AKRON METROPOLITAN HOUSING AUTHORITY

AUDIT REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2003

Auditor of State
Betty Montgomery

Board of Trustees
Akron Metropolitan Housing Authority
100 West Cedar Street
Akron, Ohio 44307

We have reviewed the Independent Auditor's Report of the Akron Metropolitan Housing Authority, Summit County, prepared by James G. Zupka, C.P.A., Inc., for the audit period July 1, 2002 to June 30, 2003. 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 Akron Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

January 22, 2004

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AKRON METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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JAMES G. ZUPKA, C.P.A., INC.
Certified Public Accountants
5240 East 98th Street
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Member American Institute of Certified Public Accountants (216) 475 - 6136 Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Akron Metropolitan Housing Authority
Akron, Ohio

Regional Inspector General of Audit
Department of Housing and Urban Development

We have audited the accompanying basic financial statements of the Akron Metropolitan Housing Authority (AMHA) as of June 30, 2003 and for the year then ended, listed in the foregoing table of contents. These basic financial statements are the responsibility of the management of the Akron Metropolitan Housing Authority (AMHA). Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not audit the financial statements of Rosemary Square, Inc. (a not-for-profit organization owned by AMHA), which statements reflect total assets constituting less than two percent of the total assets at June 30, 2003 and total operating revenues constituting less than two percent of total operating revenues for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it related to the amounts included for Rosemary Square, Inc., is based solely on the report of such 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of the other auditors, such basic financial statements present fairly, in all material respects, the financial position of the Akron Metropolitan Housing Authority as of June 30, 2003, and the results of its operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2 to the basic financial statements, the Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", and GASB Statement No. 38, "Certain Financial Statement Note Disclosures", as of July 1, 2002. The implementation resulted in a change to the Authority's format and content of the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2003 on our consideration of the Akron Metropolitan Housing Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion thereon.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Akron Metropolitan Housing Authority taken as a whole. The accompanying supplemental 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 Not-Profit Organizations*, and is not a required part of the basic financial statements. The accompanying supplemental combining balance sheet information, supplemental combining revenues and expenditures information relating to the non-aided program and the FDS Schedules (pages 43 through 48) and the supplemental schedule of actual modernization costs (page 42) incurred on projects closed during the year ended June 30, 2003 are also presented for the purpose of additional analysis and are not a required part of the basic financial statements. The aforementioned supplemental schedules and information are also the responsibility of management. Such supplemental schedules and information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

James G. Zupka
Certified Public Accountant

December 3, 2003

The Akron Metropolitan Housing Authority (the "Authority") Management's Discussion and Analysis is designed to assist the reader on significant financial issues and activities and to identify changes in the Authority's financial position. This analysis is also designed to address the subsequent year's challenges and to identify individual fund issues.

The data presented in the following pages should be read in conjunction with the audit's consolidated financial statements on pages 17 to 19 of this report.

Financial Highlights

- The Authority's net assets decreased by $755,841 (.44 percent) during fiscal year 2003. Net assets were $170,289,468 and $169,533,627 for 2002 and 2003, respectively.
- Revenue activity increased by $1,291,628 (1.96 percent) during 2003 and were $66,051,214 and $67,342,842 for 2002 and 2003, respectively.
- The total expenses of all Authority programs increased by 3.42 percent. Total expenses were $65,678,999 and $67,925,929 for 2002 and 2003, respectively.
- Capital outlays for the year were $7,936,621.

Using This Annual Report

The presentation of the Authority's annual report, beginning with this year, is different than in previous years. The following depicts these changes for your review.

MD & A
Management Discussion and Analysis
New

Basic Financial Statements (pages 17 to 19)
Statement of Net Assets
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Statement of Cash Flows

Notes to the Financial Statements
Pages 20 to 38

Authority-wide Financial Statements

The Authority-wide financial statements (see pages 17 to 19) are designed to provide the reader with a corporate-like overview of a consolidation for the entire Authority.

The statements include the following:

Statement of Net Assets: This statement, which is similar to a balance sheet, reports all financial and capital resources for the Authority. The statement is presented in the format where assets, minus liabilities, equals "Net Assets", formerly known as equity. Both assets and liabilities are presented in order of liquidity and are classified as "Current" (convertible into cash within one year), and "Non-Current". Over time, changes in net assets may serve as a useful indication of whether the financial position of the Authority is improving or deteriorating.

The focus of the Statement of Net Assets (the "Unrestricted Net Assets") is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net assets (formerly equity) are reported in three broad categories:

> Net Assets, Invested in Capital Assets, Net of Related Debt: This component of net assets consists of all 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 Assets: This component of net assets consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.
>
> Unrestricted Net Assets: Consists of net assets that do not meet the definition of "Net Assets Invested in Capital Assets, Net of Related Debt", or "Restricted Net Assets".

The Authority-wide financial statements also include a Statement of Revenues, Expenses, and Changes in Fund Net Assets (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 grant revenue, investment income, and interest expense.

The focus of the Statement of Revenues, Expenses, and Changes in Fund Net Assets is the "Change in Net Assets", which is similar to net income and loss.

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

Fund Financial Statements

Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. The Authority consists of exclusively enterprise funds utilizing the full accrual basis of accounting. This method is similar to the accounting methods used by the private sector.

THE AUTHORITY'S FUNDS

Conventional Public Housing
The Conventional Public Housing program represents the rented units (approximately 4,500) to low-income households and is operated under an Annual Contribution Contract (ACC) with HUD. Rent is based upon 30 percent of household income and HUD provides an operating subsidy.

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

Comprehensive Grant Program (CGP)
Also under contract with HUD is the Comprehensive Grant Program (CGP). The CGP grants provide primary funding for physical and management improvements for the Authority's property under the Conventional Public Housing Program. This program has been replaced by the Capital Fund program.

Capital Fund Program (CFP)
The Capital Fund program has replaced the CGP grants and is the current source for the funding of physical and management improvements of the Conventional Public Housing Units.

Non-Aided (LHA)/Other Business Activities
Under this program, the Authority has approximately 200 units, which are owned by the Local Housing Authority (LHA) and are under the HUD Section 8 Program. Housing Assistance Payments (HAP) are received from HUD as subsidy between the contract rent and the tenant's rental payments.

Other Business Activities represents non-HUD resources developed from a variety of activities, including the rental of 328 units at Wilbeth Arlington Homes, which is also under the HUD Section 8 Program and Rosemary Square.

<u>Public Housing Drug Elimination Program (PHDEP)</u>
The PHDEP grant represents funding from HUD for the purpose of the elimination of drugs in the Conventional Public Housing Program. Funding of this program has been approximately $1,300,000 annually; however, the fiscal year 2001 grant expiration of August 31, 2003 represents the final grant. HUD has discontinued this program.

<u>Service Coordinator Grant</u>
HUD funds this program for the purpose of providing the elderly residents of the Conventional Public Housing Program for assistance in independent living.

<u>Section 8 New and Substantial Rehab Program</u>
Under this program, the Authority is Contract Administration for ten (10) Section 8 project-based low-income housing apartment properties. The Authority subsidizes the family's rent through a Housing Assistance Payment (HAP) made to the owner/landlord.

<u>New Approach Anti-Drug Program</u>
This program represents grant funding by HUD to supplement security services and capital improvements for the purpose of drug eradication. There are two (2) existing grants open as of June 30, 2003, with a grant total of $249,890 each. The grant is to be used solely at the Midtown location.

<u>Shelter Plus Care</u>
HUD provides funding to the Authority for the purpose of assisting low-income individuals with drug addiction and those who have contracted the AIDS virus and other diseases.

Statement of Net Assets

The following table represents the condensed statement of net assets compared to the prior year for all the Authority's programs combined.

Table 1 - Statement of Net Assets

	FY 2003	FY 2002
Assets		
Current Assets	$ 22,016,668	$ 27,596,452
Other Non-Current Assets	1,070,986	5,221,375
Capital Assets, Net of Accumulated Depreciation	166,637,202	169,092,255
Total Assets	$189,724,856	$201,910,082
Liabilities and Net Assets		
Liabilities		
Current Liabilities	$ 6,087,492	$ 11,275,670
Non-Current Liabilities	14,103,737	20,344,944
Total Liabilities	20,191,229	31,620,614
Net Assets		
Invested in Capital Assets, Net of Related Debt	153,140,402	150,152,388
Unrestricted Net Assets	16,393,225	20,137,080
Total Net Assets	169,533,627	170,289,468
Total Liabilities and Net Assets	$189,724,856	$201,910,082

Major Factors Affecting the Statement of Net Assets

Current assets decreased by $5,579,784 due largely to the reduction in mortgages payable. There was a $1,655,000 accounts receivable due from HUD written off in fiscal year 2003, representing prior years' subsidy adjustments which were not paid. This receivable, however, was offset with a corresponding reduction of $1,655,000 in current liabilities.

Current liabilities decreased by $5,188,178 due to current payables in the amount of $810,000 being reduced. Also, as described above, there was the HUD receivable write-off of $1,655,000 with an offsetting liability reduction. The fiscal year 2002 statement included a payable due HUD in the amount of $1,060,000 for the Housing Choice Voucher Program. The year-end settlement with HUD for fiscal year 2003 resulted in a $600,000 receivable.

Capital assets, net of depreciation, decreased by $2,455,053. See page 29 for an analysis of capital assets.

Statement of Revenues and Expenses

The following table compares the revenues and expenses for the current and previous fiscal year for all the Authority's programs.

Table 2 - Statement of Revenues and Expenses

	FY 2003	FY 2002	Change
Revenues			
Tenant Revenue - Rents/Other	$ 10,879,948	$ 10,749,849	$ 130,099
Operating Subsidy and Grants	52,786,416	52,626,849	159,567
Other Governmental Grants	424,343	0	424,343
Investment Income - Unrestricted	337,210	667,602	(330,392)
Other Revenues	2,914,927	1,984,918	930,009
Investment Income - Restricted	0	21,996	(21,996)
Total Revenues	67,342,844	66,051,214	1,291,630
Expenses			
Operating Expenses			
Administrative	11,028,358	11,252,564	(224,206)
Tenant Services	1,532,759	1,211,541	321,218
Utilities	4,459,197	4,329,253	129,944
Maintenance/Security	12,892,212	12,973,414	(81,202)
Other General Expenses	1,448,354	1,202,566	245,788
Interest Expense	847,841	870,852	(23,011)
Total Operating Expenses	32,208,721	31,840,190	368,531
Other Expenses			
Extraordinary Maintenance	20,304	142,147	(121,843)
Casualty Losses	33,780	115,890	(82,110)
Housing Assistance	26,048,000	24,827,153	1,220,847
Depreciation Expense	9,615,124	8,753,619	861,505
Total Other Expenses	35,717,208	33,838,809	1,878,399
Total Expenses	67,925,929	65,678,999	2,246,930
Net Income (Deficit)	$ (583,085)	$ 372,215	$ (955,300)

Major Factors Affecting the Statement of Revenues and Expenses

Total revenues increased by $1,291,628. This net increase is a result of operating subsidies and grants increasing by $1,854,189. The operating subsidy, through the Performance Funding System, increased in fiscal year 2003 by $450,000. Due to a substantial increase in utilization in the Housing Choice Voucher Program, the HUD subsidy increased by $1,404,189. The Drug Elimination Grant Program is currently being phased out and the fiscal year 2003 grant is $202,000 lower than the previous year. Capital grants, which are used to fund the rehab and capital improvements program, also had a $881,179 reduction. During fiscal year 2003, interest rates paid on investments decreased. Rates paid in fiscal year 2002 ranged from 3.5 percent to 2.5 percent, while rates in fiscal year 2003 were 2.0 percent to 1.0 percent. During the current year, a grant in the amount of $424,343 from the County of Summit, Ohio, was received under the Prevention, Retention, and Contingency Program. Developer's fees in the amount of $744,363 were recorded to other income for the Business Activities program.

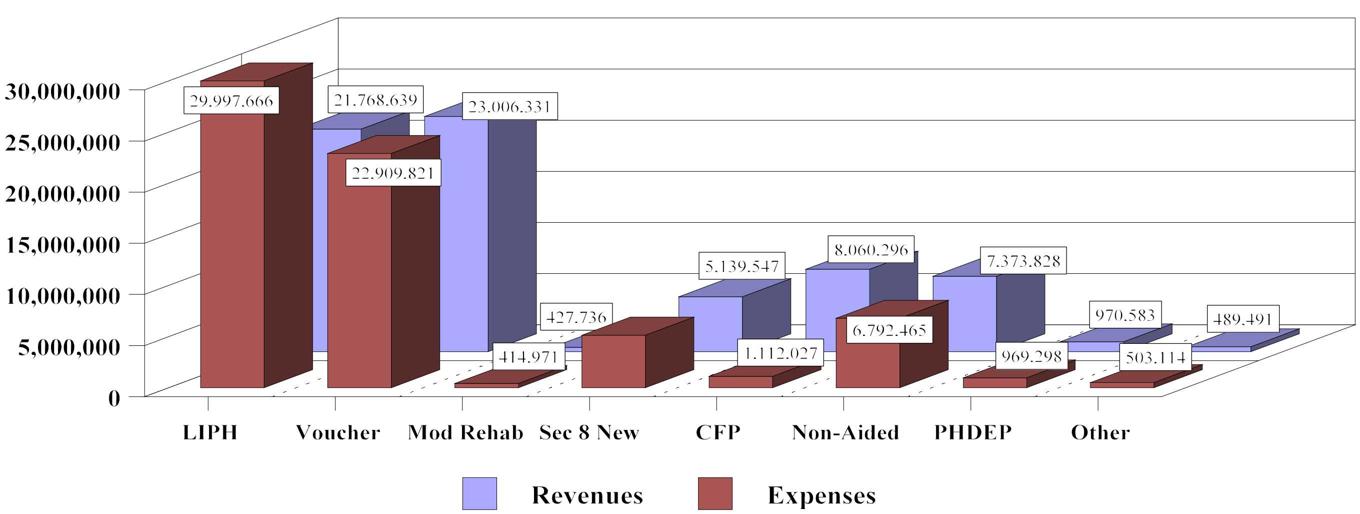
Total operating expenses increased in total by $2,246,930. Most expenses rose as a result of normal inflationary increases. However, property insurance rose by approximately 50 percent. Protective services labor costs were down by $307,741 due to the phase down of the Drug Elimination Program. Health insurance, which is a part of the employee benefits line, decreased over the past year as a result of credits being paid on overpayments on premiums. Consulting services and fees decreased by $592,000. During fiscal year 2002, an outside consulting company was used in the Housing Choice Voucher program.

Other expenses increased by $1,878,399 due largely to the increase of expenses in the Housing Search Voucher program. Housing Assistance Payments (HAP) increased by $1,220,847 as a result of increased utilization. Depreciation expense increased by $861,500 as a result of adding $19,000,000 form the close-out of the Comprehensive Grant Program to the Low Income Housing Program.

Table 3 - Revenue and Expenses by Fund for the Fiscal Year Ending June 30, 2003

	Revenue	Expenses
Conventional Public Housing (LIPH)	$ 21,637,341	$ 29,997,666
Section 8 Housing Choice Voucher Program	23,006,331	22,996,411
Section 8 Mod Rehab Program	427,736	414,971
Section 8 New and Substantial Rehab Program	5,377,238	5,139,977
Capital Fund Program (CFP)	8,060,296	1,112,027
Non-Aided (LHA) Other Business Activities	7,373,828	6,792,465
Public Housing Drug Elimination Program (PHDEP)	970,583	969,298
Resident Opportunity and Supportive Services	100,084	100,084
New Approach Anti-Drug Program	160,334	160,350
Shelter Plus Care	229,073	242,680
Totals	$ 67,342,844	$ 67,925,929

Revenue and Expenses Less Depreciation



The following table compares revenues and expenses for the current and previous fiscal year for all the Authority's programs. This table is similar to the revenue and expenses from the preceding pages; however, depreciation expenses were eliminated and capital outlays were included.

Table 4 - Statement of Revenues and Expenses Less Depreciation Expense for Fiscal Year Ended June 30, 2003

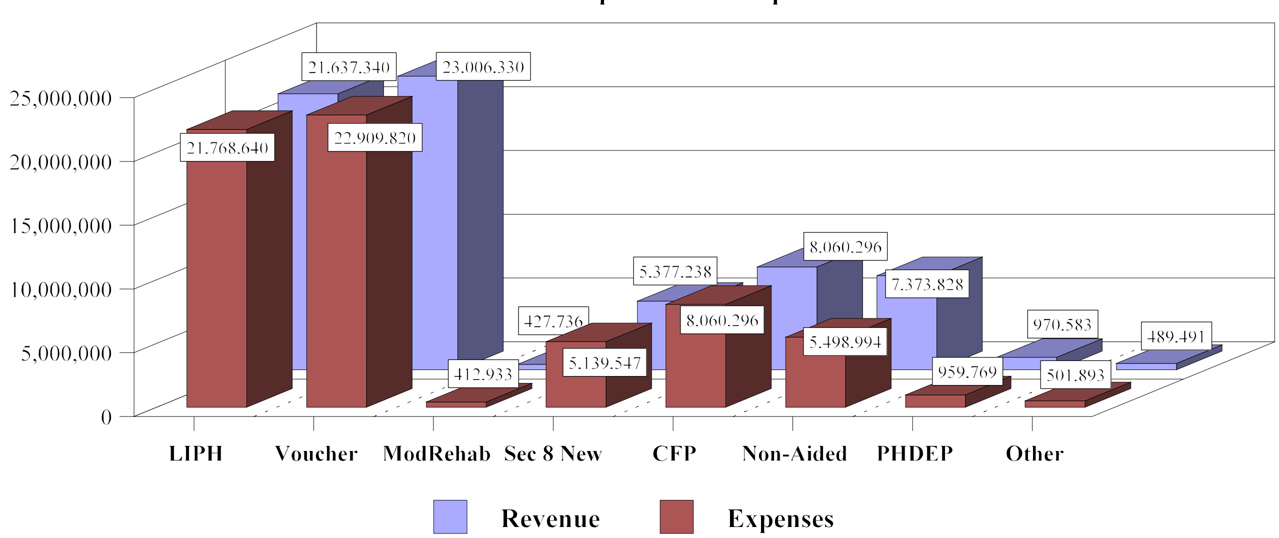
	FY 2003	FY 2002	Change
Revenues			
Tenant Revenue - Rents/Other	$ 10,879,948	$ 10,749,849	$ 130,099
Operating Subsidy and Grants	52,786,416	52,626,849	159,567
Other Governmental Grants	424,343	0	424,343
Investment Income - Unrestricted	337,206	667,602	(330,396)
Other Revenues	2,914,929	1,984,918	930,011
Investment Income - Restricted	0	21,996	(21,996)
Total Revenues	67,342,842	66,051,214	1,291,628
Expenses			
Operating Expenses			
Administrative	11,028,358	11,252,564	(224,206)
Tenant Services	1,532,759	1,211,541	321,218
Utilities	4,459,197	4,329,253	129,944
Maintenance/Security	12,892,212	12,973,414	(81,202)
Other General Expenses	1,448,354	1,202,566	245,788
Interest Expense	847,841	870,852	(23,011)
Total Operating Expenses	32,208,721	31,840,190	368,531
Other Expenses			
Capital Outlays	6,948,269	8,620,152	(1,671,883)
Extraordinary Maintenance	20,304	142,147	(121,843)
Casualty Losses	33,780	115,890	(82,110)
Housing Assistance	26,048,000	24,827,153	1,220,847
Depreciation Expense	9,615,124	8,753,619	861,505
Total Other Expenses	42,665,477	42,458,961	206,516
Total Expenses	74,874,198	74,299,151	575,047
Net Income (Deficit)	(7,531,356)	(8,247,937)	716,581
Plus Depreciation Add Back	9,615,124	8,753,619	861,505
Net Income (Deficit) Less Depreciation	$ 2,083,768	$ 505,682	$ 1,578,086

The following table and chart depict the revenues and expenses for fiscal year 2003 less depreciation expenses plus capital outlays.

Table 5 - Revenue and Expenses by Fund for the Fiscal Year Ended June 30, 2003

	Revenue	Expenses
Conventional Public Housing (LIPH)	$ 21,637,341	$ 21,768,639
Section 8 Housing Choice Voucher Program	23,006,331	22,909,821
Section 8 Mod Rehab Program	427,736	412,933
Section 8 New and Substantial Rehab Program	5,377,238	5,139,547
Capital Fund Program (CFP)	8,060,296	8,060,296
Non-Aided (LHA)/Other Business Activities	7,373,828	5,498,994
Public Housing Drug Elimination Program (PHDEP)	970,583	959,769
Resident Opportunity and Supportive Services	100,084	98,863
New Approach Anti-Drug Program	160,334	160,350
Shelter Plus Care	229,073	242,680
Totals	$ 67,342,844	$ 65,251,892

Revenue and Expenses Less Depreciation



Capital Assets

During fiscal year 2003, the change in capital assets amounted to $(2,455,053). The following table represents the changes in the asset accounts by category as follows:

Table 6 - Capital Assets at Year End (Net of Depreciation) for Fiscal Year Ended June 30, 2003

	2003	2002	Change
Land	$ 25,568,588	$ 25,533,606	$ 34,982
Buildings	242,865,537	223,287,264	19,578,273
Equipment	8,874,505	8,571,801	302,704
Accumulated Depreciation	(129,397,277)	(120,419,012)	(8,978,265)
Construction in Progress	18,725,849	32,118,596	(13,392,747)
Totals	$166,637,202	$169,092,255	$ (2,455,053)

- Buildings increased by $19,578,273 as the result of the transfer of the Comprehensive Grant Programs to the Low Income Housing Program. As the grants are closed, the building/equipment lines are increased. A corresponding decrease in the Construction in Progress is realized.

- The accumulated depreciation change of $(8,978,265) represents the current year depreciation for the $251,740,042 buildings and equipment and equipment deletion.

- Construction in Progress decreased by $13,392,747. However, this total represents the net between the transfers to the Low Income Housing Program and the additional capital expenditures through the capital grants. Transfers out of the Comprehensive Grant Program totaled $19,722,777 and new construction in the Capital Grants Program increased by $6,330,030. The additions represent costs associated with the rehab at several scattered sites and at Joy Park Homes.

Debt

The change in outstanding debt from fiscal year 2002 to fiscal year 2003 represents the principal payments made throughout the year. There was no additional debt acquired during fiscal year 2003. The first mortgage for the Wilbeth Arlington Homes was paid off during fiscal year 2003. The loan, in the amount of $4,790,881 was purchased by the LHA program.

Table 7 - Outstanding Debt at Year End

	2003	2004
Outstanding Debt	$ 13,496,800	$ 19,416,541
Less Current Portion	(828,148)	(1,031,616)
Total	$ 12,668,652	$ 18,384,925

Unrestricted Net Assets

The following table shows the changes in unrestricted net assets for the fiscal year ended June 30, 2003.

Table 8 - Change in Unrestricted Net Assets

Unrestricted Net Assets at 6/30/2002	$ 20,137,080
Results of Operations	(7,028,949)
Adjustments:	
Depreciation (1)	9,615,124
Adjusted Results from Operations	2,586,175
Capital Expenditures	(6,330,030)
Unrestricted Net Assets at 6/30/2003	$ 16,393,225

(1) Depreciation is treated as an expense and reduces the results of the operations, but does not have an impact on unrestricted net assets.

Budget Analysis

The following table indicates the income expense and budget for the significant HUD programs.

Table 9 - Income Expense and Budget for HUD Programs

	Low Income Housing	Other	Section 8 Voucher-M/R	Section 8 N/C-S/R	Total	Budget	Variance
Operating Income							
Dwelling Rente/HAP	$ 6,273,077	$ 1,280,294	$ 0	$ 0	$ 7,553,371	$ 7,923,416	$ (370,045)
Other Income	361,559	1,788,365	345	337,052	2,487,321	2,347,302	140,019
Interest Income	77,760	269,425	0	33,550	380,735	569,366	(188,631)
Subsidy/Admin Fees	14,497,102	0	2,483,310	0	16,980,412	16,515,494	464,918
Total Operating Income	21,209,498	3,338,084	2,483,655	370,602	27,401,839	27,355,578	46,261
Operating Expenses							
Admin Salaries	3,088,003	518,217	1,041,833	47,109	4,695,162	4,883,011	(187,849)
Other Admin	1,628,228	415,871	503,897	55,717	2,603,713	2,365,250	238,463
Tenant Services	206,794	11,520	83,965	0	302,279	378,565	(76,286)
Utilities	3,831,943	310,113	0	0	4,142,056	4,239,000	(96,944)
Maintenance/Labor	4,443,457	241,436	0	0	4,684,893	4,841,530	(156,637)
Maintenance/Material	1,204,095	98,300	4,883	0	1,307,278	945,925	361,353
Maintenance/Contracts	1,575,093	374,145	152,771	28	2,102,037	1,631,672	470,365
Protective Services	634,686	63,887	26,107	0	724,680	712,220	12,460
Insurance	608,449	30,786	53,689	271	693,195	547,051	146,144
Pilot	211,488	0	0	0	211,488	289,581	(78,093)
Employee Benefits	3,778,689	367,695	526,908	20,621	4,693,913	5,355,850	(661,937)
Collection Loss	178,230	367	(15,662)	0	162,935	170,000	(7,065)
Interest Expense	0	276,656	0	0	276,656	364,107	(87,451)
Other Expenses	10,149	1,108	5	0	11,262	13,375	(2,113)
Extraordinary Maintenance	1,430	18,874	0	0	20,304	140,000	(119,696)
Casualty Losses	33,780	0	0	0	33,780	0	33,780
Prior Year Adjustment	(253,776)	(34,234)	(98,494)	(1,409)	(387,913)	0	(387,913)
Total Operating Expenses	21,180,738	2,694,741	2,279,902	122,337	26,277,718	26,877,137	(599,419)

Budgetary Highlights

Operating Income
Dwelling rent for the year was under budget by $370,000 due primarily to the annual increase in the utility allowances. Interest income was budgeted at a rate of 2.5 percent, but throughout the year the actual yield ranged from 2.04 percent to 1.00 percent.

Administrative fees earned from the Housing Choice Voucher Program exceeded the budget projection by $265,000 as a result of a significant increase in voucher utilization.

Other income earned from the Other Business Program exceeded the budget by $62,000 for fees earned as Contract Administrator.

Operating Expenses
Overall expenses were under budget by $600,000. This variance was a result of several factors:

- Prior year adjustments in excess of $500,000 was realized as a result of overpayments on health insurance premiums during 2001 and 2002.
- The current year employee benefits also netted a reduction of nearly $500,000 in health care costs.
- Employee retirement costs were approximately $100,000 under budget due to the administrative salaries being under budget by nearly $188,000.
- Extraordinary maintenance costs are under budget by $120,000 as the proposed work projects planned were not completed.
- Other administrative costs were over budget due to unplanned increases in postage/telephone and legal fees throughout the year.
- Maintenance material and contracts were over budget due to significant increases in assessments for street paving. Also, as a result in an analysis of the warehouse inventory, the allowance for obsolete inventory increased by $75,000.
- Insurance costs increased by 30 percent over the previous year with a net result of $146,000 over the budget.

Economic Factors and 2004 Budgets

The preparation of the fiscal year 2004 was prepared with several significant economic factors anticipated.

- The U.S. Department of Housing and Urban Development historically has funded the Authority at, or near, 100 percent of the required operating subsidy funding. During fiscal year 2004, HUD has cut this funding by 7 percent, resulting in revenue reduction of $1,064,314.

- The Drug Elimination Grant Program, which has been funded by HUD in the amount of $1,160,000 annually, also has been eliminated. With this program being discontinued, the security budget has been reduced by $491,000.

- Interest rates continue to fall, resulting in a reduction of interest income.

- Revenue earned from the Local Housing Authority's Contract Administration Department has been reduced from $738,000 to $545,000 due to the transfer of 30 percent of the contracts to another housing authority.

- Health insurance premiums increased by 21 percent over the 2003 levels, resulting in a $461,800 increase. However, after the budget was prepared, it was discovered that the Agency had been overcharged monthly premiums by $1,030,000 over a 3 year period. During the 4th quarter 2003, credits in the amount of $500,000 were taken, and as of June 30, 2003, a receivable in the amount of $530,000 was booked.

- Property and liability insurance have increased by $333,000.

- The Authority purchased the Wilbeth Arlington Homes mortgage as an investment from Fannie Mae in the amount of $4,752,672. The mortgage has been modified to permit a 6 percent yield, which will significantly increase the amount of interest income earned.

- Secured a replacement Letter of Credit for the $6,190,000 of bonds with Fifth Third Bank, to avoid the doubling of fees requested by U.S. Bank.

With these events factored into the fiscal year 2004 budget, it has become necessary for the Authority to make significant reductions in expense lines, such as maintenance materials/contracts, training, and other administrative costs. With these reductions, the Authority is still committed to maintaining the housing standards and commitment to the residents it houses.

This financial report is designed to provide a general overview of the finances of the Akron Metropolitan Housing Authority for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, Akron Metropolitan Housing Authority, 100 West Cedar Street, Akron, Ohio 44307.

Respectfully submitted,

Anthony W. O'Leary
Executive Director

AKRON METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
PROPRIETARY FUND TYPE
JUNE 30, 2003

ASSETS	
Current Assets	
Cash and Cash Equivalents (Note 3)	$ 14,568,703
Cash with Fiscal Agent	1,497,394
Investments	592,773
Accounts Receivable, Net of Allowance for Doubtful Accounts of $6,318	3,254,785
Inventory - Net of Allowance for Obsolete Inventory of $75,100	504,817
Deferred Charges and Other Assets	1,598,196
Total Current Assets	22,016,668
Noncurrent Assets	
Notes and Mortgage Receivable	1,070,986
Land, Structure and Equipment, Net of Accumulated Depreciation of $129,397,277	166,637,202
Total Noncurrent Assets	167,708,188
TOTAL ASSETS	$ 189,724,856
LIABILITIES	
Current Liabilities	
Accounts Payable	$ 1,897,396
Intergovernmental Payables	185,345
Accrued Interest	44,519
Accrued Wages/Payroll	860,558
Accrued Compensated Liabilities - Current Portion	588,348
Security Deposits	412,762
Deferred Credits and Other Liabilities	1,270,416
Current Portion of Long-Term Debt	828,148
Total Current Liabilities	6,087,492
Non-Current Liabilities	
Compensated Absences, Net of Current Portion	854,971
Long-Term Debt, Net of Current Portion (Note 5)	12,668,652
Other Non-Current Liabilities	580,114
Total Non-Current Liabilities	14,103,737
TOTAL LIABILITIES	$ 20,191,229
NET ASSETS	
Investment in Capital Assets, Net of Accumulated Depreciation, Net of Related Debt	$ 153,140,402
Unrestricted Net Assets	16,393,225
TOTAL NET ASSETS	$ 169,533,627

See accompanying notes to the basic financial statements.

AKRON METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

OPERATING REVENUE	
Net Tenant Rental	$ 10,786,834
Tenant Revenue Other	93,114
Subsidies and Grants from HUD	52,786,416
Other Intergovernmental Grants	424,343
Investment Income	337,210
Other	2,914,927
Total Operating Revenue	67,342,844
OPERATING EXPENSES	
Administrative	11,028,358
Tenant Services	1,532,759
Utilities	4,459,197
Ordinary Maintenance and Operation	11,071,323
General Expenses	1,448,354
Non-Routine Maintenance	20,304
Protective Services	1,820,889
Housing Assistance Payments	26,048,000
Depreciation and Amortization	9,615,124
Interest Expense	847,841
Casualty Loss	33,780
Total Operating Expenses	67,925,929
Net Operating Income (Loss)	(583,085)
OTHER INCOME (EXPENSE)	
Loss from Disposition of Equipment and Real Property	(316,262)
Change in Net Assets	(899,347)
Net Asset, Beginning of Year	170,289,468
Prior Period Adjustments	143,506
Net Assets, End of Year	$ 169,533,627

See accompanying notes to the basic financial statements.

AKRON METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from HUD	$ 53,026,262
Cash Received from Other Government	424,343
Cash Received from Tenants and Other	14,617,956
Cash Received from Interest Revenue	260,676
Cash Payments for Housing Assistance Payments	(29,159,305)
Cash Payments for Administrative	(11,619,428)
Cash Payments for Ordinary Maintenance	(11,036,906)
Cash Payments for Other Operating Expenses	(11,075,147)
Net Cash Provided (Used) by Operating Activities	5,438,451
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Retirement of Mortgage Payable	(5,919,741)
Acquisition and Construction of Capital Assets	(7,936,621)
Proceeds From Sale of Equipment	4,518
Contributions From Partners	178,712
Net Cash Provided (Used) by Capital and Other Related Financing Activities	(13,673,132)
CASH FLOWS FROM INVESTING ACTIVITIES	
Sale of Notes Receivable	422,793
Change in Cash and Cash Equivalents	(7,811,888)
Cash and Cash Equivalents, Beginning of Year	24,470,758
Cash and Cash Equivalents, End of Year	$ 16,658,870
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating Loss	$ (583,085)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation and Amortization	9,615,124
Increase (Decrease) in Operating Assets and Liabilities:	
Accounts Receivable - HUD	239,846
Accounts Receivable - Tenant and Other	823,081
Accrued Interest	(76,534)
Inventory	117,015
Deferred Charges and Other Assets	(82,598)
Accounts Payable - HUD	(3,111,305)
Accounts Payable - Other	(760,317)
Accrued Payroll and Compensated Absences	169,247
Deferred Revenues	(912,023)
Total Adjustment	6,021,536
Net Cash Provided (Used) by Operating Activities	$ 5,438,451

See accompanying notes to the basic financial statements.

NOTE 1: **DEFINITION OF THE ENTITY**

Akron Metropolitan Housing Authority (AMHA or the Authority) is a political subdivision organized under the laws of the State of Ohio. The Authority is responsible for operating certain low-income housing programs in Summit County under programs administered by the U.S. Department of Housing and Urban Development (HUD). These programs provide housing for eligible families under the United States Housing Act of 1937, as amended.

The Authority's basic financial statements include all programs, agencies, boards, commissions, and departments for which the Authority is financially accountable. Financial accountability, as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity", exists if the Authority appoints a voting majority of an organization's governing board and the Authority is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the Authority. The Authority may also be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the Authority. The Authority also took into consideration other organizations for which the nature and significance of their relationship with the Authority are such that exclusion would cause the Authority's basic financial statements to be misleading or incomplete. Based upon the foregoing criteria, the Authority has no component units.

The accompanying basic financial statements include all programs and department of the Authority as well as the accounts of Rosemary Square, Inc. (Rosemary Square) and Wilbeth Arlington Home Limited Partnership. Rosemary Square is a not-for-profit entity acquired by the Authority during the year ended June 30, 1996, which provides housing and related facilities and services for elderly families and persons and families of low income. Wilbeth Arlington Home Limited Partnership is organized for the purpose of constructing, purchasing, rehabilitating and operating low-income multifamily housing (as described in Note 11).

HUD requires all grantee agencies and authorities to maintain a separate ledger for each grant/granting contract. Accordingly, the Authority maintains a separate ledger for each of the following programs/grants:

NOTE 1: **DEFINITION OF THE ENTITY** (Continued)

A. **Annual Contributions Contract (ACC) C-959** - The following programs are operated under the contract:

Low Rent Housing Program - Under this program, which is sponsored by HUD, the Authority manages approximately 4,600 public housing units which are owned by the Authority. The Authority operates the program with the proceeds of rentals received from tenants and contributions and subsidies received from HUD under contractual agreement.

Comprehensive Grant Programs (Modernization and Development) - HUD funding of modernization and development programs through September 30, 1986 was accomplished through project notes; after that time, HUD funding was accomplished through grants. Comprehensive Grant Programs were replaced by Public Housing Capital Fund Program in 2003.

Public Housing Capital Fund Programs - Under this program, the Authority receives assistance to carry out capital, including modernization and development of public housing, and management improvement activities.

Drug Grant - Under this program, the Authority received drug grant funds from HUD for the purpose of eliminating illegal from its housing projects.

Service Coordinator Grant - Under this program, the Authority receives service coordinator funds from HUD for the purpose of providing elderly and disabled individuals with services to increase their independent living.

B. **ACC C-10003** - Housing Assistance Program (HAP) - Under this HUD Section 8 Program, the Authority contracts with private landlords and subsidizes the rental of approximately 3,800 public housing dwelling units. Under this program, HAP payments are made to the landlord on behalf of the tenant for the difference between the contract rent amount and the amount the tenant is able to pay.

Shelter Plus Care Grant - Under this grant, the Authority receives money for the purpose of providing housing for those individuals who have contracted the AIDS virus, recovering drug addicts, and individuals who have been homeless for an excessive amount of time.

NOTE 1: **DEFINITION OF THE ENTITY** (Continued)

C. **Non-Aided** - HAP Program - Under this HUD Section 8 Program, the Authority receives rental subsidies for approximately 210 owned public housing dwelling units. As with the HAP above, payments are received by the Authority from HUD for the difference between the contract rent amount and the amount the tenant is able to pay.

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. **Basis of Presentation**

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (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.

In accordance with GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting", the Authority has elected to apply the provisions of Statements and Interpretations of the Financial Accounting Standards Board issued after November 30, 1989 that do not conflict with GASB pronouncements. The Authority will continue applying all applicable pronouncements issued by the Governmental Accounting Standards Board.

The Authority's basic financial statements consist of a statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows.

The Authority uses a single enterprise fund to maintain its financial records on an accrual basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Enterprise fund reporting focuses on the determination of the change in net assets, financial position, and cash flows. An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods and services.

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

B. **Measurement Focus and Basis of Accounting**

The enterprise fund is accounted for on a flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of the Authority are included on the statement of net assets. The statement of changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Authority finances and meets the cash flow needs of its enterprise activity.

Proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's enterprise fund are charges to tenants for rent and operating subsidies from HUD. Operating expenses for the enterprise fund include the costs of facility maintenance, housing assistance payments, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. **Cash and Investments**

Cash and cash equivalents include investments with original maturities of three months or less. Cash equivalents are carried at fair value. Investments with an initial maturity of more than three months are reported as investments.

D. **Land, Structures, and Equipment**

Land, structures, and equipment are capitalized at cost. Structures and equipment are depreciated over the estimated useful lives of the assets using the straight-line method. Buildings are depreciated over 40 years and equipment is depreciated over 3 to 5 years. All items in excess of $500 and appliances are capitalized by the Authority.

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

E. **Compensated Absences**

The Authority reports compensated absences in accordance with the provision of GASB Statement No. 16, *Accounting for Compensated Absences*. Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Authority will compensate the employees for the benefits through paid time off or some other means. The Authority records a liability for accumulated unused vacation time when earned for all employees.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the Authority's past experience of making termination payments.

The entire compensated absence liability is reported as fund liability. The current portion of compensated liability is included in accrued liabilities in the basic financial statements.

F. **Debt Obligations**

Debt obligations (and the related debt service requirements) of the Authority consist of mortgages and a note for the purchase of real property. HUD-guaranteed debt is treated as contributed capital as all debt service requirements are paid directly by HUD.

G. **Interprogram Balances**

Receivables and payables resulting from short-term interprogram loans are classified as "Inter-program Due from/to" in respective program financial statements. These amounts are eliminated in the Authority's statement of net assets in the basic financial statements.

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

H. **Recognition of Revenues and Expenses**

Contributions and subsidies received from HUD are generally recognized as revenues in the Annual Contributions Contract year, except for HAP payments received under the Non-Aided Program which are recognized as dwelling rental revenue when earned. Tenant rentals are recognized as revenues in the month of occupancy. Contributions under the Comprehensive Grant Program (CGP) are recognized as revenues in the period in which expenses related to CGP projects were incurred. Rentals and grants received in advance of the period in which they are recognized are recorded as deferred revenue.

Expenses are recognized on an accrual basis, in accordance with GAAP.

I. **Indirect Costs**

Certain indirect costs are allocated to the various programs under a HUD approved indirect cost allocation plan.

J. **Inventory**

Inventory is valued using an average costing method. Expense is recorded based upon consumption.

K. **Budgetary Accounting**

The Authority annually prepares its budget as prescribed by the Department of Housing and Urban Development. This budget is adopted by the Board at the Housing Authority and then submitted to the Department of Housing and Urban Development.

L. **Use of Estimates**

The preparation of the consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

M. **Changes in Accounting Principles**

Effective July 1, 2002, the Authority adopted the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* as amended by GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Disclosures*.

GASB Statement No. 34 establishes financial reporting standards for all state and local governments and related entities. GASB Statement No. 34 primarily relates to presentation and disclosure requirements. The impact of this accounting change was related to the format of the financial statements, presentation of net assets, the inclusion of Management's Discussion and Analysis, additional disclosures for capital assets, and the preparation of the statements of cash flows on the direct method.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the MD&A, the classification of program revenues, and the criteria for determining major funds. GASB Statement No. 38 modifies, establishes, and rescinds certain financial statement note disclosures. There was no impact on prior year net assets.

NOTE 3: **DEPOSITS AND INVESTMENTS**

Legal and Other Requirements - The investment and deposit of Authority monies are governed by the provisions of the Ohio Revised Code and the Authority's written investment policy. Only banks located in Ohio and domestic building and loan associations are eligible to hold public deposits. The Authority is also generally permitted to invest its monies in certificates of deposit, savings accounts, money market accounts, certain highly rated commercial paper, the State Treasurer's investment pool (STAROhio), and obligations of certain political subdivisions of Ohio, and the United States government and its agencies. These investments must mature within five years of their purchase. The Authority may also enter into repurchase agreements with any eligible depository or any eligible dealer for a period not exceeding thirty days.

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

Public depositories must give security for all public funds on deposit. HUD requires specific collateral on individual accounts in excess of amounts insured by the Federal Deposit Insurance Corporation. Repurchase agreements must be secured by the specific qualifying securities upon which the repurchase agreements are based. These securities must mature or be redeemable within five years of the date of the related repurchase agreement. The market value of the securities subject to a repurchase agreement must exceed the value of the principal by 2 percent and be marked to market daily. State law does not require security for public deposits and investments to be maintained in the Authority's name.

The Authority is prohibited from investing in any financial instruments, contracts, or obligations whose value or return is based upon or linked to another asset or index, or both, separate from the financial instrument, contract, or obligation itself (commonly known as a derivative). The Authority is also prohibited from investing in reverse purchase agreements.

Governmental Accounting Standards Board Statement No. 3 (GASB No. 3) has established custodial credit risk categories for deposits and investments as follows:

Deposits

Category 1 Insured or collateralized with securities held by the Authority or by its agent in the Authority's name.

Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name.

Category 3 Uncollateralized as defined by the GASB (securities pledged with the pledging financial institution's trust department or agent, but not in the Authority's name).

Investments

Category 1 Insured or registered, or securities held by the Authority or its agent in the Authority's name.

Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Authority's name.

Category 3 Uninsured and unregistered, with securities held by the counterparty by its trust department or agent but not in the Authority's name.

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

Cash on Hand

At fiscal year end, the Authority had $2,840 in undeposited cash on hand, which is included on the statement of net assets as part of "Cash and Cash Equivalents".

Deposits - At year-end, the carrying amount of the Authority's deposits was $819,572 and the bank balance was $1,269,039 the difference representing outstanding checks and other in-transit items. $144,123 of the bank balance was covered by federal depository insurance. The remainder was uninsured and uncollateralized, but were covered by a pledged collateral pool, as allowed by State law.

Investments - The Authority's investments are categorized below to give an indication of the level of custodial credit risk assumed by the entity at year-end. The risk categories were described previously in this footnote.

Category		Cost	Fair Value
3	Repurchase Agreement	$ 14,339,064	$ 14,339,064
Totals		$ 14,339,064	$ 14,339,064

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classification of cash and investments on the basic financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement 9	$ 16,066,097	$ 592,773
Cash With Fiscal Agent	(1,497,394)	0
Petty Cash	(2,840)	0
Part of Pool:		
Repurchase Agreement	(14,339,064)	14,339,064
Certificate of Deposit	592,773	(592,773)
GASB Statement 3	$ 819,572	$ 14,339,064

NOTE 4: CAPITAL ASSETS

A summary of capital assets at June 30, 2003 by class is as follows:

	Balance 6/30/2002	Additions	Reductions	Balance 6/30/2003
Capital Assets, Not Being Depreciated				
Land	$ 25,533,606	$ 34,982	$ 0	$ 25,568,588
Construction in Progress	32,118,596	6,330,030	(19,722,777)	18,725,849
Total Capital Assets, not being depreciated	57,652,202	6,365,012	(19,722,777)	44,294,437
Capital Assets, being depreciated				
Buildings and Buildings Improvements	223,287,264	20,293,347	(715,074)	242,865,537
Furniture, Equipment, and Machinery -				
Dwelling	3,818,196	20,690	(698,335)	3,140,551
Administration	4,753,605	980,349	0	5,733,954
Capital Assets, being depreciated	231,859,065	21,294,386	(1,413,409)	251,740,042
Less Accumulated Depreciation	(120,419,012)	(9,615,124)	636,859	(129,397,277)
Total Capital Assets being depreciated, Net	111,440,053	11,679,262	(776,550)	122,342,765
Total Capital Assets, Net	$ 169,092,255	$ 18,044,274	$ (20,499,327)	$ 166,637,202

NOTE 5: LONG-TERM OBLIGATIONS

Changes in the Authority's long-term obligations during fiscal year 2003 are as follows:

	Balance at 6/30/02	Additions	Deletions	Balance at 6/30/03	Due Within One Year
General Long-Term Obligations					
Midtown Note, 4/1/2000 5.81%, $1,700,000	$ 1,529,083	$ 0	$ (86,780)	$ 1,442,303	$ 88,396
Central Office Mortgage, 4/1/1998 Variable, $6,855,000	6,370,000	0	(180,000)	6,190,000	185,000
Non-Aided Mortgages, 7/1/1999 4.99%, $2,910,225	2,298,605	0	(230,999)	2,067,606	242,793
Rosemary Square Mortgage, 6/1/1996 7%, $3,598,421	2,929,890	0	(134,041)	2,795,849	153,268
Wilbeth-Bridge Loan, 12/30/1999 2%, $1,500,000	1,156,622	0	(155,580)	1,001,042	158,691
Wilbeth-First Mortgage, 9/9/1991 10.08%, $7,800,000	5,132,341	0	(5,132,341)	0	0
Total General Long-Term Obligations	19,416,541	0	(5,919,741)	13,496,800	828,148
Compensated Absences	1,439,303	4,016	0	1,443,319	588,348
Total Long-Term Obligations	$20,855,844	$ 4,016	$(5,919,741)	$14,940,119	$ 1,416,496

NOTE 5: **LONG-TERM OBLIGATIONS** (Continued)

On April 1, 2000, the Authority issued a general obligation promissory note in the amount of $1,700,000. The proceeds of the note were used for the purchase of real property, a building, and all building improvements from the Midtown Partners Limited Partnership. The note, due to First Merit Bank, N.A., is payable in monthly installments of $14,172 from April 1, 2000 to March 1, 2005. Interest is payable monthly at a rate of 5.81 percent. The mortgage will be repaid from the Non-Aided program.

On April 1, 1998, the Authority obtained a mortgage of $6,855,000 at a variable rate of interest based on the weekly interest rate for such one-week period as defined in the loan agreement. At June 30, 2003, the interest rate in effect was 1.05 percent, which was utilized in the calculation of future debt service requirements. The mortgage was for the construction and furnishing of the Authority's central office building, and will be repaid from the Non-Aided program.

On July 1, 1999, the Authority obtained mortgages in the amount of $2,910,225 at an interest rate of 4.99 percent for Akron 73, Akron 14, Hilltop House, and Thornton facilities. These mortgages will be repaid from the Non-Aided program.

As of June 1, 1996, the Authority purchased Rosemary Square. As part of this purchase, the Authority assumed Rosemary Square's HUD insured mortgage which has a stated interest rate of 7 percent. The mortgage was structured under Section 236 of the National Housing Act, as amended, and provides for a HUD subsidy representing a reduction of the mortgage principal and interest payments, thereby reducing the effective rate of interest on the mortgage to 1 percent. In connection with the accounting for the purchase, the Authority recorded Rosemary Square's HUD insured mortgage (net of the HUD subsidy) by the Authority's estimated, incremental borrowing rate of 8.25 percent at the date of the acquisition. The difference between the estimated fair value of the debt and its remaining stated balance at the date of the acquisition is being amortized to interest expense using the constant effective yield method. Principal and interest payments will be made from Rosemary Square's accounts in the Non-Aided program.

NOTE 5: **LONG-TERM OBLIGATIONS** (Continued)

On December 30, 1999, Wilbeth Arlington Limited Partnership obtained a bridge loan payable to Ohio Housing Financing Agency in an amount of $1,500,000, at an interest rate of 2 percent. This loan will be repaid from Wilbeth Arlington Limited Partnership in the Non-Aided program.

In 1991, the Authority executed an in-substance defeasance of certain debt relating to the Authority's Wilbeth Arlington facilities by obtaining a mortgage loan on the property. Certain of the proceeds of the $7,800,000 , mortgage along with a portion of the escrow funds which had previously been established for the defeased debt were used to purchase U. S. Treasury securities in the amount of $8,956,618. These securities were placed on deposit with a trustee bank to effect the defeasance. Accordingly, the deposits with the trustee bank and the defeased debt are not included in the Authority's basic financial statements. The remaining funds received by the Authority as a result of the defeasance are restricted by HUD to be used for rehabilitation and/or development of housing stock and are classified as Note Receivable on the accompanying balance sheet. On June 30, 2003, a loan in the amount of $4,705,615 was provided by the Authority's Non-Aided program to Wilbeth Arlington Homes Limited Partnership to retire the outstanding principal balance of the refunding mortgage. The loan bears an annual interest rate of 6.00 percent. This interprogram loan was eliminated in the basic financial statements.

Compensated absences liability will be paid from the programs where employee salaries were paid.

The following is a summary of the Authority's future debt service requirements for mortgages payable as of June 30, 2003:

For the Year Ended June 30	Principal	Interest	Total Payments
2004	$ 828,148	$ 454,023	$ 1,282,171
2005	870,072	420,157	1,290,229
2006	913,811	384,370	1,298,181
2007	959,468	346,561	1,306,029
2008	1,012,168	306,603	1,318,771
2009-2013	4,138,985	935,266	5,074,251
2014-2018	4,774,148	217,286	4,991,434
Total	$13,496,800	$ 3,064,266	$16,561,066

NOTE 6: **COMPENSATED ABSENCES**

Sick leave is earned at a rate of 4.6 hours for each 80 hours worked and up to 960 hours of accumulated, unused sick leave is paid upon retirement.

Vacation leave is earned at a rate ranging from 8 hours to 16.66 hours per month based upon years of service. Vacation time may be carried over from year to year up to two years, maximum of 96 hours. Accumulated, unused vacation time is due and payable to employees upon separation from the Authority.

NOTE 7: **DEFINED BENEFIT PENSION PLANS**

All of the Authority's full-time employees participate in a retirement system which are cost-sharing, multiple-employer defined benefit pension plans.

A. **Ohio Public Employees Retirement System (OPERS)**

The following information was provided by OPERS to assist the Authority in complying with GASB Statement No. 27, *Accounting for Pensions of State and Local Government Employees*.

The Authority contributes to the OPERS, a cost-sharing, multiple-employer defined benefit pension plan. OPERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements and required supplementary information for OPERS. That report may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5 percent. The 2002-2003 employer contribution rate for local government employer units was 13.55 percent of covered payroll. The Authority's contributions to the OPERS for the years ending June 30, 2003, 2002, and 2001 were $2,389,456, $2,331,044, and $1,915,341, respectively, which were equal to the required contributions for each year.

NOTE 7: **DEFINED BENEFIT PENSION PLANS** (Continued)

A. **Ohio Public Employees Retirement System (OPERS)** (Continued)

The OPERS provides postemployment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the OPERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the OPERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The portion of the 2002-2003 employer contribution rate that was used to fund health care was 5 percent of covered payroll, which amounted to $881,718.

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the System's latest actuarial review performed as of December 31, 2001. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2001 was 8.0 percent. An annual increase of 4.0 percent compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0 percent base increase, were assumed to range from 0.50 percent to 6.3 percent. Health care costs were assumed to increase 4.0 percent annually.

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 402,041. The actuarial value of OPERS' net assets available for OPEB at December 31, 2001 was $11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $16.4 billion and $4.8 billion, respectively.

NOTE 7: **DEFINED BENEFIT PENSION PLANS** (Continued)

B. **Other Postemployment Benefits**

The Ohio Public Employees Retirement System provides postretirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. For state employers the rate was 13.31 percent of covered payroll; 5 percent was the portion that was used to fund health care for the year. For local government employer units the rate was 13.55 percent of covered payroll; 5 percent was the portion that was used to fund health care for the year. The law enforcement employer rate was 16.70 percent and 5 percent was used to fund health care for the year.

A portion of each employer's contribution to OPERS is set aside for funding of postretirement healthcare. The ORC provides statutory authority requiring public employers to fund postretirement healthcare through their contributions to OPERS.

The portion of the employer contribution rate used to fund healthcare was 5.11 percent of covered payroll in each year prior to January 1, 1998. During 1997, OPERS adopted a new calculation methodology for determining employer contributions applied to OPEB. Under the new method, employer contributions equal to 5 percent of member covered payroll are set aside to fund healthcare expenses for 2003. Under the prior method, which was actuarially based, accrued liabilities and normal cost rates were computed to determine the amount of employer contributions necessary to fund OPEB. The Authority's total contributions to OPERS for postretirement benefits were $576,200, $490,096 and $466,859 for the years ended June 30, 2003, 2002 and 2001, respectively.

OPEB is financed through employer contributions and investment earnings thereon. The contributions allocated to retiree healthcare, along with investment income on allocated assets and periodic adjustments in healthcare provisions, are expected to be sufficient to sustain the program indefinitely.

NOTE 7: **DEFINED BENEFIT PENSION PLANS** (Continued)

B. **Other Postemployment Benefits** (Continued)

In December 2001, the Board adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of health care. The Choices plan will be offered to all persons newly hired under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

NOTE 8: **INSURANCE COVERAGE**

The Authority is covered for property damage, general liability, automobile liability, law enforcement liability, public officials liability other crime liabilities through membership in Ohio Housing Authority Property Casualty, Inc. (OHAPCI). OHAPCI is an insurance risk-sharing and purchasing pool comprised of four Ohio housing authorities (of which the Authority is one). Deductibles and coverage limits are summarized below:

	Deductible	Coverage Limits	
Property	$ 10,000	$ 50,000	(per location)
General Liability	5,000	5,000,000	
Automobile	500	1,000,000	
Law Enforcement	5,000	Included	
Public Officials	5,000	1,000,000	
Crime	1,000	1,000,000	
Pollution and Remediation Legal Liability	N/A	500,000	Per Loss (2,000,000 Aggregate)
Boiler and Machinery	1,000	50,000,000	

NOTE 8: **INSURANCE COVERAGE** (Continued)

Additionally, workers' compensation insurance is maintained through the State of Ohio Bureau of Workers' Compensation, in which rates are calculated retrospectively. The Authority is also fully insured through a premium payment plan with Medical Mutual of Ohio for employee health care benefits. Settled claims have not exceeded the Authority's insurance coverage in any of the past three years.

NOTE 9: **PAYMENTS IN LIEU OF TAXES**

The Authority has cooperation agreements with certain municipalities under which it makes payments in lieu of real estate taxes for various public services. Expense recognized for payments in lieu of taxes totaled $507,508 for the year ended June 30, 2003.

NOTE 10: **LITIGATION**

The Authority is party to various legal proceedings. In the opinion of the Authority, the ultimate disposition of these proceedings will not have a material adverse effect on the Authority's financial position. No provision has been made in the consolidated financial statements for the effect, if any, of such contingencies.

NOTE 11: **WILBETH ARLINGTON FACILITIES**

In December 1996, the Authority agreed to participate in a Low-Income Housing Tax Credit Program under Section 42(h)(1)(E) of the Internal Revenue Code. Under this program, the Authority's Wilbeth Arlington low income housing facilities, related escrow funds and first mortgage payable, and certain other assets and liabilities were transferred to a newly formed limited liability partnership for the purpose of the limited liability partnership realizing certain low-come housing tax credits available from the State of Ohio. The Authority retained ownership of the Wilbeth Arlington land and indirectly controls the general partner of the limited partnership through the appointment of the general partner's board of directors. The limited partners, which own 99 percent of the limited liability partnership, are composed of outside investors.

NOTE 11: **WILBETH ARLINGTON FACILITIES** (Continued)

The limited liability partnership has provided the Authority a $2.4 million second mortgage on the property and a $2.2 million unsecured promissory note, which are equal to the excess of the fair value of the property transferred over the outstanding balance of the first mortgage. The second mortgage is due on December 31, 2014 and bears interest at 6.80 percent annually. Interest payments are to be made only to the extent of available cash flow, as defined. The Authority has also guaranteed the repayment of the first mortgage which bears interest at 10.08 percent annually. On June 30, 2003 a loan in the amount of $4,705,615 at an interest rate of 6 percent was provided by the Authority's Non-Aided program to retire the outstanding balance of its first mortgage. The future debt service payments to the Authority's Non-Aided program is as follows:

Fiscal Year	Principal	Interest	Total
2004	$ 582,859	$ 265,251	$ 848,110
2005	578,962	231,616	810,578
2006	614,671	195,907	810,578
2007	652,582	157,996	810,578
2008	692,832	117,746	810,578
2009-2011	1,583,709	104,993	1,688,702
Total	$ 4,705,615	$ 1,073,509	$ 5,779,124

Prior to 2002, the Authority provided the limited liability partnership loans from its Non-Aided Program to provide funds for the rehabilitation of the facilities. Amounts loaned are secured by a third mortgage on the facilities, bear interest at an annual rate of 6.75 percent, have a maturity date of December 31, 2014 and are payable solely from available cash flow, as defined.

Because the Authority retained a substantial continuing involvement with the property subsequent to the transaction through its control of the general partner and guarantee of the first mortgage, the Authority has not recognized this transaction as a sale of the property in the accompanying basic financial statements. In addition, the second and third mortgages receivable along with the unsecured promissory note receivable have also not been recognized. Instead, amounts spent by the Authority to rehabilitate the facilities have been added to the carrying value of the facilities and the assets and liabilities of the Wilbeth Arlington facilities. These amounts are composed of the following:

NOTE 11: **WILBETH ARLINGTON FACILITIES** (Continued)

Assets	
Structures and Equipment, Net	$13,098,907
Accounts Receivable	208,621
Cash and Cash Equivalents	754,034
Investments	305,875
Deferred Changes and Other	281,063
Total Assets	$14,648,500
Liabilities	
First Mortgage Payable	$ 4,705,615
Bridge Loan	1,001,043
Accrued Liabilities	380,549
Total Liabilities	$ 6,087,207

The total revenues and expenses of the Wilbeth Arlington facilities for the year ended June 30, 2003 were as follows:

Operating Revenues	$ 2,380,794
Operating Expenditures	2,681,164
Operating Income (Loss)	(300,370)
Net Income (Loss)	$ (300,370)

NOTE 12: **PRIOR PERIOD ADJUSTMENTS**

Adjustments were made during the audit period to correct the various programs' equity balances. Some of the adjustments were to transfer completed capital assets from the Comprehensive Grant Program to the Low Rent Public Housing Program. Other adjustments were made to correct overpayment of health insurance premiums to Summit County during fiscal year 2002 and to write off uncollectible receivables from HUD for fraud accounts.

NOTE 13: **INTERPROGRAM TRANSACTIONS**

Interprogram balance at June 30, 2003 consists of the following receivables and payables:

	Due From	Due To
Business Activities	$ 96,480	$ 178,995
N/C S/R Section 8 Program	816,853	9,702
Shelter Plus Care	788	3,027
Low Rent Public Housing	377,072	146,270
Section 8 Rental Voucher Program	302,179	1,182,524
Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	1,395	105,356
Public Housing Capital Fund	34,407	3,300
Total	$ 1,629,174	$ 1,629,174

These interprogram Due From/Due To arise from allocation of wages and benefits, supplies, and other indirect costs. Those loans were repaid shortly after year end. Interprogram balances were eliminated in the statement of net assets.

NOTE 14: **CONSTRUCTION COMMITMENTS**

As of June 30, 2003, the Authority had the following significant contractual commitments:

Project	Amount
Renovations of Joy Park Homes	$ 395,732
Construction Management Services for Mold Abatement and Renovations	57,459
Phase VI Lead Paint Abatement and Rehabilitation	51,323
Phase VII Lead Paint Abatement and Rehabilitation	63,417
Repair/Replacement of Building Sprinkler System	121,500
Window Replacement	61,780
Total	$ 751,211

AKRON METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Funds Expended
From U.S. Department of HUD		
Direct Programs		
PHA Owned Housing:		
Public Housing Annual Contributions	14.850a	$ 14,500,602
Public Housing Drug Elimination Program	14.854	970,583
New Approach Anti-Drug Grants	14.868	160,334
Public Housing - Capital Grant Program	14.872	8,060,296
Shelter Plus Care	14.238	229,069
Resident Opportunity and Supportive Services	14.870	100,084
Total PHA Owned Housing		24,020,968
Section 8:		
Project Cluster		
Lower Income Housing Assistance Program - Section 8 - New Construction	14.182	5,350,892
Low Income Housing Assistance Program - Moderate Rehabilitation	14.856	426,202
Total Project Cluster		5,777,094
Housing Choice Vouchers	14.871	22,988,354
Total Section 8		28,765,448
TOTAL EXPENDITURES OF FEDERAL AWARDS		$52,786,416

AKRON METROPOLITAN HOUSING AUTHORITY
NOTES TO SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2003

NOTE 1: **REPORTING ENTITY**

The supplemental schedule of expenditures of federal awards includes the expenditures of all of the funds and departments of the Authority.

NOTE 2: **BASIS OF ACCOUNTING**

This schedule was prepared in accordance with accounting principles generally accepted in the United States of America.

AKRON METROPOLITAN HOUSING AUTHORITY
STATEMENT OF MODERNIZATION COSTS - COMPLETED
FOR THE TWELVE MONTHS ENDED JUNE 30, 2003

1. The total amount of Modernization Costs for these projects is shown below:

	Modernization Costs OH12R007501(99)	Modernization Costs OH12R007509(99)	Modernization Costs OH12P007501(00)
Funds Approved	$ 26,912	$ 12,698	$ 10,431,425
Funds Expended	26,912	12,698	10,431,425
Excess (Deficiency) of Funds Approved	$ 0	$ 0	$ 0
Funds Advanced	$ 26,912	$ 12,698	$ 10,431,425
Funds Expended	26,912	12,698	10,431,425
Excess (Deficiency) of Funds Advanced	$ 0	$ 0	$ 0

2. All development and modernization work in connection with these grants has been completed.

3. The entire actual development cost or liabilities incurred by the housing authority have been fully paid.

4. There are no discharged mechanics, laborers, contractors, or material-mens liens against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work.

5. The time in which such liens could be filed expired.

AKRON METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL COMBINING STATEMENT OF NET ASSETS - NON-AIDED
JUNE 30, 2003

	Akron 73	Hilltop House	Akron 14	Wilbeth Arlington	Thornton Terrace	Leased Properties	Rosemary Square	Administrative Center	Total
Assets									
Cash and Cash Equivalents	$ 0	$ 25	$ 0	$ 0	$ 0	$ 0	$ 39,339	$ 4,577,807	$ 4,617,171
Restricted Cash	0	0	0	0	0	0	0	2,826,353	2,826,353
Receivables:									
Tenant	5,979	0	0	0	(1,568)	0	12,549	(462)	16,498
Interprogram	0	0	0	0	0	0	0	87,203	87,203
Other	0	0	0	0	0	0	75	364,258	364,333
Interprogram Advances	(365,375)	2,785,631	74,298	(9,944,467)	1,101,895	1,863,256	(1,741,683)	6,226,445	0
Notes Receivable	0	0	0	0	0	0	0	625,000	625,000
Accrued Interest Receivable	0	0	0	0	0	0	0	160,578	160,578
Escrow Funds and Other Assets	0	0	0	0	0	0	484,893	1,171,252	1,656,145
Inventory	0	2,769	0	0	0	0	0	0	2,769
Noncurrent Escrow and Other Assets	3,217	2,158	801	0	1,966	0	0	129,346	137,488
Accumulated Depreciation	(901,712)	(1,253,523)	(385,490)	0	(656,019)	0	(4,198,957)	(1,413,556)	(8,809,257)
Land, Structures, and Equipment	2,607,124	2,233,218	717,615	0	1,332,773	8,315,580	5,892,539	17,181,919	38,280,768
Assets Subject to Sales Contract	0	0	0	14,640,500	0	0	0	0	14,640,500
Total Assets	$ 1,349,233	$ 3,770,278	$ 407,224	$ 4,696,033	$ 1,779,047	$10,178,836	$ 488,755	$31,936,143	$54,605,549
Liabilities									
Accounts Payable:									
Interprogram	$ 0	$ 0	$ 0	$ 49,706	$ 0	$ 0	$ 0	$ 129,289	$ 178,995
Other	23,116	9,552	6,616	0	10,900	0	236,186	702,567	988,937
Accrued Interest Payable and Other Liabilities	0	0	0	0	0	0	77,488	89,843	167,331
Noncurrent Compensated Absences	0	0	0	0	0	0	0	78,611	78,611
Deferred Credits	0	0	0	0	0	0	0	101,084	101,084
Notes and Mortgages Payable	572,676	310,189	142,573	0	799,375	0	2,551,824	7,358,906	11,735,543
Liabilities Related to Sales Contract	0	0	0	8,112,423	0	0	0	0	8,112,423
Total Liabilities	595,792	319,741	149,189	8,162,129	810,275	0	2,865,498	8,460,300	21,362,924
Net Assets	753,441	3,450,537	258,035	(3,466,096)	968,772	10,178,836	(2,376,743)	23,475,843	33,242,625
Total Liabilities and Net Assets	$ 1,349,233	$ 3,770,278	$ 407,224	$ 4,696,033	$ 1,779,047	$ 10,178,836	$ 488,755	$ 31,936,143	$ 54,605,549

AKRON METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL COMBINING STATEMENT OF ACTIVITIES - NON-AIDED
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Akron 73	Hilltop House	Akron 14	Wilbeth Arlington	Thornton Terrace	Rosemary Square	Administrative Center	Total
Operating Revenues								
Dwelling Rent	$ 367,843	$ 530,785	$ 89,695	$ 2,365,572	$ 249,975	$ 876,781	$ 41,996	$ 4,522,647
Non-Dwelling Rent	0	0	0	0	0	0	16,800	16,800
Excess Utility Charges	231	4,481	94	3,123	574	0	36	8,539
Interest on Investments	0	0	0	10,593	0	23,063	294,907	328,563
Other	3,512	3,958	0	1,506	0	6,564	2,503,042	2,518,582
Total Operating Revenues	371,586	539,224	89,789	2,380,794	250,549	906,408	2,856,781	7,395,131
Operating Expenses								
Administrative:								
Salaries	13,518	18,093	2,379	129,001	11,296	91,870	472,932	739,089
Fiscal Agent Fees	0	0	0	0	0	60,927	0	60,927
Other	2,967	3,044	161	229,541	2,129	62,723	407,570	708,135
Total Administrative	16,485	21,137	2,540	358,542	13,425	215,520	880,502	1,508,151
Tenant Services	0	0	0	40	0	0	11,520	11,560
Utilities	47,649	91,843	9,611	162,479	23,161	149,934	137,899	622,576
Ordinary Maintenance and Operation:								
Maintenance Labor	56,982	44,339	12,027	55,765	37,656	108,142	85,413	400,324
Maintenance Materials	25,377	12,658	3,673	56,689	23,324	140,438	38,285	300,444
Maintenance Contracts	27,179	22,028	3,588	278,943	32,655	82,699	288,694	735,786
Total Ordinary Maintenance and Operation	109,538	79,025	19,288	391,397	93,635	331,279	412,392	1,436,554
General Expenditures:								
Real Estate Taxes	0	0	0	163,110	0	6,105	246	169,461
Insurance	8,571	8,902	1,647	48,287	4,255	38,248	7,411	117,321
Terminal Leave	0	0	0	0	0	0	3,647	3,647
Employee Benefits	34,404	35,493	7,402	149,319	22,801	46,042	263,948	559,409
Collection Losses	(1,586)	0	(1,247)	73,436	21,298	0	(18,098)	73,803
Other	205	499	0	3,060	0	0	404	4,168
Total General Expenditures	41,594	44,894	7,802	437,212	48,354	90,395	257,558	927,809
Nonroutine Maintenance	0	18,874	0	0	0	0	0	18,874
Protective Services	0	360	0	19,340	0	44,366	63,544	127,610
Depreciation	35,711	66,116	15,523	657,101	28,697	149,228	333,529	1,285,905
Interest Expense	42,886	34,777	10,677	571,185	21,125	74,895	167,191	922,736
Total Operating Expenses	293,863	357,026	65,441	2,597,296	228,397	1,055,617	2,264,135	6,861,775
Operating Income (Loss)	77,723	182,198	24,348	(216,502)	22,152	(149,209)	592,646	533,356
Non-Operating Revenues (Expenses)								
Prior Year Adjustment	0	0	0	(56,407)	0	0	34,234	(22,173)
Loss from Disposition of Equipment and Rental Property - Net	(157)	(178)	0	(21,187)	(318)	0	(80,418)	(102,258)
Other	0	0	0	0	0	0	(377,217)	(377,217)
Total Operating Revenues (Expenses)	(157)	(178)	0	(77,594)	(318)	0	(423,401)	(501,648)
Change in Net Assets	$ 77,566	$ 182,020	$ 24,348	$ (294,096)	$ 21,834	$ (149,209)	$ 169,245	$ 31,708

Akron Metropolitan Housing Authority
Supplemental Financial Data Schedule
Statement of Net Assets by Program
As of June 30, 2003

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Shelter Plus Care	Low Rent Public Housing	Public Housing Comprehensive Improvement Assistance Program	Public and Indian Housing Drug Elimination	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitat OH007MR0009	New Approach Anti-Drug Grants	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
ASSETS													
Current Assets													
111	Cash - Unrestricted	$6,059,159	$1,321,532	$3,354	$5,607,522	$0	$0	$7,729	$0	$0	$1,913	$0	$13,001,209
113	Cash - Other Restricted	2,262,065	0	0	0	0	0	0	0	7,949	0	382,112	2,652,126
114	Cash - Tenant Security Deposits	136,107	0	0	276,655	0	0	0	0	0	0	0	412,762
100	Total Cash	8,457,331	1,321,532	3,354	5,884,177	0	0	7,729	0	7,949	1,913	382,112	16,066,097
122	Accounts Receivable - HUD Other	0	120,896	36,085	295,053	0	66,149	20,841	7,448	12,046	601,653	345,419	1,505,590
124	Accounts Receivable - Other Government	0	0	0	408,493	0	0	0	0	0	0	0	408,493
125	Accounts Receivable - Miscellaneous	455,444	1,441	918	143,532	0	0	10,175	0	0	326,014	0	937,524
126	Accounts Receivable - Tenants - Dwelling	117,802	0	0	131,115	0	0	0	0	0	0	0	248,917
126.1	Allowance for Doubtful Accounts -	(812)	0	0	(5,506)	0	0	0	0	0	0	0	(6,318)
126.2	Allowance for Doubtful Accounts - Other	0	0	0	0	0	0	0	0	0	0	0	0
129	Accrued Interest Receivable	160,579	0	0	0	0	0	0	0	0	0	0	160,579
120	Total Receivables, net of allowances for doubtful accounts	733,013	122,337	37,003	972,687	0	66,149	31,016	7,448	12,046	927,667	345,419	3,254,785
131	Investments - Unrestricted	592,773	0	0	0	0	0	0	0	0	0	0	592,773
142	Prepaid Expenses and Other Assets	1,159,190	0	0	437,074	0	0	0	0	0	0	1,932	1,598,196
143	Inventories	11,570	0	0	568,347	0	0	0	0	0	0	0	579,917
143.1	Allowance for Obsolete Inventories	(100)	0	0	(75,000)	0	0	0	0	0	0	0	(75,100)
144	Interprogram Due From	96,480	816,853	788	377,072	0	0	1,395	0	0	302,179	34,407	1,629,174
150	Total Current Assets	11,050,257	2,260,722	41,145	8,164,357	0	66,149	40,140	7,448	19,995	1,231,759	763,870	23,645,842
Non-current Assets													
161	Land	8,386,306	0	0	17,182,282	0	0	0	0	0	0	0	25,568,588
162	Buildings	44,491,629	0	0	198,373,908	0	0	0	0	0	0	0	242,865,537
163	Furniture, Equipment & Machinery -	184,626	0	0	2,955,925	0	0	0	0	0	0	0	3,140,551
164	Furniture, Equipment & Machinery - Administration	1,879,876	2,017	0	3,119,757	0	22,760	31,671	0	3,662	674,211	0	5,733,954
166	Accumulated Depreciation	(12,379,587)	(1,623)	0	(116,366,258)	0	(8,959)	(28,662)	0	(2,036)	(610,152)	0	(129,397,277)
167	Construction In Progress	0	0	0	0	0	0	0	0	0	0	18,725,849	18,725,849
160	Total Fixed Assets, Net of Accumulated Depreciation	42,562,850	394	0	105,265,614	0	13,801	3,009	0	1,626	64,059	18,725,849	166,637,202
171	Notes, Loans, & Mortgages Receivable - Non Current	1,070,986	0	0	0	0	0	0	0	0	0	0	1,070,986
180	Total Non-Current Assets	43,633,836	394	0	105,265,614	0	13,801	3,009	0	1,626	64,059	18,725,849	167,708,188
190	Total Assets	$54,684,093	$2,261,116	$41,145	$113,429,971	$0	$79,950	$43,149	$7,448	$21,621	$1,295,818	$19,489,719	$191,354,030

NOTE: For the basic financial statement presentation, interprogram balances are eliminated.

Akron Metropolitan Housing Authority
Supplemental Financial Data Schedule
Statement of Net Assets by Program
As of June 30, 2003

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Shelter Plus Care	Low Rent Public Housing	Public Housing Comprehensive Improvement Assistance Program	Public and Indian Housing Drug Elimination Program	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitat OH007MR0009	New Approach Anti-Drug Grants	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
LIABILITIES													
Current Liabilities													
312	Accounts Payable <= 90 Days	$290,415	$362	$113	$924,220	$0	$65,967	$200	$7,448	$13,267	$29,887	$565,517	$1,897,396
321	Accrued Wage/Payroll Taxes Payable	72,798	4,239	1,323	659,346	0	0	2,340	0	0	98,077	22,435	860,558
322	Accrued Compensated Absences -	323	82	25	585,814	0	0	45	0	0	1,888	171	588,348
325	Accrued Interest Payable	44,519	0	0	0	0	0	0	0	0	0	0	44,519
331	Accounts Payable - HUD PHA Programs	0	151,897	0	8,830	0	0	24,618	0	0	0	0	185,345
341	Tenant Security Deposits	136,107	0	0	276,655	0	0	0	0	0	0	0	412,762
342	Deferred Revenues	75,637	0	0	0	0	0	0	0	6,728	0	0	82,365
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	828,148	0	0	0	0	0	0	0	0	0	0	828,148
345	Other Current Liabilities	92,130	0	0	0	0	0	8,550	0	0	356,936	167,667	625,283
346	Accrued Liabilities - Other	111,861	0	0	445,774	0	182	0	0	0	0	4,951	562,768
347	Interprogram Due To	178,995	9,702	3,027	146,270	0	0	105,356	0	0	1,182,524	3,300	1,629,174
310	Total Current Liabilities	1,830,933	166,282	4,488	3,046,909	0	66,149	141,109	7,448	19,995	1,669,312	764,041	7,716,666
Non-current Liabilities													
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds	12,668,652	0	0	0	0	0	0	0	0	0	0	12,668,652
354	Accrued Compensated Absences - Non Current	5,052	117	37	846,737	0	0	65	0	0	2,718	245	854,971
353	Noncurrent Liabilities - Other	104,057	2,912	908	403,266	0	0	1,607	0	0	67,364	0	580,114
350	Total Noncurrent Liabilities	12,777,761	3,029	945	1,250,003	0	0	1,672	0	0	70,082	245	14,103,737
300	Total Liabilities	14,608,694	169,311	5,433	4,296,912	0	66,149	142,781	7,448	19,995	1,739,394	764,286	21,820,403
NET ASSETS													
508.1	Invested in Capital Assets, Net of Accumulated Depreciation, Net of Related Debt	29,066,050	394	0	105,265,614	0	13,801	3,009	0	1,626	64,059	18,725,849	153,140,402
511.1	Restricted Net Assets	0	0	0	0	0	0	0	0	0	0	0	0
512.1	Unrestricted Net Assets	11,009,349	2,091,411	35,712	3,867,445	0	0	(102,641)	0	0	(507,635)	(416)	16,393,225
513	Total Equity/Net Assets	40,075,399	2,091,805	35,712	109,133,059	0	13,801	(99,632)	0	1,626	(443,576)	18,725,433	169,533,627
600	Total Liabilities and Equity/Net Assets	$54,684,093	$2,261,116	$41,145	$113,429,971	$0	$79,950	$43,149	$7,448	$21,621	$1,295,818	$19,489,719	$191,354,030

NOTE: For the basic financial statement presentation, interprogram balances are eliminated.

Akron Metropolitan Housing Authority
Supplemental Financial Data Schedule
Statement of Revenue, Expenses and Changes in Net Assets by Program
For the Fiscal Year Ended June 30, 2003

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Shelter Plus Care	Low Rent Public Housing	Public Housing Comprehensive Improvement Assistance Program	Public and Indian Housing Drug Elimination Program	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitat OH007MR0009	New Approach Anti-Drug Grants	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
REVENUE													
703	Net Tenant Rental Revenue	$4,513,757	$0	$0	$6,273,077	$0	$0	$0	$0	$0	$0	$0	$10,786,834
704	Tenant Revenue - Other	18,441	0	0	74,673	0	0	0	0	0	0	0	93,114
705	Total Tenant Revenue	4,532,198	0	0	6,347,750	0	0	0	0	0	0	0	10,879,948
706	HUD PHA Operating Grants	0	5,350,892	229,069	14,500,602	0	967,649	426,202	89,767	100,084	22,988,354	1,112,027	45,764,646
706	Capital Grants	0	0	0	0	0	2,934	0	70,567	0	0	6,948,269	7,021,770
708	Other Government Grants	0	0	0	424,343	0	0	0	0	0	0	0	424,343
711	Investment Income - Unrestricted	206,218	26,346	4	77,760	0	0	1,525	0	0	25,357	0	337,210
715	Other Revenue	2,635,413	0	0	286,886	0	0	8	0	0	(7,380)	0	2,914,927
716	Gain/Loss on Sale of Fixed Assets	(102,257)	2	7	(214,881)	0	0	12	0	0	855	0	(316,262)
700	Total Revenue	7,271,572	5,377,240	229,080	21,422,460	0	970,583	427,747	160,334	100,084	23,007,186	8,060,296	67,026,582
EXPENSES													
911	Administrative Salaries	675,085	47,109	13,544	2,625,984	0	0	23,962	0	0	1,004,327	243,233	4,633,244
912	Auditing Fees	16,100	66	65	28,769	0	0	115	0	0	4,802	0	49,917
913	Outside Management Fees	14,690	49,443	83	19,408	0	0	147	0	0	6,168	0	89,939
914	Compensated Absences	83,986	0	6	904,634	0	0	11	0	0	481	0	989,118
915	Administrative	292,586	20,594	6,285	1,403,600	0	0	11,119	0	0	466,046	71,788	2,272,018
916	Other Operating - Administrative	738,272	6,284	7,612	1,601,336	0	11,395	11,653	0	9,075	473,178	135,317	2,994,122
921	Tenant Services - Salaries	9,482	0	895	302,077	0	72,157	1,583	0	58,644	66,355	0	511,193
922	Relocation Costs	0	0	0	0	0	0	0	0	0	30,791	8,522	39,313
923	Employee Benefit Contributions - Tenant Services	5,418	0	415	151,741	0	14,927	735	0	31,144	14,587	0	218,967
924	Tenant Services - Other	2,078	0	197	15,534	0	593,006	348	0	0	0	152,123	763,286
931	Water	161,997	0	0	661,013	0	0	0	0	0	0	0	823,010
932	Electricity	231,860	7	0	1,308,546	0	0	0	0	0	0	0	1,540,413
933	Gas	98,457	0	0	1,057,604	0	0	0	0	0	0	0	1,156,061
938	Other Utilities Expense	130,260	0	0	809,453	0	0	0	0	0	0	0	939,713
941	Ordinary Maintenance and Operations - Labor	500,276	0	0	4,160,524	0	0	0	0	0	0	0	4,660,800
942	Ordinary Maintenance and Operations - Materials and Other	180,509	6	63	1,046,480	0	0	112	0	0	4,707	0	1,231,877
943	Ordinary Maintenance and Operations - Contract Costs	735,787	22	233	1,815,517	0	0	411	70,807	0	306,897	0	2,929,674
945	Employee Benefit Contributions - Ordinary Maintenance	200,476	0	0	2,048,496	0	0	0	0	0	0	0	2,248,972
951	Protective Services - Labor	108,228	62	309	434,881	0	228,196	546	77,694	0	22,888	433,800	1,306,604
952	Protective Services - Other Contract Costs	18,620	0	28	118,104	0	0	49	0	0	2,070	0	138,871
953	Protective Services - Other	762	0	3	4,006	0	0	5	0	0	209	0	4,985

Akron Metropolitan Housing Authority
Supplemental Financial Data Schedule
Statement of Revenue, Expenses and Changes in Net Assets by Program
For the Fiscal Year Ended June 30, 2003

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Shelter Plus Care	Low Rent Public Housing	Public Housing Comprehensive Improvement Assistance Program	Public and Indian Housing Drug Elimination Program	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitat OH007MR0009	New Approach Anti-Drug Grants	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
955	Employee Benefit Contributions - Protective Services	43,346	27	143	189,676	0	47,270	253	11,849	0	10,621	67,244	370,429
961	Insurance Premiums	115,356	272	698	608,921	0	0	1,235	0	0	51,756	0	778,238
962	Other General Expenses	22,120	0	0	10,149	0	0	(351)	0	0	(15,306)	0	16,612
963	Payments in Lieu of Taxes	169,078	0	0	211,488	0	0	0	0	0	0	0	380,566
964	Bad Debt - Tenant Rents	73,803	0	0	178,230	0	0	0	0	0	0	0	252,033
967	Interest Expense	847,841	0	0	0	0	0	0	0	0	0	0	847,841
968	Severance Expense	3,647	0	0	17,258	0	0	0	0	0	0	0	20,905
969	Total Operating Expenses	5,480,120	123,892	30,579	21,733,429	0	966,951	51,933	160,350	98,863	2,450,577	1,112,027	32,208,721
970	Excess Operating Revenue over Operating Expenses	1,791,452	5,253,348	198,501	(310,969)	0	3,632	375,814	(16)	1,221	20,556,609	6,948,269	34,817,861
971	Extraordinary Maintenance	18,874	0	0	1,430	0	0	0	0	0	0	0	20,304
972	Casualty Losses - Non-Capitalized	0	0	0	33,780	0	0	0	0	0	0	0	33,780
973	Housing Assistance Payments	0	5,015,655	212,101	0	0	0	361,000	0	0	20,459,244	0	26,048,000
974	Depreciation Expense	1,293,471	430	0	8,229,027	0	2,347	2,038	0	1,221	86,590	0	9,615,124
900	Total Expenses	6,792,465	5,139,977	242,680	29,997,666	0	969,298	414,971	160,350	100,084	22,996,411	1,112,027	67,925,929
1001	Operating Transfers In	0	0	0	0	0	0	0	0	0	0	0	0
1010	Total Other Financing Sources (Uses)	0	0	0	0	0	0	0	0	0	0	0	0
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	$479,107	$237,263	($13,600)	($8,575,206)	$0	$1,285	$12,776	($16)	$0	$10,775	$6,948,269	($899,347)
1102	Debt Principal Payments - Enterprise Funds	$1,957,460	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$1,957,460
1103	Beginning Equity	$39,415,907	$1,776,539	$48,426	$97,334,964	$19,722,777	$9,529	($134,016)	$16	$2,847	($283,340)	$12,395,819	$170,289,468
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	$180,385	$78,003	$886	$20,373,301	($19,722,777)	$2,987	$21,608	$0	($1,221)	($171,011)	($618,655)	$143,506
1113	Maximum Annual Contributions Commitment (Per ACC)	$0	$1,631,239	$0	$0	$0	$0	$376,350	$0	$0	$16,739,279	$0	$18,746,868
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	$0	$0	$0	$0	$0	$0	$0	$0	$0	$6,027,676	$0	$6,027,676
1115	Contingency Reserve, ACC Program Reserve	$0	$26,229,141	$0	$0	$0	$0	$1,387,437	$0	$0	$4,006,055	$0	$31,622,633
1116	Total Annual Contributions Available	$0	$27,860,380	$0	$0	$0	$0	$1,763,787	$0	$0	$26,773,010	$0	$56,397,177
1120	Unit Months Available	8,856	11,748	733	52,560	0	0	1,359	0	0	47,736	0	122,992
1121	Number of Unit Months Leased	8,325	11,233	598	51,989	0	0	1,093	0	0	45,687	0	118,925

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

Board of Trustees
Akron Metropolitan Housing Authority
Akron, Ohio

Regional Inspector General of Audit
Department of Housing and Urban Development

We have audited the basic financial statements of the Akron Metropolitan Housing Authority (AMHA) as of and for the year ended June 30, 2003, and have issued our report thereon dated December 3, 2003. 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. We did not audit the financial statements of Rosemary Square, Inc. (a not-for-profit organization owned by AMHA), which statements reflect total assets constituting less than one percent of the total assets at June 30, 2003 and total operating revenues constituting two percent of total operating revenues for the year then ended. Those statements were audited by other auditors and we assume that the other auditors have reported to you on Rosemary Square, Inc.'s legal compliance and internal control over financial reporting. Accordingly, this report does not address the legal compliance and internal control over financial reporting of Rosemary Square, Inc.

Compliance

As part of obtaining reasonable assurance about whether the Akron Metropolitan Housing Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Akron Metropolitan Housing Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to the management of the Authority in a separate letter dated December 3, 2003.

This report is intended solely for the information and use of the Board of Trustees, management, Auditor of State, Federal Award Agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

James G. Zupka
Certified Public Accountant

December 3, 2003

JAMES G. ZUPKA, C.P.A., INC.
Certified Public Accountants
5240 East 98th Street
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Member American Institute of Certified Public Accountants (216) 475 - 6136 Ohio Society of Certified Public Accountants

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees
Akron Metropolitan Housing Authority
Akron, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

Compliance

We have audited the compliance of the Akron Metropolitan Housing Authority (AMHA) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. Akron Metropolitan Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants, applicable to each of its major federal programs is the responsibility of the Akron Metropolitan Housing Authority's management. Our responsibility is to express on opinion on AMHA's compliance based on our audit.

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; 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 Akron Metropolitan Housing 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. Our audit does not provide a legal determination on Akron Metropolitan Housing Authority's compliance with those requirements.

Our audit of compliance did not comprehend the operations of Rosemary Square, Inc. (a not-not-for-profit organization owned by Akron Metropolitan Housing Authority) which was audited by other auditors and we assume that the other auditors have reported to you on Rosemary Square, Inc.'s legal compliance and internal control of Rosemary Square, Inc. The amount of expenditures of federal awards for Rosemary Square for the year ended June 30, 2003 was $708,440.

In our opinion, Akron Metropolitan Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

The management of the Akron Metropolitan Housing Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Akron Metropolitan Housing Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Trustees, management, Auditor of State, Federal Awarding Agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

James G. Zupka
Certified Public Accountant

December 3, 2003

AKRON METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
JUNE 30, 2003

1. **SUMMARY OF AUDITOR'S RESULTS**

2003(i)	Type of Financial Statement Opinion	Unqualified
2003(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2003(ii)	Were there any other reportable control weakness conditions reported at the financial statements level (GAGAS)?	No
2003(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2003(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
2003(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
2003(v)	Type of Major Programs' Compliance Opinion	Unqualified
2003(vi)	Are there any reportable findings under .510?	No
2003(vii)	Major Programs (list):	Housing Choice Voucher- CFDA # 14.871 $22,988,354
2003(viii)	Dollar Threshold: Type A\B Programs	Type A: >$1,583,592 Type B: > all others
2003(ix)	Low Risk Auditee?	Yes

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

   None.

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

   None.

AKRON METROPOLITAN HOUSING AUTHORITY
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2003

No significant findings or questioned costs were included in the prior year reports.

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Auditor of State
Betty Montgomery

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AKRON METROPOLITAN HOUSING AUTHORITY

SUMMIT 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
FEBRUARY 5, 2004