contributions from HUD under the Capital Fund Program and investment earnings. Payment made by reducing the Capital Fund Program subsidy due SMHA. Payments are due semi-annually beginning September 28, 2007, totaling approximately \$600,000 annually. Serial bonds issued with fixed interest rates between 3.90% and 4.67%. The bonds were issued to provide major renovations at three high-rise buildings: W.L. Hart Apartments, Plaza Apartments, and Lincoln Apartments.	5,710,160
Total	<u>\$ 8,121,940</u>

Total payments including interest necessary over the next five years for the primary government on the above notes are as follows:

	Principal	Interest	Total
2016	\$ 827,539	\$ 271,309	\$ 1,098,848
2017	2,209,241	252,250	2,461,491
2018	340,000	235,270	575,270
2019	360,000	218,250	578,250
2020	375,000	199,875	574,875
2021-2025	2,195,000	689,375	2,884,375
2026-2028	1,815,160	123,875	1,939,035
Total	<u>\$ 8,121,940</u>	<u>\$ 1,990,204</u>	<u>\$10,112,144</u>

STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2015
(CONTINUED)

NOTE 11: **LONG-TERM DEBT** (Continued)

The debt schedule for the component units is as follows:

Alliance Senior Tower LLC:

First Mortgage - Principal Amount - \$922,900 - Interest Rate of 1.0%	\$ 737,828
2 nd Mortgage - Payable to Department of HUD Interest Rate of 1.0%	1,180,079
3 rd Mortgage - Payable to Department of HUD Interest Rate of 1.0%	143,913
Notes Payable Affiliates	200,000
Hunter House PSH, LLC -	
OHFA Loan	2,000,000
HDAP Loan	1,100,000
Home Loans	<u>145,792</u>
Total	<u>\$ 5,507,612</u>

Amortization of the debt was not available.

NOTE 12: **CONDENSED FINANCIAL STATEMENT INFORMATION - COMPONENT UNITS**

	Hunter House PSH, LLC	Alliance Senior Towers LLC	Total
<u>Balance Sheet</u>			
Current Assets	\$ 454,824	\$ 519,172	\$ 973,996
Capital Assets	6,406,420	2,043,566	8,449,986
Current Liabilities	(804,455)	(156,237)	(960,692)
Non-Current Liabilities	<u>(3,245,792)</u>	<u>(2,209,500)</u>	<u>(5,455,292)</u>
Net Position	<u>\$ 2,810,997</u>	<u>\$ 197,001</u>	<u>\$ 3,007,998</u>
<u>Revenue Expenses and Changes in Equity</u>			
Total Revenue	\$1,419,444	\$ 726,835	\$ 2,146,279
Total Expenses	<u>844,727</u>	<u>675,279</u>	<u>1,520,006</u>
Excess of Revenue Over Expenses	574,717	51,556	626,273
Beginning Net Position	<u>2,236,280</u>	<u>145,445</u>	<u>2,381,725</u>
Ending Net Position	<u>\$2,810,997</u>	<u>\$ 197,001</u>	<u>\$ 3,007,998</u>

**STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2015
(CONTINUED)**

NOTE 13: **CONTINGENCIES**

Litigations and Claims

In the normal course of operations, the Authority may be subjected to litigation and claims. At March 31, 2015, the Authority is involved in several matters. While the outcome of these matter cannot presently be determined, management believes that the ultimate resolution will not have a material effect on the financial statements.

Inspector General Audit/HUD Review

The HUD Inspector General Office performed a review of the Authority's ARRA funds and the Public Housing Program, and the HUD Cleveland Office is performing a review of the Authority's financial statements. These reports are referenced on page 53 of this report.

The Authority received financial assistance from HUD in the form of annual contribution contract. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant award and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Authority. However, the effect of any such disallowed claims on the overall financial position of the Authority at March 31, 2015, if applicable, cannot be determined at this time.

NOTE 14: **RESTRICTED NET POSITION**

For the fiscal year ended March 31, 2015, the Authority had no HAP reserve for the Section 8 program.

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**STARK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2015
(CONTINUED)**

NOTE 15: IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

For 2014, the Authority has implemented GASB No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*, GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*.

The objective of GASB Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*, is to improve financial reporting by state and local governmental pension plans. The provisions of Statement 67 are effective for financial statements for fiscal years beginning after June 15, 2013 and did not result in any change in the Authority's financial statements.

The objective of GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, is to establish accounting and financial reporting standards related to government combinations and disposals of government operations. The provisions of Statement 69 are effective for government combinations and disposal of government operations occurring in financial reporting periods beginning after December 15, 2013 and the implementation of this statement did not result in any change in the Authority's financial statements.

The objective of GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The provisions of Statement 70 are effective for financial statements for reporting beginning after June 15, 2013 and the implementation of this statement did not result in any change in the Authority's financial statements.

NOTE 16: SUBSEQUENT EVENTS

As of October 23, 2014, the Authority was in default on three loans with a total principal amount of \$917,679. Effective May 15, 2014, the Authority and First Merit Bank N.A. entered into a Forbearance Agreement with an expiration date of June 30, 2015 on the three defaulted loans. On February 17, 2015 the Authority paid off one loan in the amount of \$183,513. On July 24, 2015 the Authority paid off the remaining two loans in the amount of \$267,782.92 and \$150,295.45. As of July 24, 2015 the Authority had no debt obligations with First Merit Bank N.A.

**STARK METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
ENTITY WIDE BALANCE SHEET SUMMARY
MARCH 31, 2015**

	Project Total	State/Local	Component Units	14,249 Section 8 Moderate Rehabilitation Single Room Occupancy	14,239 HOME Investment Partnerships Program	14,871 Housing Choice Vouchers
111 Cash - Unrestricted	1,199,848	190,097	332,919	32,654	43,098	
112 Cash - Restricted - Modernization and Development	1,080,634					
113 Cash - Other Restricted			548,894			
114 Cash - Tenant Security Deposits	386,304	11,997	29,324			
100 Total Cash	2,666,786	202,094	911,137	32,654	43,098	-
122 Accounts Receivable - HUD Other Projects						211,693
125 Accounts Receivable - Miscellaneous			4,577			
126 Accounts Receivable - Tenants	177,818	60,641	34,838			
126.1 Allowance for Doubtful Accounts - Tenants	-61,160	-51,238	-15,591			
128 Fraud Recovery						10,144
129 Accrued Interest Receivable						
120 Total Receivables, Net of Allowances for Doubtful Accounts	116,658	9,403	23,824	-	-	221,837
142 Prepaid Expenses and Other Assets	173,342	3,911	39,035			3,555
143 Inventories	371,289					
143.1 Allowance for Obsolete Inventories	-37,129					
144 Inter Program Due From	4,263,175	23,000		17,545		
150 Total Current Assets	7,554,121	238,408	973,996	50,199	43,098	225,392
161 Land	15,479,861	19,600	58,401			
162 Buildings	144,268,454	2,653,636	9,007,159			
163 Furniture, Equipment & Machinery - Dwellings	2,261,076		193,412			
164 Furniture, Equipment & Machinery - Administration	2,025,775	9,650				
166 Accumulated Depreciation	-113,808,741	-1,291,182	-808,986			
167 Construction in Progress	1,358,185					
160 Total Capital Assets, Net of Accumulated Depreciation	51,584,610	1,391,704	8,449,986	-	-	-
171 Notes, Loans and Mortgages Receivable - Non-Current						
180 Total Non-Current Assets	51,584,610	1,391,704	8,449,986	-	-	-
200 Deferred Outflow of Resources						
290 Total Assets and Deferred Outflow of Resources	59,138,731	1,630,112	9,423,982	50,199	43,098	225,392

**STARK METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
ENTITY WIDE BALANCE SHEET SUMMARY
MARCH 31, 2015**

	14.238 Shelter Plus Care	14.856 Lower Income Housing Assistance Program_Sectio n 8 Moderate	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	85,451		725,984	2,610,051		2,610,051
112 Cash - Restricted - Modernization and Development				1,080,634		1,080,634
113 Cash - Other Restricted				548,894		548,894
114 Cash - Tenant Security Deposits				427,625		427,625
100 Total Cash	85,451	-	725,984	4,667,204	-	4,667,204
122 Accounts Receivable - HUD Other Projects				211,693		211,693
125 Accounts Receivable - Miscellaneous			1,078,503	1,083,080		1,083,080
126 Accounts Receivable - Tenants				273,297		273,297
126.1 Allowance for Doubtful Accounts - Tenants				-127,989		-127,989
128 Fraud Recovery				10,144		10,144
129 Accrued Interest Receivable			23,431	23,431	-23,431	-
120 Total Receivables, Net of Allowances for Doubtful Accounts	-	-	1,101,934	1,473,656	-23,431	1,450,225
142 Prepaid Expenses and Other Assets			8,402	228,245		228,245
143 Inventories				371,289		371,289
143.1 Allowance for Obsolete Inventories				-37,129		-37,129
144 Inter Program Due From		173,228		4,476,948	-4,476,948	-
150 Total Current Assets	85,451	173,228	1,836,320	11,180,213	-4,500,379	6,679,834
161 Land			604,850	16,162,712		16,162,712
162 Buildings			12,412,148	168,341,397		168,341,397
163 Furniture, Equipment & Machinery - Dwellings				2,454,488		2,454,488
164 Furniture, Equipment & Machinery - Administration			1,290,988	3,326,413		3,326,413
166 Accumulated Depreciation			-4,369,114	-120,278,023		-120,278,023
167 Construction in Progress				1,358,185		1,358,185
160 Total Capital Assets, Net of Accumulated Depreciation	-	-	9,938,872	71,365,172	-	71,365,172
171 Notes, Loans and Mortgages Receivable - Non-Current			200,000	200,000	23,431	223,431
180 Total Non-Current Assets	-	-	10,138,872	71,565,172	23,431	71,588,603
200 Deferred Outflow of Resources				-		-
290 Total Assets and Deferred Outflow of Resources	85,451	173,228	11,975,192	82,745,385	-4,476,948	78,268,437

**STARK METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
ENTITY WIDE BALANCE SHEET SUMMARY
MARCH 31, 2015**

	Project Total	State/Local	Component Units	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	14.239 HOME Investment Partnerships Program	14.871 Housing Choice Vouchers
311 Bank Overdraft						
312 Accounts Payable <= 90 Days		148	18,862	5,953		5,215
321 Accrued Wage/Payroll Taxes Payable	144,421	417	1,298			10,722
322 Accrued Compensated Absences - Current Portion	40,027					2,255
325 Accrued Interest Payable	137,751		110,860			
331 Accounts Payable - HUD HIA Programs				23,845	5,651	
333 Accounts Payable - Other Government	206,889	16,176				
341 Tenant Security Deposits	386,304	11,997	29,324			
342 Unearned Revenue	45,170	174	6,077			
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	305,000		52,320			
345 Other Current Liabilities	450,155	127,691	741,951			13,721
347 Inter Program - Due To	135,110	571,478			4,901	173,181
310 Total Current Liabilities	1,850,827	728,081	960,692	29,798	10,552	205,094
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	5,405,160		5,455,292			
353 Non-current Liabilities - Other	1,514					
354 Accrued Compensated Absences - Non Current	360,235					20,298
350 Total Non-Current Liabilities	5,766,909	-	5,455,292	-	-	20,298
300 Total Liabilities	7,617,736	728,081	6,415,984	29,798	10,552	225,392
400 Deferred Inflow of Resources						
508.4 Net Investment in Capital Assets	45,874,450	1,391,704	2,942,374			
511.4 Restricted Net Position			548,894			
512.4 Unrestricted Net Position	5,646,545	-489,673	-483,270	20,401	32,546	
513 Total Equity - Net Assets / Position	51,520,995	902,031	3,007,998	20,401	32,546	-
600 Total Liab., Def. Inflow of Res., and Equity - Net Assets / Position	59,138,731	1,630,112	9,423,982	50,199	43,098	225,392

**STARK METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
ENTITY WIDE BALANCE SHEET SUMMARY
MARCH 31, 2015**

	14.238 Shelter Plus Care	14.856 Lower Income Housing Assistance Program Section 8 Moderate	COCC	Sub total	ELIM	Total
311 Bank Overdraft				-		-
312 Accounts Payable <= 90 Days	1,114			31,292		31,292
321 Accrued Wage/Payroll Taxes Payable		1,140	184,380	342,378		342,378
322 Accrued Compensated Absences - Current Portion			10,600	52,882		52,882
325 Accrued Interest Payable			2,536	251,147		251,147
331 Accounts Payable - HUD PHA Programs		162,777		192,273		192,273
333 Accounts Payable - Other Government				223,065		223,065
341 Tenant Security Deposits				427,625		427,625
342 Unearned Revenue	55,485		1,458	108,364		108,364
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds			522,539	879,859		879,859
345 Other Current Liabilities			77,084	1,410,552		1,410,552
347 Inter Program - Due To	23,000		3,569,278	4,476,948	-4,476,948	-
310 Total Current Liabilities	79,599	163,917	4,367,825	8,396,385	-4,476,948	3,919,437
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue			1,889,241	12,749,693		12,749,693
353 Non-current Liabilities - Other				1,514		1,514
354 Accrued Compensated Absences - Non Current			95,397	475,930		475,930
350 Total Non-Current Liabilities	-	-	1,984,638	13,227,137	-	13,227,137
300 Total Liabilities	79,599	163,917	6,352,463	21,623,522	-4,476,948	17,146,574
400 Deferred Inflow of Resources				-		-
508.4 Net Investment in Capital Assets			7,527,092	57,735,620		57,735,620
511.4 Restricted Net Position				548,894		548,894
512.4 Unrestricted Net Position	5,852	9,311	-1,904,363	2,837,349		2,837,349
513 Total Equity - Net Assets / Position	5,852	9,311	5,622,729	61,121,863	-	61,121,863
600 Total Liab, Def. Inflow of Res., and Equity - Net Assets / Position	85,451	173,228	11,975,192	82,745,385	-4,476,948	78,268,437

**STARK METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE FISCAL YEAR ENDED MARCH 31, 2015**

	Project Total	State/Local	Component Units	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	14.239 HOME Investment Partnerships Program	14.871 Housing Choice Vouchers
70300 Net Tenant Rental Revenue	5,362,917	222,154	954,156			
70400 Tenant Revenue - Other	106,807	1,670				
70500 Total Tenant Revenue	5,469,724	223,824	954,156	-	-	-
70600 HLD PHA Operating Grants	8,865,402			93,650		7,179,828
70610 Capital Grants	321,945					
70710 Management Fee						
70720 Asset Management Fee						
70730 Book Keeping Fee						
70700 Total Fee Revenue	-	-	-	-	-	-
70800 Other Government Grants		1,016,033			237,105	
71100 Investment Income - Unrestricted	7,633	8	167			150
71400 Fraud Recovery						20,296
71500 Other Revenue	77,720	1,258	151,290			24,917
70000 Total Revenue	14,742,424	1,241,123	1,105,613	93,650	237,105	7,225,191
91100 Administrative Salaries	830,666	10,159	72,920			212,248
91200 Auditing Fees	6,492	84	21,400	23		3,548
91300 Management Fee	1,538,281	16,610	54,954		24,352	196,920
91310 Book-keeping Fee	219,426	2,528	8,153	1,425		123,075
91500 Employee Benefit contributions - Administrative	424,971	3,493	46,121			123,139
91600 Office Expenses	437,202	3,013	46,322			46,388
91700 Legal Expense	30,573	2,358	3,760			3,145
91800 Travel	6,847		880			
91900 Other	395,839	106	9,541	19	50	40,964
91000 Total Operating - Administrative	3,890,297	38,351	264,051	1,467	24,402	749,427
92000 Asset Management Fee	305,300					
92100 Tenant Services - Salaries	90,731		32,303			
92200 Relocation Costs			371			
92300 Employee Benefit Contributions - Tenant Services	22,945		8,655			
92400 Tenant Services - Other	10,692	1,403	4,812			
92500 Total Tenant Services	124,368	1,403	46,141	-	-	-

**STARK METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE FISCAL YEAR ENDED MARCH 31, 2015**

	14.238 Shelter Plus Care	14.856 Lower Income Housing Assistance Program_Sectio n 8 Moderate	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue				6,539,227		6,539,227
70400 Tenant Revenue - Other				108,477		108,477
70500 Total Tenant Revenue	-	-	-	6,647,704	-	6,647,704
70600 HUD PHA Operating Grants	728,697	427,938		17,295,515		17,295,515
70610 Capital Grants				321,945		321,945
70710 Management Fee			1,831,117	1,831,117	-1,831,117	-
70720 Asset Management Fee			305,300	305,300	-305,300	-
70730 Book Keeping Fee			361,261	361,261	-361,261	-
70700 Total Fee Revenue	-	-	2,497,678	2,497,678	-2,497,678	-
70800 Other Government Grants				1,253,138		1,253,138
71100 Investment Income - Unrestricted			23,497	31,455		31,455
71400 Fraud Recovery				20,296		20,296
71500 Other Revenue	101	708	341,485	597,479		597,479
70000 Total Revenue	728,798	428,646	2,862,660	28,665,210	-2,497,678	26,167,532
91100 Administrative Salaries		24,699	1,192,841	2,343,533		2,343,533
91200 Auditing Fees		12,048	679	44,274		44,274
91300 Management Fee				1,831,117	-1,831,117	-
91310 Book-keeping Fee		6,654		361,261	-361,261	-
91500 Employee Benefit contributions - Administrative		17,010	303,450	918,184		918,184
91600 Office Expenses		3,683	152,046	688,654		688,654
91700 Legal Expense			104,899	144,735		144,735
91800 Travel			1,145	8,872		8,872
91900 Other		2,233	351,475	800,227		800,227
91000 Total Operating - Administrative	-	66,327	2,106,535	7,140,857	-2,192,378	4,948,479
92000 Asset Management Fee				305,300	-305,300	-
92100 Tenant Services - Salaries			5,740	128,774		128,774
92200 Relocation Costs				371		371
92300 Employee Benefit Contributions - Tenant Services			1,012	32,612		32,612
92400 Tenant Services - Other			97	17,004		17,004
92500 Total Tenant Services	-	-	6,849	178,761	-	178,761

**STARK METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE FISCAL YEAR ENDED MARCH 31, 2015**

	Project Total	State/Local	Component Units	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	14.239 HOME Investment Partnerships Program	14.871 Housing Choice Vouchers
93100 Water	532,698	14,281	30,050			481
93200 Electricity	1,137,342	25,698	136,896			5,482
93300 Gas	1,202,760	23,089	18,009			1,399
93600 Sewer	553,651	11,549	11,370			
93000 Total Utilities	3,426,446	74,617	196,325	-	-	7,312
94100 Ordinary Maintenance and Operations - Labor	3,132,755	52,005	106,711			6,294
94200 Ordinary Maintenance and Operations - Materials and Other	594,875	4,840	29,814			867
94300 Ordinary Maintenance and Operations Contracts	556,998	41,277	81,984			375
94500 Employee Benefit Contributions - Ordinary Maintenance	941,810	532	7,084			
94000 Total Maintenance	5,226,438	98,654	225,543	-	-	7,536
95100 Protective Services - Labor	150,721		51,732			
95200 Protective Services - Other Contract Costs	177,678		17,570			
95300 Protective Services - Other	6,745		8,895			
95500 Employee Benefit Contributions - Protective Services	20,892					
95000 Total Protective Services	356,036	-	78,197	-	-	-
96110 Property Insurance	367,966	6,470	47,692			
96120 Liability Insurance	51,748	859	1,300			12,692
96130 Workmen's Compensation	-3,392		473			
96140 All Other Insurance	34,401	6	5,147			2,275
96100 Total insurance Premiums	450,723	7,335	54,612	-	-	14,967
96200 Other General Expenses	96,821	920,810	140,725	21,358	212,401	5,709
96210 Compensated Absences	217,846					9,120
96300 Payments in Lieu of Taxes	179,095	26,301	181			
96400 Bad debt - Tenant Rents	286,229	25,123	15,771			255
96600 Bad debt - Other						
96000 Total Other General Expenses	779,991	972,434	156,677	21,358	212,401	15,084
96710 Interest of Mortgage (or Bonds) Payable	282,751		144,219			
96700 Total Interest Expense and Amortization Cost	282,751	-	144,219	-	-	-
96900 Total Operating Expenses	14,842,350	1,192,794	1,165,765	22,825	236,803	794,326
97000 Excess of Operating Revenue over Operating Expenses	-99,926	48,329	-60,152	70,825	302	6,430,865

**STARK METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE FISCAL YEAR ENDED MARCH 31, 2015**

	14.238 Shelter Hus Care	14.856 Lower Income Housing Assistance Program_Sectio n 8Moderate	COCC	Subtotal	ELIM	Total
93100 Water		28	3,971	581,454		581,454
93200 Electricity		360	90,059	1,395,837		1,395,837
93300 Gas		92	6,208	1,251,557		1,251,557
93600 Sewer			1,120	577,690		577,690
93000 Total Utilities	-	480	101,358	3,806,538	-	3,806,538
94100 Ordinary Maintenance and Operations -Labor		35	150,197	3,447,997		3,447,997
94200 Ordinary Maintenance and Operations -Materials and Other			8,086	638,482		638,482
94300 Ordinary Maintenance and Operations Contracts		396	23,538	704,568		704,568
94500 Employee Benefit Contributions - Ordinary Maintenance			7,127	956,503		956,503
94000 Total Maintenance	-	431	188,948	5,747,550	-	5,747,550
95100 Protective Services - Labor			14,865	217,318		217,318
95200 Protective Services - Other Contract Costs			865	196,113		196,113
95300 Protective Services - Other			3,616	19,256		19,256
95500 Employee Benefit Contributions - Protective Services			10,579	31,471		31,471
95000 Total Protective Services	-	-	29,925	464,158	-	464,158
96110 Property Insurance			16,011	438,139		438,139
96120 Liability Insurance		192	9,959	76,750		76,750
96130 Workmen's Compensation				-2,919		-2,919
96140 All Other Insurance			5,515	47,344		47,344
96100 Total insurance Premiums	-	192	31,485	559,314	-	559,314
96200 Other General Expenses	45,158		21,131	1,464,113		1,464,113
96210 Compensated Absences			103,955	330,921		330,921
96300 Payments in Lieu of Taxes			167,500	373,277		373,277
96400 Bad debt - Tenant Rents				327,378		327,378
96600 Bad debt - Other			452,480	452,480		452,480
96000 Total Other General Expenses	45,158	-	745,066	2,948,169	-	2,948,169
96710 Interest of Mortgage (or Bonds) Payable			39,298	466,268		466,268
96700 Total Interest Expense and Amortization Cost	-	-	39,298	466,268	-	466,268
96900 Total Operating Expenses	45,158	67,430	3,249,464	21,616,915	-2,497,678	19,119,237
97000 Excess of Operating Revenue over Operating Expenses	683,640	361,216	-386,804	7,048,295	-	7,048,295

**STARK METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE FISCAL YEAR ENDED MARCH 31, 2015**

	Project Total	State/Local	Component Units	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	14.239 HOME Investment Partnerships Program	14.871 Housing Choice Vouchers
97200 Casualty Losses -Non-capitalized			5,349			
97300 Housing Assistance Payments				69,594		6,673,336
97400 Depreciation Expense	4,256,825	321,230	348,892			
90000 Total Expenses	19,099,175	1,514,024	1,520,006	92,419	236,803	7,467,662
10010 Operating Transfer In	305,250					61,136
10020 Operating transfer Out	-305,250					
10080 Special Items (Net Gain/Loss)			1,040,666			
10091 Inter Project Excess Cash Transfer In	705,000					
10092 Inter Project Excess Cash Transfer Out	-705,000					
10100 Total Other financing Sources (Uses)	-	-	1,040,666	-	-	61,136
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-4,356,751	-272,901	626,273	1,231	302	-181,335
11020 Required Annual Debt Principal Payments			52,320			
11030 Beginning Equity	55,877,746	1,143,551	3,365,915	19,170	32,244	181,335
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors		31,381	-984,190			
11190 Unit Months Available	30,530	672	1,200	432		19,860
11210 Number of Unit Months Leased	29,256	350	1,081	261		16,410
11270 Excess Cash	2,906,005					
11620 Building Purchases	321,945					

**STARK METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE FISCAL YEAR ENDED MARCH 31, 2015**

	14.238 Shelter Plus Care	14.856 Lower Income Housing Assistance Program_Section 8 Moderate	COCC	Subtotal	ELIM	Total
97200 Casualty Losses - Non-capitalized				5,349		5,349
97300 Housing Assistance Payments	677,788	354,528		7,775,246		7,775,246
97400 Depreciation Expense			560,592	5,487,539		5,487,539
90000 Total Expenses	722,946	421,958	3,810,056	34,885,049	-2,497,678	32,387,371
10010 Operating Transfer In				366,386		366,386
10020 Operating transfer Out			-61,136	-366,386		-366,386
10080 Special Items (Net Gain/Loss)				1,040,666		1,040,666
10091 Inter Project Excess Cash Transfer In				705,000		705,000
10092 Inter Project Excess Cash Transfer Out				-705,000		-705,000
10100 Total Other financing Sources (Uses)	-	-	-61,136	1,040,666	-	1,040,666
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	5,852	6,688	-1,008,532	-5,179,173	-	-5,179,173
11020 Required Annual Debt Principal Payments			48,889	101,209		101,209
11030 Beginning Equity		2,623	6,270,784	66,893,368		66,893,368
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors			360,477	-592,332		-592,332
11190 Unit Months Available	1,509	1,104		55,307		55,307
11210 Number of Unit Months Leased	1,374	783		49,515		49,515
11270 Excess Cash				2,906,005		2,906,005
11620 Building Purchases				321,945		321,945

**STARK METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED MARCH 31, 2015**

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Federal Expenditures
<u>U.S. Department of Housing and Urban Development</u>		
<i>Direct Programs</i>		
Conventional Low-Income Housing Program	14.850	\$ 8,227,777
<u>Section 8 Project Based Cluster</u>		
Section 8 New Construction and Moderate Rehabilitation Programs:		
Moderate Rehabilitation Single Room Occupancy	14.249	93,650
Moderate Rehabilitation	14.856	427,938
Total Section 8 Project Based Cluster		<u>521,588</u>
<u>Housing Choice Voucher Program Cluster</u>		
Housing Choice Voucher Program	14.871	7,179,828
Total Housing Choice Voucher Program Cluster		<u>7,179,828</u>
<u>Capital Fund Program Cluster</u>		
Capital Fund Program	14.872	959,572
Total Capital Fund Program Cluster		<u>959,572</u>
Shelter Plus Care	14.238	728,697
Home Investment Partnership Program	14.239	237,105
<i>Total Direct Programs</i>		<u>17,854,567</u>
Total U.S. Department of Housing and Urban Development		<u>17,854,567</u>
TOTAL ALL PROGRAMS		<u>\$ 17,854,567</u>

See accompanying note to the Schedule of Expenditures of Federal Awards.

STARK METROPOLITAN HOUSING AUTHORITY
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED MARCH 31, 2015

NOTE 1: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) presents the activity of all federal financial assistance programs of the Stark Metropolitan Housing Authority (the “Authority”). The Authority’s reporting entity is defined in Note 1 to the Authority’s financial statements. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies is required to be included on the Schedule.

The information presented in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The Catalog of Federal Domestic Assistance (“CFDA”) numbers are presented for each federal grant.

Revenue and expenses are presented on an accrual basis of accounting with the exception of capital assets and depreciation. For purposes of the Schedule, depreciation expense is not recorded and the cost of capital asset additions is included as an expenditure.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Directors
Stark Metropolitan Housing Authority
Canton, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of the Stark Metropolitan Housing Authority, Ohio, as of and for the fiscal year ended March 31, 2015, and the related notes to the financial statements, which collectively comprise the Stark Metropolitan Housing Authority, Ohio's basic financial statements and have issued our report thereon dated September 28, 2015, wherein we noted that our report includes a reference to other auditors who audited the financial statements of Hunter House PSH, LLC as described in our report on the Stark Metropolitan Housing Authority, Ohio's financial statements. This report does not include the results of the other auditors testing of internal control over financial reporting on compliance and other matters that were reported on separately by those auditors. We also noted the Authority restated the net position of the primary government and the component units due to the elimination of two component units.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Stark Metropolitan Housing Authority, Ohio's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

James G. Zupka, CPA, President
CPA, President

Digitally signed by James G. Zupka, CPA,
President
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o=James G. Zupka, CPA, Inc., ou=Accounting,
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Date: 2015.09.29 12:05:12 -0400

James G. Zupka, CPA, Inc.
Certified Public Accountants

September 28, 2015

JAMES G. ZUPKA, C.P.A., INC.

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**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

Board of Directors
Stark Metropolitan Housing Authority
Canton, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

Report on Compliance for Each Major Federal Program

We have audited the Stark Metropolitan Housing Authority, Ohio's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Stark Metropolitan Housing Authority, Ohio's major federal programs for the year ended March 31, 2015. The Stark Metropolitan Housing Authority, Ohio's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Basis for Qualified Opinion on the Conventional Low-Income Housing Program

As described in the accompanying Schedule of Findings and Questions Costs, the Stark Metropolitan Housing Authority did not comply with requirements regarding CFDA 14.850 - Conventional Low-Income Housing Program as described in **Finding 2015-001** for Activities Allowed or Unallowed. Compliance with such requirements is necessary, in our opinion, for the Authority to comply with the requirements applicable to that program.

Qualified Opinion on the Conventional Low-Income Housing Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Conventional Low-Income Housing Program for the year ended March 31, 2015.

Unmodified Opinion on the Other Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the Summary of Auditor's Results Section of the accompanying Schedule of Findings and Questioned Costs for the year ended March 31, 2015.

Report on Internal Control Over Compliance

The management of the Stark Metropolitan Housing Authority, Ohio, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as **Finding 2015-001** to be a material weakness.

Stark Metropolitan Housing Authority's Response to Finding

The Stark Metropolitan Housing Authority's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

James G. Zupka, CPA, President
Digitally signed by James G. Zupka, CPA,
President
DN: cn=James G. Zupka, CPA, President,
o=James G. Zupka, CPA, Inc., ou=Accounting,
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James G. Zupka CPA, Inc.
Certified Public Accountants

September 28, 2015

**STARK METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & §.505
MARCH 31, 2015**

1. SUMMARY OF AUDITOR'S RESULTS

2015(i)	Type of Financial Statement Opinion	Unmodified
2015(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2015(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2015(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2015(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
2015(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
2015(v)	Type of Major Programs' Compliance Opinion	Unmodified: Shelter Plus Care Qualified: Conventional Low Income Housing Program
2015(vi)	Are there any reportable findings under .510(a)?	Yes
2015(vii)	Major Programs (list): Conventional Low Income Housing Program - CFDA # 14.850 Shelter Plus Care - CFDA #14.238	
2015(viii)	Dollar Threshold: Type A\B Programs	Type A: >\$535,637 Type B: > all others
2015(ix)	Low Risk Auditee?	No

**STARK METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & §.505
MARCH 31, 2015
(CONTINUED)**

2. **FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

NONE

3. **FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

Finding No. 2015-001 - Material Weakness - Material Non-Compliance - Conventional Low-Income Housing Program - Allowable Activities

CFDA Title and Number: Conventional Low-Income Housing Program - CFDA #14.850
Federal Award Year: 2014 - 2015
Federal Agency: U.S. Department of Housing and Urban Development
Pass-Through Agency: No - Direct Award

Statement of Condition/Criteria

During our review of the Authority's financial records, we noted that the Authority had loaned funds from the Low Income Public Housing programs to the Metro Center which is considered part of the Central Office Cost Center (COCC). Section 9 of the Public Housing Program Annual Contribution Contract (ACC) with HUD states that program funds may only be used for costs related to the development and operation of the projects under ACC with HUD unless specifically approved by HUD. Loans in the amount of \$2,583,429 were made to the Metro Center in prior periods (part of the COCC) which is included in total loans from Public Housing Projects of \$4,263,175.

Cause

The Authority had previously reported the Metro Center as part of the Low Income Public Housing Projects. Upon guidance from HUD, the Authority moved the Metro Center to the COCC. However, the Metro Center did not have the funds available to repay the loans made to it by the Low Income Public Housing Program.

Effect

The Authority is not in compliance with the ACC executed with HUD regarding the use of cash of the Low Income Public Housing Program.

Recommendation

We recommend that the Authority comply with the ACC executed with HUD and not use cash to provide loans to the COCC or other programs. We are aware the Authority is negotiating a repayment agreement with HUD regarding these loans.

Client Response - Correction Action

The amounts associated with finding are for the fiscal years 2006 to fiscal year 2013. Since fiscal year 2013 Stark Metropolitan Housing Authority (SMHA) has made significant changes with, staff, training, policies, procedures and leadership. SMHA has been diligently and directly working with HUD officials and has completed and emerged from the HUD approved recovery plan. To date, SMHA has been making satisfactory progress in meeting the goals and objectives of the recovery plan. The dollar amount associated with the finding will be repaid over an extended period of time and in an amount approved by HUD. SMHA's intention is to make full repayment and will meet the conditions proposed by HUD in this matter.

**STARK METROPOLITAN HOUSING AUTHORITY
 SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS
 OMB CIRCULAR A-133 & §.505
 MARCH 31, 2015**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Corrected?</u>	<u>Explanation</u>
2014-001	Financial Reporting	Yes	Corrective Action Taken
2014-002	Allowable Activities	No	Repeated as Finding 2015-001

The prior audit report, as of March 31, 2014, also included management letter recommendations. Management letter recommendations as of March 31, 2014 have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.

**STARK METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF OTHER REPORTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2015**

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Review of the Public Housing Program

The Office of Inspector General of the U.S. Department of Housing and Urban Development conducted an audit of the Stark Metropolitan Housing Authority's Public Housing Program and issued their report dated July 15, 2013. The audit contained two findings as summarized below:

- Finding 1 – The Authority inappropriately used Public Housing Operating and Capital Funds to Support its Developments and Home Ownership Program.
- Finding 2 – The Authority inappropriately Entered into an Oil and Gas Lease

As of the date of our audit report the Authority is working with the Department of Housing and Urban Development to resolve these findings. It is anticipated that the Authority will have to reimburse its Public Housing Program from non-federal sources over a specified time period. The Authority is meeting with HUD representatives on a regular basis with regard to this audit and other matters. The repayment agreement has not been approved by HUD by the date of this report.

Review of the ARRA Program

The Office of Inspector General of the U.S. Department of Housing and Urban Development conducted an audit of the Stark Metropolitan Housing Authority's American Recovery and Reinvestment Act stimulus formula grant and issued their report on September 27, 2012. The audit contained three findings as listed below:

- Finding 1 - The Authority did not always ensure that its contractors complied with the Davis-Bacon Act and Federal Labor Standards.
- Finding 2 - The Authority did not always ensure that it complied with the Recovery Act, HUD's, or its own Procurement Procedures.
- Finding 3 - The Authority did not always ensure that it complied with HUD's and Recovery Act reporting requirements.

Results of that audit indicated \$680 in ineligible costs and \$7,357 in wages that were not in accordance with the Davis Bacon Act. On May 23, 2014, the Authority agreed to reimburse the contractor employees \$7,357, and to reimburse HUD \$680 from non-federal funds. The final payments are scheduled to be made by December 31, 2018.



Dave Yost • Auditor of State

STARK COUNTY METROPOLITAN HOUSING AUTHORITY

STARK COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 15, 2015**