

AKRON METROPOLITAN HOUSING AUTHORITY

AUDIT REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2004



**Auditor of State
Betty Montgomery**

Board of Trustees
Akron Metropolitan Housing Authority
100 W. Cedar St.
Akron, OH 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, 2003 through June 30, 2004. 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.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

February 1, 2005

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AKRON METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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JAMES G. ZUPKA, C.P.A., INC.
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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, 2004 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), and Wilbeth Arlington Homes Ltd. Partnership (a partnership owned by AMHA), which statements reflect total assets constituting less than three percent of AMHA's total assets at June 30, 2004, and total operating revenues constituting less than five percent of AMHA's 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., and Wilbeth-Arlington Homes Ltd. Partnership 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, 2004, 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 discussed in Note 2, M, the Authority made a change in its presentation of the Statement of Cash Flows from the prior period.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2004, 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 41 through 46) 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, CPA, Inc.
Certified Public Accounts

December 6, 2004

AKRON METROPOLITAN HOUSING AUTHORITY
Management Discussion and Analysis
for the Fiscal Year Ended June 30, 2004
Unaudited

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 \$2,624,789 (1.57 percent) during fiscal year 2004. Net assets were \$169,533,627 and \$166,908,838 for 2003 and 2004, respectively.
- Revenue activity increased by \$3,225,623 (4.79 percent) during 2004 and were \$67,342,844 and \$70,568,467 for 2003 and 2004, respectively.
- The total expenses of all Authority programs increased by 8.16 percent. Total expenses were \$67,925,929 and \$73,470,599 for 2003 and 2004, respectively.
- Capital outlays for the year were \$6,367,744.

Using This Annual Report

The following depicts the Authority’s annual report

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

AKRON METROPOLITAN HOUSING AUTHORITY
Management Discussion and Analysis
for the Fiscal Year Ended June 30, 2004
Unaudited

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.

AKRON METROPOLITAN HOUSING AUTHORITY
Management Discussion and Analysis
for the Fiscal Year Ended June 30, 2004
Unaudited

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.

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 with 200 units.

Public Housing Drug Elimination Program (PHDEP)

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.

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Unaudited

Service Coordinator Grant

HUD funds this program for the purpose of providing the elderly residents of the Conventional Public Housing Program for assistance in independent living.

Section 8 New and Substantial Rehab Program

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.

New Approach Anti-Drug Program

This program represents grant funding by HUD to supplement security services and capital improvements for the purpose of drug eradication. There is one (1) existing grant open as of June 30, 2004, with a grant total of \$249,890. The grant is to be used solely at the Midtown location.

Shelter Plus Care

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.

Hope VI Revitalization Grant

The Authority was awarded a \$19.25 million grant to assist in the replacement of the 124 unit Elizabeth Park Homes Development. The replacement housing consists of 269 new single-family homes and townhouses.

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.

AKRON METROPOLITAN HOUSING AUTHORITY
Management Discussion and Analysis
for the Fiscal Year Ended June 30, 2004
Unaudited

Table 1 - Statement of Net Assets

	FY 2004	FY 2003
<u>Assets</u>		
Current Assets	\$ 22,338,272	\$ 22,016,668
Other Non-Current Assets	42,559,258	1,070,986
Capital Assets, Net of Accumulated Depreciation	<u>122,085,976</u>	<u>166,637,202</u>
Total Assets	<u>\$186,983,506</u>	<u>\$189,724,856</u>
<u>Liabilities and Net Assets</u>		
<u>Liabilities</u>		
Current Liabilities	\$ 6,724,663	\$ 6,087,492
Non-Current Liabilities	<u>13,350,005</u>	<u>14,103,737</u>
Total Liabilities	<u>20,074,668</u>	<u>20,191,229</u>
<u>Net Assets</u>		
Invested in Capital Assets, Net of Related Debt	150,432,510	153,140,402
Unrestricted Net Assets	<u>16,476,328</u>	<u>16,393,225</u>
Total Net Assets	<u>166,908,838</u>	<u>169,533,627</u>
Total Liabilities and Net Assets	<u>\$186,983,506</u>	<u>\$189,724,856</u>

Major Factors Affecting the Statement of Net Assets

Current assets remained consistent from 2003 to 2004. Capital assets net of depreciation decreased \$44,551,226 due to the results of accumulated depreciation of \$10,563,537 and the net change in additions/deletions/construction in progress of \$3,323,689. (See page 29 for detail).

Liabilities remained constant between 2003 and 2004. Due to the change in Capital Assets, the total Net Assets have also decreased.

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.

AKRON METROPOLITAN HOUSING AUTHORITY
Management Discussion and Analysis
for the Fiscal Year Ended June 30, 2004
Unaudited

Table 2 - Statement of Revenues and Expenses

	<u>FY 2004</u>	<u>FY 2003</u>	<u>Change</u>
<u>Revenues</u>			
Tenant Revenue - Rents/Other	\$ 10,386,696	\$ 10,879,948	\$ (493,252)
Operating Subsidy and Grants	55,303,683	52,786,416	2,517,267
Other Governmental Grants	415,222	424,343	(9,121)
Investment Income - Unrestricted	432,672	337,210	95,462
Other Revenues	4,023,739	2,914,927	1,108,812
Investment Income - Restricted	6,455	0	6,455
Total Revenues	<u>70,568,467</u>	<u>67,342,844</u>	<u>3,225,623</u>
<u>Expenses</u>			
<u>Operating Expenses</u>			
Administrative	12,527,979	11,028,358	1,499,621
Tenant Services	1,048,504	1,532,759	(484,255)
Utilities	4,588,531	4,459,197	129,334
Maintenance/Security	13,624,372	12,892,212	732,160
Other General Expenses	1,615,384	1,448,354	167,030
Interest Expense	1,255,483	847,841	407,642
Total Operating Expenses	<u>34,660,253</u>	<u>32,208,721</u>	<u>2,451,532</u>
<u>Other Expenses</u>			
Extraordinary Maintenance	0	20,304	(20,304)
Casualty Losses	169,198	33,780	135,418
Housing Assistance	28,077,611	26,048,000	2,029,611
Depreciation Expense	10,563,537	9,615,124	948,413
Total Other Expenses	<u>38,810,346</u>	<u>35,717,208</u>	<u>3,093,138</u>
Total Expenses	<u>73,470,599</u>	<u>67,925,929</u>	<u>5,544,670</u>
Net Income (Deficit)	<u>\$ (2,902,132)</u>	<u>\$ (583,085)</u>	<u>\$ (2,319,047)</u>

Major Factors Affecting the Statement of Revenues and Expenses

Total revenues increased by \$3,225,623 due largely to the increase in the Housing Choice Voucher Program's increase in utilization and the increases in Housing Assistance Payments to the landlords. However, there was a \$493,252 decrease in rental income. This decrease is attributed to the increase in utility allowances as a result of increasing utility costs. With increased utility costs, rental income decreases.

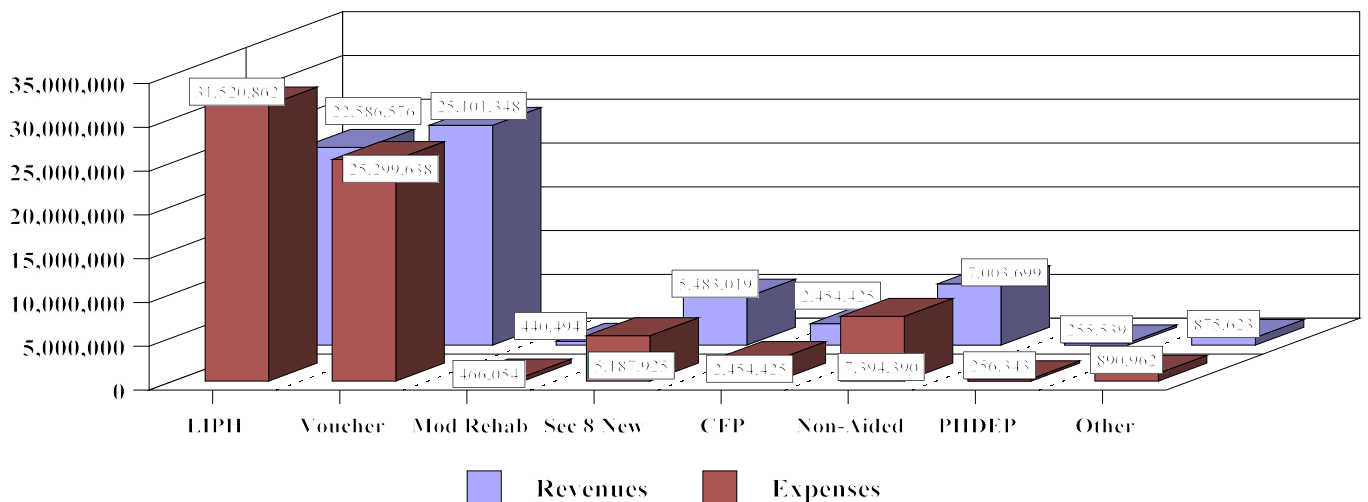
AKRON METROPOLITAN HOUSING AUTHORITY
Management Discussion and Analysis
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Total operating expenses increased by \$2,451,532, an 8 percent increase over 2003. Normal inflationary increases resulted in many item increases. There was an increase in Other Administrative costs from the Capital Program of \$1,493,000 due to the transfer of Capital Funds to the Low Rent Program to supplement the shortfall sustained in the Operating Subsidy. Insurance premiums continue to rise with a 26 percent increase in 2004. Depreciation expense increased by \$948,413 as a result of the transfer of depreciable assets in the amount of \$9,664,000 from the Capital fund to the Low Rent Program.

Table 3 - Revenue and Expenses by Fund for the Fiscal Year Ending June 30, 2004

	<u>Revenue</u>	<u>Expenses</u>
Conventional Public Housing (LIPH)	\$22,586,576	\$31,520,862
Section 8 Housing Choice Voucher Program	25,101,348	25,299,638
Section 8 Mod Rehab Program	440,494	466,054
Section 8 New and Substantial Rehab Program	5,483,019	5,187,925
Capital Fund Program (CFP)	2,454,425	2,454,425
Non-Aided (LHA) Other Business Activities	7,003,699	7,394,390
Public Housing Drug Elimination Program (PHDEP)	255,539	256,343
Resident Opportunity and Supportive Services	112,427	113,295
HOPE VI	436,577	436,577
New Approach Anti-Drug Program	113,865	116,236
Shelter Plus Care	212,754	224,854
Totals	<u>\$ 64,200,723</u>	<u>\$ 73,470,599</u>

Revenue and Expenses Less Depreciation



AKRON METROPOLITAN HOUSING AUTHORITY
Management Discussion and Analysis
for the Fiscal Year Ended June 30, 2004
Unaudited

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, 2004**

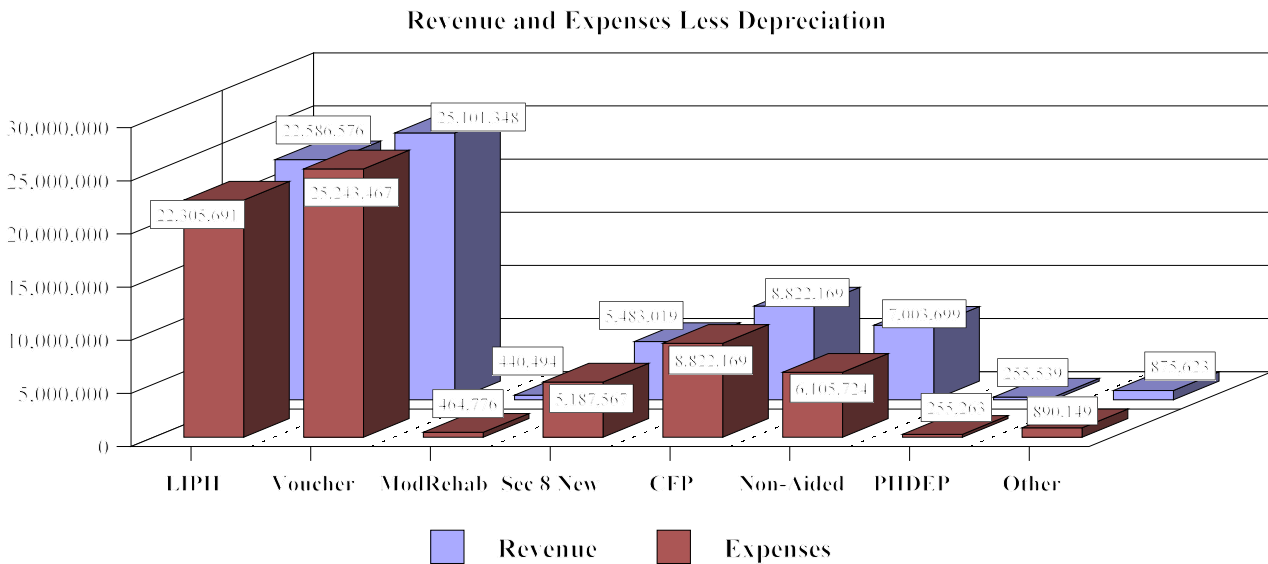
	FY 2004	FY 2003	Change
Revenues			
Tenant Revenue - Rents/Other	\$ 10,386,696	\$ 10,879,948	\$ (493,252)
Operating Subsidy and Grants	55,303,683	52,786,416	2,517,267
Other Governmental Grants	415,222	424,343	(9,121)
Investment Income - Unrestricted	432,672	337,206	95,466
Other Revenues	4,023,739	2,914,929	1,108,810
Investment Income - Restricted	6,455	0	6,455
Total Revenues	<u>70,568,467</u>	<u>67,342,842</u>	<u>3,225,625</u>
Expenses			
<u>Operating Expenses</u>			
Administrative	12,527,979	11,028,358	1,499,621
Tenant Services	1,048,504	1,532,759	(484,255)
Utilities	4,588,531	4,459,197	129,334
Maintenance/Security	13,624,372	12,892,212	732,160
Other General Expenses	1,615,384	1,448,354	167,030
Interest Expense	1,255,483	847,841	407,642
Total Operating Expenses	<u>34,660,253</u>	<u>32,208,721</u>	<u>2,451,532</u>
<u>Other Expenses</u>			
Capital Outlays	6,367,744	6,948,269	(580,525)
Extraordinary Maintenance	0	20,304	(20,304)
Casualty Losses	169,198	33,780	135,418
Housing Assistance	28,077,611	26,048,000	2,029,611
Depreciation Expense	10,563,537	9,615,124	948,413
Total Other Expenses	<u>45,178,090</u>	<u>42,665,477</u>	<u>2,512,613</u>
Total Expenses	<u>79,838,343</u>	<u>74,874,198</u>	<u>4,964,145</u>
Net Income (Deficit)	(9,269,876)	(7,531,356)	(1,738,520)
Plus Depreciation Add Back	10,563,537	9,615,124	948,413
Net Income (Deficit) Less Depreciation	<u>\$ 1,293,661</u>	<u>\$ 2,083,768</u>	<u>\$ (790,107)</u>

AKRON METROPOLITAN HOUSING AUTHORITY
Management Discussion and Analysis
for the Fiscal Year Ended June 30, 2004
Unaudited

The following table and chart depict the revenues and expenses for fiscal year 2004 less depreciation expenses plus capital outlays.

Table 5 - Revenue and Expenses by Fund for the Fiscal Year Ended June 30, 2004

	<u>Revenue</u>	<u>Expenses</u>
Conventional Public Housing (LIPH)	\$ 22,586,576	\$ 22,305,691
Section 8 Housing Choice Voucher Program	25,101,348	25,243,467
Section 8 Mod Rehab Program	440,494	464,776
Section 8 New and Substantial Rehab Program	5,483,019	5,187,567
Capital Fund Program (CFP)	8,822,169	8,822,169
HOPE VI	436,577	436,577
Non-Aided (LHA)/Other Business Activities	7,003,699	6,105,724
Public Housing Drug Elimination Program (PHDEP)	255,539	255,263
Resident Opportunity and Supportive Services	112,427	112,482
New Approach Anti-Drug Program	113,865	116,236
Shelter Plus Care	212,754	224,854
Totals	<u>\$ 70,568,467</u>	<u>\$ 69,274,806</u>



AKRON METROPOLITAN HOUSING AUTHORITY
Management Discussion and Analysis
for the Fiscal Year Ended June 30, 2004
Unaudited

Capital Assets

During fiscal year 2004, the change in capital assets amounted to \$(3,323,689). 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, 2004

	<u>2004</u>	<u>2003</u>	<u>Change</u>
Land	\$ 25,798,457	\$ 25,568,588	\$ 229,869
Buildings	252,496,715	242,865,537	9,631,178
Equipment	8,963,777	8,874,505	89,272
Accumulated Depreciation	(139,374,516)	(129,397,277)	(9,977,239)
Construction in Progress	<u>15,429,080</u>	<u>18,725,849</u>	<u>(3,296,769)</u>
Totals	<u>\$163,313,513</u>	<u>\$166,637,202</u>	<u>\$ (3,323,689)</u>

- Buildings increased by \$9,631,178 as the result of the transfer of the Capital 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 \$(9,977,239) represents the current year depreciation of \$10,563,537 less accumulated depreciation deletions of \$586,298.
- Construction in Progress decreased by \$3,296,769. However, this total represents the net change 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 \$9,664,097 and new construction in the Capital Grants Program increased by \$6,367,328. The additions represent costs associated with the rehab at several scattered sites and other development sites.

Debt

The change in outstanding debt from fiscal year 2003 to fiscal year 2004 represents the principal payments made throughout the year. There was no additional debt acquired during fiscal year 2004. 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

	<u>2004</u>	<u>2003</u>
Outstanding Debt	\$ 12,881,003	\$ 13,496,800
Less Current Portion	(870,072)	(828,148)
Total	<u>\$ 12,010,931</u>	<u>\$ 12,668,652</u>

AKRON METROPOLITAN HOUSING AUTHORITY
Management Discussion and Analysis
for the Fiscal Year Ended June 30, 2004
Unaudited

Unrestricted Net Assets

The following table shows the changes in unrestricted net assets for the fiscal year ended June 30, 2004.

Table 8 - Change in Unrestricted Net Assets

Unrestricted Net Assets at 6/30/2003	\$ 16,393,225
Results of Operations	(4,113,232)
Adjustments:	
Depreciation (1)	<u>10,563,537</u>
Adjusted Results from Operations	6,450,305
Capital Expenditures	<u>(6,367,202)</u>
Unrestricted Net Assets at 6/30/2004	<u>\$ 16,476,328</u>

(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 Rent/HAP	\$ 6,181,985	\$ 1,291,707	\$ 0	\$ 0	\$ 7,473,692	\$ 7,659,304	\$ (185,612)
Other Income	1,531,194	1,737,284	0	352,275	3,620,753	3,627,086	(6,333)
Interest Income	59,531	415,997	0	25,275	500,803	331,337	169,466
Subsidy/Admin Fees	<u>14,813,866</u>	<u>0</u>	<u>2,455,368</u>	<u>0</u>	<u>17,269,234</u>	<u>17,269,234</u>	<u>0</u>
Total Operating Income	<u>22,586,576</u>	<u>3,444,988</u>	<u>2,455,368</u>	<u>377,550</u>	<u>28,864,482</u>	<u>28,886,961</u>	<u>(22,479)</u>
Operating Expenses							
Admin Salaries	2,995,921	448,534	1,190,260	33,470	4,668,185	4,766,227	98,042
Other Admin	1,696,284	485,607	558,662	12,227	2,752,780	2,073,041	(679,739)
Tenant Services	364,309	10,992	95,072	0	470,373	421,270	(49,103)
Utilities	3,935,119	311,949	0	0	4,247,068	4,200,000	(47,068)
Maintenance/Labor	4,745,250	255,911	0	0	5,001,161	4,903,276	(97,885)
Maintenance/Material	948,056	105,043	6,973	0	1,060,072	793,125	(266,947)
Maintenance/Contracts	1,924,104	286,377	183,219	343	2,394,043	1,596,451	(797,592)
Protective Services	644,145	60,774	26,349	0	731,268	718,294	(12,974)
Insurance	765,065	37,778	70,067	312	873,222	937,331	64,109
Pilot	234,775	0	0	0	234,775	257,429	22,654
Employee Benefits	3,786,080	332,859	569,125	32,090	4,720,154	5,924,852	1,204,698
Collection Loss	139,942	11,305	(5,919)	0	145,328	170,000	24,672
Interest Expense	0	196,865	0	0	196,865	287,346	90,481
Other Expenses	3,699	550	0	0	4,249	18,625	14,376
Casualty Losses	122,942	0	1,440	0	124,382	0	(124,382)
Prior Year Adjustment	<u>31,249</u>	<u>10,000</u>	<u>0</u>	<u>0</u>	<u>41,249</u>	<u>0</u>	<u>(41,249)</u>
Total Operating Expenses	<u>22,336,940</u>	<u>2,554,544</u>	<u>2,695,248</u>	<u>78,442</u>	<u>27,665,174</u>	<u>27,067,267</u>	<u>(597,907)</u>

AKRON METROPOLITAN HOUSING AUTHORITY
Management Discussion and Analysis
for the Fiscal Year Ended June 30, 2004
Unaudited

Budgetary Highlights

Operating Income

Operating income for the year ended June 30, 2004 was under budget by \$22,500. However, dwelling rents were under budget by \$185,600 due to increased utility allowances. Interest income exceeded the budget by \$169,500 due to the Other Business' income earned from a 6 percent mortgage purchase. The remaining investment income earned was at a 1 percent to 1.1 percent rate.

Operating Expenses

Overall expenses were over budget by a net amount of \$597,907 as a result of the following factors:

- Administrative salaries were under budget by \$98,000 as a result of unfilled positions throughout the year.
- Other administrative costs exceeded the budget by \$680,000 due to increase costs for legal fees, telephone, postage, relocation costs and extra-clerical.
- Maintenance materials and contract costs exceeded the budget due to unforeseen costs in street paving, flood damages, and a higher than normal number of units being readied for occupancy.
- Employee benefit costs were under budget by \$1,204,700 due to a significant rate reduction in the health insurance premiums.
- Interest expense decreased as a result of refinancing the Wilbeth Arlington Homes first mortgage.
- Casualty losses are unbudgeted expenses, however there were \$124,000 in losses due to fires and flooding.

AKRON METROPOLITAN HOUSING AUTHORITY
Management Discussion and Analysis
for the Fiscal Year Ended June 30, 2004
Unaudited

Economic Factors and 2005 Budgets

The preparation of the fiscal year 2005 was prepared with several significant economic factors anticipated.

- The funding of the operating subsidy by the U.S. Department of Housing and Urban Development has historically been at or near 100 percent. During fiscal year 2004, HUD reduced the funding by 7 percent resulting in a revenue reduction of \$1,064,314. In fiscal year 2005 HUD did not fund the Authority at 100 percent, but at 94 percent resulting in a subsidy shortfall of \$998,500.
- Administrative fees earned from the Section Eight Housing Choice Program have also been reduced by HUD for the year 2005. Fees earned to administer the program have been reduced by \$241,600. This program has also experienced a significant reduction in the funding of the Housing Assistance Payments (HAP) to the Section Eight landlords. The maximum HAP paid for 2005 will be the amount paid during August 2003. The Authority's payment has steadily increased and the spread between the payments of August 2003 and July 2004 is approximately \$56 per unit per month. The shortfall for 3,895 units may exceed \$218,000 per month.
- The Drug Elimination Grant Program was completed during fiscal year 2004 and has not been renewed by HUD. This grant historically supplemented the Authority's security program in the amount of \$491,000 annually.
- Interest rates remain low thus income remains low.
- Revenue earned from the Local Housing Authority's Contract Administration Department has been reduced from \$665,500 to \$491,000 as a result of the transfer of 30 percent of the contracts to the Cuyahoga Metropolitan Housing Authority. This transfer has been anticipated and was a condition when the original contract was signed.
- Dwelling Rental income has been reduced by \$464,000 as a result of the increase in utility allowances paid to the residents. As utility rates increase, dwelling rent decreases proportionally.
- Favorable health insurance rates for fiscal year 2005 have resulted in a decrease in premiums of \$157,250.
- Property and liability insurance rates continue to increase. During the budget year 2005, rates are anticipated to increase \$58,600 (7 percent).
- A sale of the Rosemary Square property is pending. The property is currently under the Section Eight Program and is experiencing nearly a 50 percent vacancy. The high vacancy rate is due largely to HUD's interpretation of the status of the percent as being a part of the Housing Voucher Choice Program rather than being Project Based.

AKRON METROPOLITAN HOUSING AUTHORITY
Management Discussion and Analysis
for the Fiscal Year Ended June 30, 2004
Unaudited

With these events factored into the fiscal year 2005 budget, it has become necessary for the Authority to analyze each line item and determine where cuts are to be made. With any reduction, the Authority remains committed to its residents and maintaining high housing standards.

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, 2004

ASSETS

Current Assets

Cash and Cash Equivalents (Note 3)	\$ 15,694,864
Cash Restricted	2,212,684
Investments	602,668
Accounts Receivable, Net of Allowance for Doubtful Accounts of \$6,727	1,805,868
Inventory - Net of Allowance for Obsolete Inventory of \$68,001	482,119
Prepaid Expenses and Other Assets	<u>1,540,069</u>
Total Current Assets	<u>22,338,272</u>

Noncurrent Assets

Notes and Mortgage Receivable	1,331,721
Capital Assets, not Depreciated	41,227,537
Land, Structure and Equipment, Net of Accumulated Depreciation of \$139,374,516	<u>122,085,976</u>
Total Noncurrent Assets	<u>164,645,234</u>

TOTAL ASSETS **\$ 186,983,506**

LIABILITIES

Current Liabilities

Accounts Payable	\$ 1,664,150
Intergovernmental Payables	824,954
Accrued Interest	3,508
Accrued Wages/Payroll	1,173,390
Accrued Compensated Liabilities - Current Portion	644,816
Security Deposits	409,826
Deferred Credits and Other Liabilities	1,133,947
Current Portion of Long-Term Debt	<u>870,072</u>
Total Current Liabilities	<u>6,724,663</u>

Non-Current Liabilities

Compensated Absences, Net of Current Portion	1,025,544
Long-Term Debt, Net of Current Portion (Note 5)	12,010,931
Other Non-Current Liabilities	<u>313,530</u>
Total Non-Current Liabilities	<u>13,350,005</u>

TOTAL LIABILITIES **\$ 20,074,668**

NET ASSETS

Investment in Capital Assets, Net of Accumulated Depreciation, Net of Related Debt	\$ 150,432,510
Unrestricted Net Assets	<u>16,476,328</u>
TOTAL NET ASSETS	<u>\$ 166,908,838</u>

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, 2004

OPERATING REVENUE

Net Tenant Rental	\$ 10,288,918
Tenant Revenue Other	97,778
Subsidies and Grants from HUD	48,929,050
Other Intergovernmental Grants	415,222
Other Income	4,063,997
Total Operating Revenue	<u>63,794,965</u>

OPERATING EXPENSES

Administrative	12,527,979
Tenant Services	1,048,504
Utilities	4,588,531
Ordinary Maintenance and Operation	11,913,159
General Expenses	1,615,384
Protective Services	1,711,213
Housing Assistance Payments	28,077,611
Depreciation and Amortization	10,563,537
Casualty Loss	169,198
Total Operating Expenses	<u>72,215,116</u>
Net Operating Income (Loss)	(8,420,151)

NON-OPERATING REVENUES (EXPENSES)

Investment Income	439,127
Loss from Disposition of Equipment	(40,258)
Interest Expense	(1,255,483)
Capital Grants	6,374,633
Total Non-Operating Revenues (Expenses)	<u>5,518,019</u>

Change in Net Assets	(2,902,132)
Net Asset, Beginning of Year	169,533,627
Prior Period Adjustments	277,343
Net Assets, End of Year	<u>\$ 166,908,838</u>

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, 2004

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from HUD	\$ 49,834,571
Cash Received from Other Government	415,222
Cash Received from Tenants and Other	11,835,613
Cash Received from Interest Revenue	3,803,262
Cash Payments for Housing Assistance Payments	(28,077,611)
Cash Payments for Administrative	(12,158,679)
Cash Payments for Ordinary Maintenance	(12,186,650)
Cash Payments for Other Operating Expenses	(9,288,187)
Net Cash Provided (Used) by Operating Activities	<u>4,177,541</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Retirement of Mortgage Payable	(615,797)
Acquisition and Construction of Capital Assets	(7,268,675)
Proceeds From Capital Grants	6,374,633
Net Cash Provided (Used) by Capital and Other Related Financing Activities	<u>(1,509,839)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Investments	(9,895)
Investment Income	439,127
Interest Expense	(1,255,483)
Change in Cash and Cash Equivalents	(826,251)
Net Cash Provided (Used) by Investing Activities	<u>1,841,451</u>
Cash and Cash Equivalents, Beginning of Year	16,066,097
Cash and Cash Equivalents, End of Year	<u>\$ 17,907,548</u>

RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Operating Loss	\$ (8,420,151)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation and Amortization	10,563,537
Increase (Decrease) in Operating Assets and Liabilities:	
Accounts Receivable - HUD	265,912
Accounts Receivable - Tenant and Other	1,448,917
Notes Receivable	(260,735)
Inventory	22,698
Deferred Charges and Other Assets	58,127
Accounts Payable - HUD	639,609
Accounts Payable - Other	(233,246)
Accrued Payroll and Compensated Absences	369,300
Other Liabilities	(276,427)
Total Adjustment	<u>12,597,692</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 4,177,541</u>

See accompanying notes to the basic financial statements.

AKRON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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 the following component units.

Blended Component Units

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. The Board of Rosemary Square is composed of employees of the Authority. Wilbeth Arlington Homes Limited Partnership was organized for the purpose of constructing, purchasing, rehabilitating and operating low-income multifamily housing (as described in Note 12). The Corporation Arlington Homes is the general partner of Wilbeth Arlington Homes Ltd. and is controlled by the Authority.

These two entities are reported as part of the business activities in the Supplemental Financial Data Schedule.

AKRON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR FISCAL ENDED JUNE 30, 2004
(CONTINUED)

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.

AKRON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(CONTINUED)

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.

AKRON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(CONTINUED)

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 \$1,000 are capitalized by the Authority.

AKRON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(CONTINUED)

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.

AKRON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(CONTINUED)

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.

AKRON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(CONTINUED)

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

M. Changes in Accounting Principles

Effective July 1, 2003, the Authority made a change in the presentation of its cash flow statement. The Authority is now presenting cash and cash equivalents exclusive of investments in the cash flow statement.

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.

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.

AKRON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(CONTINUED)

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

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.

AKRON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(CONTINUED)

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

Cash on Hand

At fiscal year end, the Authority had \$2,725 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 \$1,696,230 and the bank balance was \$2,115,784 the difference representing outstanding checks and other in-transit items. \$300,050 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.

<u>Category</u>	<u>Cost</u>	<u>Fair Value</u>
3 Repurchase Agreement	\$ 16,208,593	\$ 16,208,593
Totals	<u>\$ 16,208,593</u>	<u>\$ 16,208,593</u>

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:

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
GASB Statement 9	\$ 17,304,880*	\$ 602,668
Petty Cash	(2,725)	0
Part of Pool:		
Repurchase Agreement	(16,208,593)	16,208,593
Certificate of Deposit	602,668	(602,668)
GASB Statement 3	<u>\$ 1,696,230</u>	<u>\$ 16,208,593</u>

*includes restricted cash

AKRON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(CONTINUED)

NOTE 4: **CAPITAL ASSETS**

A summary of capital assets at June 30, 2004 by class is as follows:

	<u>Balance</u> <u>6/30/2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/2004</u>
<u>Capital Assets, Not Being Depreciated</u>				
Land	\$ 25,568,588	\$ 229,869	\$ 0	\$ 25,798,457
Construction in Progress	<u>18,725,849</u>	<u>6,367,328</u>	<u>(9,664,097)</u>	<u>15,429,080</u>
Total Capital Assets, not being depreciated	<u>44,294,437</u>	<u>6,597,197</u>	<u>(9,664,097)</u>	<u>41,227,537</u>
<u>Capital Assets, being depreciated</u>				
Buildings and Buildings Improvements	242,865,537	9,631,178	0	252,496,715
Furniture, Equipment - Dwelling & Administrative	<u>8,874,505</u>	<u>704,397</u>	<u>(615,125)</u>	<u>8,963,777</u>
Capital Assets, being depreciated	<u>251,740,042</u>	<u>10,335,575</u>	<u>(615,125)</u>	<u>261,460,492</u>
Less Accumulated Depreciation	<u>(129,397,277)</u>	<u>(10,563,537)</u>	<u>586,298</u>	<u>(139,374,516)</u>
Total Capital Assets being depreciated, Net	<u>122,342,765</u>	<u>(227,962)</u>	<u>(28,827)</u>	<u>122,085,976</u>
Total Capital Assets, Net	<u>\$ 166,637,202</u>	<u>\$ 6,369,235</u>	<u>\$ (9,692,924)</u>	<u>\$ 163,313,513</u>

NOTE 5: **LONG-TERM OBLIGATIONS**

Changes in the Authority's long-term obligations during fiscal year 2004 are as follows:

	<u>Balance</u> <u>at 6/30/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>at 6/30/04</u>	<u>Due Within</u> <u>One Year</u>
<u>General Long-Term Obligations</u>					
Midtown Note, 4/1/2000					
5.81%, \$1,700,000	\$ 1,442,303	\$ 0	\$ (85,035)	\$ 1,357,268	\$ 93,670
Central Office Mortgage, 4/1/1998					
Variable, \$6,855,000	6,190,000	0	(185,000)	6,005,000	195,000
Non-Aided Mortgages, 7/1/1999					
4.99%, \$2,910,225	2,067,606	0	(242,793)	1,824,813	255,189
Rosemary Square Mortgage, 6/1/1996					
7%, \$3,598,421	2,795,849	0	(143,730)	2,652,119	164,348
Wilbeth-Bridge Loan, 12/30/1999					
2%, \$1,500,000	1,001,042	0	(158,691)	842,351	161,865
Note Payable - Rosemary Square					
0%, Interest	<u>0</u>	<u>199,452</u>	<u>0</u>	<u>199,452</u>	<u>0</u>
Total General Long-Term Obligations	<u>13,496,800</u>	<u>199,452</u>	<u>(815,249)</u>	<u>12,881,003</u>	<u>870,072</u>
Compensated Absences	<u>1,443,319</u>	<u>227,041</u>	<u>0</u>	<u>1,670,360</u>	<u>644,816</u>
Total Long-Term Obligations	<u>\$14,940,119</u>	<u>\$ 426,493</u>	<u>\$ (815,249)</u>	<u>\$14,551,363</u>	<u>\$ 1,514,888</u>

AKRON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(CONTINUED)

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, 2004, 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.

AKRON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(CONTINUED)

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, 2004:

<u>For the Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2005	\$ 870,072	\$ 423,760	\$ 1,293,832
2006	913,811	387,856	1,301,667
2007	959,468	349,924	1,309,392
2008	1,012,168	309,837	1,322,005
2009	1,062,032	267,421	1,329,453
2010-2014	3,847,785	771,608	4,619,393
2015-2019	4,215,667	150,609	4,366,276
Total	<u>\$12,881,003</u>	<u>\$ 2,661,015</u>	<u>\$15,542,018</u>

AKRON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(CONTINUED)

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.

Ohio Public Employees Retirement System (OPERS)

The Authority participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employee contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost sharing, multiple-employer defined pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member direct plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of both the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town Street, Ohio 43215-4642 or by calling (614)-222-6705.

AKRON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(CONTINUED)

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

Ohio Public Employees Retirement System (OPERS) (Continued)

For the year ended June 30, 2004, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Authority's contribution rate for pension benefits for 2004 was 13.55 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Authority's required contributions for pension obligations to the traditional and combined plans for the years ended June 30, 2004, 2003 and 2002 were \$1,014,281, \$926,530 and \$903,880 respectively; 100 percent has been contributed for 2004, 2003 and 2002. Contributions to the member-directed plan for 2004 were \$6,489 made by the Authority and \$4,071 made by the plan members.

NOTE 8: **POST-EMPLOYMENT BENEFITS**

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for post-retirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post-retirement health care based on authority granted by State statute. The 2003 local government employer contribution rate was 13.55 percent of covered payroll; 5.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advanced-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2002, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase 4 percent annually.

AKRON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(CONTINUED)

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

Ohio Public Employees Retirement System (Continued)

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 364,881. Actual employer contributions for 2003 which were used to fund postemployment benefits were \$595,531. The actual contribution and the actuarially required contribution amounts are the same. OPERS' net assets available for payment of benefits at December 21, 2002, (the latest information available) were \$10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$18.7 billion and \$8.7 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan. The Choices Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices will incorporate a cafeteria approach, offering a broader range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care plan. 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.

In response to the adverse investment returns experienced by OPERS from 2000 through 2002 and the continued staggering rate of health care inflation, the OPERS Board, during 2003, considered extending "Choices" type cost cutting measures to all active members and benefit recipients. As of this date, the Board has not determined the exact changes that will be made to the health care plan. However, changes to the plan are expected to be approved by the summer of 2004.

AKRON METROPOLITAN HOUSING AUTHORITY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004
 (CONTINUED)

NOTE 9: **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:

	<u>Deductible</u>	<u>Coverage Limits</u>	
Property, Personal Property	\$ 10,000	\$50,000,000	(per occurrence)
General Liability	5,000	5,000,000	
Automobile	500	1,000,000	
Law Enforcement	5,000	Included	(in general)
Public Officials	5,000	1,000,000	
Crime	1,000	1,000,000	
Pollution and Remediation Legal Liability	50,000	500,000	Per Loss (2,000,000 Aggregate)
Boiler and Machinery	1,000	50,000,000	

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 10: **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 \$408,204 for the year ended June 30, 2004.

NOTE 11: **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.

AKRON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(CONTINUED)

NOTE 12: **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-income 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.

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:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	735,492	75,086	810,578
2010-2011	848,217	29,907	878,124
Total	<u>\$ 4,122,756</u>	<u>\$ 808,258</u>	<u>\$ 4,931,014</u>

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.

AKRON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(CONTINUED)

NOTE 12: **WILBETH ARLINGTON FACILITIES** (Continued)

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:

Assets

Structures and Equipment, Net	\$12,510,524
Accounts Receivable	172,616
Cash and Cash Equivalents	395,114
Deferred Changes and Other	<u>707,025</u>
Total Assets	<u>\$13,785,279</u>

Liabilities

First Mortgage Payable	\$ 4,122,756
Bridge Loan	842,352
Accrued Liabilities	<u>354,078</u>
Total Liabilities	<u>\$ 5,319,186</u>

The total revenues and expenses of the Wilbeth Arlington facilities for the year ended June 30, 2004 were as follows:

Operating Revenues	\$ 2,345,104
Operating Expenditures	<u>2,580,476</u>
Operating Income (Loss)	<u>(235,372)</u>
Net Income (Loss)	<u>\$ (235,372)</u>

NOTE 13: **PRIOR PERIOD ADJUSTMENTS**

Adjustments were made during the audit period to correct the various programs' equity balances. The largest adjustments was to transfer completed capital assets from the Capital Grant Program to the Low Rent Public Housing Program.

AKRON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(CONTINUED)

NOTE 14: **INTERPROGRAM TRANSACTIONS**

Interprogram balance at June 30, 2004 consists of the following receivables and payables:

	<u>Due From</u>	<u>Due To</u>
Business Activities	\$ 67,132	\$ 193,569
N/C S/R Section 8 Program	332,389	8,319
Shelter Plus Care	19	2,563
Low Rent Public Housing	419,726	47,278
Section 8 Rental Voucher Program	245,423	671,304
Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	39	135,125
Public Housing Capital Fund	5	3,075
Resident Opportunity and Supportive Services	0	3,500
Total	<u>\$ 1,064,733</u>	<u>\$ 1,064,733</u>

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 15: **CONSTRUCTION COMMITMENTS**

As of June 30, 2004, the Authority had the following significant contractual commitments:

<u>Project</u>	<u>Amount</u>
Installation of A/C System	\$ 54,910
Elevator Upgrades	437,560
Exterior Building Renovations	265,477
Phase X, Lead Paint Abatement and Rehabilitation	264,222
Phase XI, Lead Paint Abatement and Rehabilitation	290,000
Emergency Generator Upgrades and Related Work	662,266
Exterior Balcony Renovations	245,495
Total	<u>\$ 2,219,930</u>

NOTE 16: **SUBSEQUENT EVENT**

On March 12, 2004, the Authority entered into a Real Estate Purchase Agreement to sell all of the project's assets of Rosemary Square to an unrelated party. The sale and terms of the sale are regulated by HUD and upon closing, must have final HUD approval to pay off the mortgage. The agreement provides for the continued operation of the project by the Authority until the sale is closed.

As of the date of our Auditor's report, the sale has not closed and the final terms have not been determined.

AKRON METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Funds Expended
<u>From U.S. Department of HUD</u>		
<u>Direct Programs</u>		
<i>PHA Owned Housing:</i>		
Public Housing Annual Contributions	14.850a	\$14,398,644
Public Housing Drug Elimination Program	14.854	255,539
New Approach Anti-Drug Grants	14.868	113,865
Revitalization of Severely Distressed Public Housing	14.866	436,577
Public Housing - Capital Grant Program	14.872	8,822,169
Shelter Plus Care	14.238	212,746
Resident Opportunity and Supportive Services	14.870	<u>112,427</u>
<i>Total PHA Owned Housing</i>		<u>24,351,967</u>
<i>Section 8:</i>		
<u>Project Cluster</u>		
Lower Income Housing Assistance Program - Section 8 - New Construction	14.182	5,459,148
Low Income Housing Assistance Program - Moderate Rehabilitation	14.856	<u>437,579</u>
Total Project Cluster		5,896,727
Housing Choice Vouchers	14.871	<u>25,054,989</u>
<i>Total Section 8</i>		<u>30,951,716</u>
<u>Department of Homeland Security</u>		
Federal Emergency Management Assistance	97.036	<u>57,285</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 55,360,968</u>

AKRON METROPOLITAN HOUSING AUTHORITY
NOTES TO SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

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
SUPPLEMENTAL COMBINING STATEMENT OF NET ASSETS - NON-AIDED
JUNE 30, 2004

	<u>Akron 73</u>	<u>Hilltop House</u>	<u>Akron 14</u>	<u>Wilbeth Arlington</u>	<u>Thornton Terrace</u>	<u>Leased Properties</u>	<u>Rosemary Square</u>	<u>Administrative Center</u>	<u>Total</u>
Assets									
Cash and Cash Equivalents	\$ 0	\$ 25	\$ 0	\$ 0	\$ 0	\$ 0	\$ 45,536	\$ 4,726,680	\$ 4,772,241
Restricted Cash	0	0	0	0	0	0	0	2,836,007	2,836,007
Receivables:									
Tenant	14,729	319	696	0	(2,047)	0	12,549	319	26,565
Interprogram	0	0	0	0	0	0	0	66,285	66,285
Other	0	0	0	0	0	0	75	178,164	178,239
Interprogram Advances	(437,109)	2,776,712	81,887	(9,255,098)	1,143,927	1,863,256	(1,790,504)	5,616,929	0
Notes Receivable	0	0	0	0	0	0	0	969,836	969,836
Accrued Interest Receivable	0	0	0	0	0	0	0	168,907	168,907
Escrow Funds and Other Assets	0	0	0	0	0	0	340,174	1,133,242	1,473,416
Inventory	0	2,245	0	0	0	0	0	0	2,245
Noncurrent Escrow and Other Assets	2,650	1,687	659	0	1,695	0	0	121,674	128,365
Accumulated Depreciation	(937,413)	(1,320,712)	(401,013)	0	(684,716)	0	(4,348,157)	(1,736,806)	(9,428,817)
Land, Structures, and Equipment	2,610,913	2,425,053	717,797	0	1,332,390	8,315,580	5,892,538	17,601,917	38,896,188
Assets Subject to Sales Contract	0	0	0	13,785,279	0	0	0	0	13,785,279
Total Assets	<u>\$ 1,253,770</u>	<u>\$ 3,885,329</u>	<u>\$ 400,026</u>	<u>\$ 4,530,181</u>	<u>\$ 1,791,249</u>	<u>\$10,178,836</u>	<u>\$ 152,211</u>	<u>\$31,683,154</u>	<u>\$53,874,756</u>
Liabilities									
Accounts Payable:									
Interprogram	\$ 0	\$ 0	\$ 0	\$ 51,989	\$ 0	\$ 0	\$ 0	\$ 141,581	\$ 193,570
Other	24,104	9,552	6,579	0	10,354	0	237,029	664,999	952,617
Accrued Interest Payable and									
Other Liabilities	0	0	0	0	0	0	8,635	101,191	109,826
Noncurrent Compensated Absences	0	0	0	0	0	0	0	71,350	71,350
Deferred Credits	0	0	0	0	0	0	0	101,084	101,084
Notes and Mortgages Payable	472,697	229,117	117,682	0	750,128	0	2,687,222	7,083,598	11,340,444
Liabilities Related to Sales Contract	0	0	0	7,308,361	0	0	0	0	7,308,361
Total Liabilities	496,801	238,669	124,261	7,360,350	760,482	0	2,932,886	8,163,803	20,077,252
Net Assets	<u>756,969</u>	<u>3,646,660</u>	<u>275,765</u>	<u>(2,830,169)</u>	<u>1,030,767</u>	<u>10,178,836</u>	<u>(2,780,675)</u>	<u>23,519,352</u>	<u>33,797,504</u>
Total Liabilities and Net Assets	<u>\$ 1,253,770</u>	<u>\$ 3,885,329</u>	<u>\$ 400,026</u>	<u>\$ 4,530,181</u>	<u>\$ 1,791,249</u>	<u>\$10,178,836</u>	<u>\$ 152,211</u>	<u>\$ 31,683,155</u>	<u>\$ 53,874,756</u>

AKRON METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL COMBINING STATEMENT OF ACTIVITIES - NON-AIDED
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>Akron 73</u>	<u>Hilltop House</u>	<u>Akron 14</u>	<u>Wilbeth Arlington</u>	<u>Thornton Terrace</u>	<u>Rosemary Square</u>	<u>Administrative Center</u>	<u>Total</u>
Operating Revenues								
Dwelling Rent	\$ 378,683	\$ 533,787	\$ 89,502	\$ 2,324,928	\$ 250,481	\$ 568,969	\$ 39,253	\$ 4,185,603
Non-Dwelling Rent	0	0	0	0	0	0	16,800	16,800
Excess Utility Charges	988	4,185	112	5,936	107	7,779	0	19,107
Interest on Investments	0	0	0	12,223	0	289	101,909	114,421
Other	3,427	4,250	0	2,016	0	9,988	1,681,702	1,701,383
Total Operating Revenues	<u>383,098</u>	<u>542,222</u>	<u>89,614</u>	<u>2,345,103</u>	<u>250,588</u>	<u>587,025</u>	<u>1,839,664</u>	<u>6,037,314</u>
Operating Expenses								
Administrative:								
Salaries	12,237	20,983	2,338	123,283	6,035	63,394	406,941	635,211
Fiscal Agent Fees	0	0	0	0	0	39,937	0	39,937
Other	812	2,200	141	256,474	1,053	90,617	481,401	832,698
Total Administrative	<u>13,049</u>	<u>23,183</u>	<u>2,479</u>	<u>379,757</u>	<u>7,088</u>	<u>193,948</u>	<u>888,342</u>	<u>1,507,846</u>
Tenant Services	0	0	0	0	0	0	11,312	11,312
Utilities	54,609	87,248	9,364	177,742	21,269	162,736	140,316	653,284
Ordinary Maintenance and Operation:								
Maintenance Labor	69,385	47,683	13,850	99,433	43,113	75,223	68,113	416,800
Maintenance Materials	32,857	17,444	2,893	96,449	8,971	170,491	57,316	386,421
Maintenance Contracts	37,420	23,522	3,898	372,807	16,311	104,202	205,226	763,386
Total Ordinary Maintenance and Operation	<u>139,662</u>	<u>88,649</u>	<u>20,641</u>	<u>568,689</u>	<u>68,395</u>	<u>349,916</u>	<u>330,655</u>	<u>1,566,607</u>
General Expenditures:								
Real Estate Taxes	0	0	0	168,482	0	4,947	0	173,429
Insurance	11,023	11,185	2,113	59,655	5,435	45,243	8,260	142,914
Employee Benefits	63,258	36,982	11,890	161,440	31,088	32,152	187,506	524,316
Collection Losses	3,190	0	0	62,437	6,944	0	1,170	73,741
Other	19,973	0	0	28,714	422	200	330	49,639
Total General Expenditures	<u>97,444</u>	<u>48,167</u>	<u>14,003</u>	<u>480,728</u>	<u>43,889</u>	<u>82,542</u>	<u>197,266</u>	<u>964,039</u>
Protective Services	0	180	0	32,715	0	52,615	61,641	147,151
Depreciation	35,701	67,189	15,523	645,436	28,697	149,200	346,921	1,288,667
Interest Expense	38,266	31,030	9,527	18,537	18,849	0	142,184	258,393
Total Operating Expenses	<u>378,731</u>	<u>345,646</u>	<u>71,537</u>	<u>2,303,604</u>	<u>188,187</u>	<u>990,957</u>	<u>2,118,637</u>	<u>6,397,299</u>
Operating Income (Loss)	<u>4,367</u>	<u>196,576</u>	<u>18,077</u>	<u>41,499</u>	<u>62,401</u>	<u>(403,932)</u>	<u>(278,973)</u>	<u>(359,985)</u>
Non-Operating Revenues (Expenses)								
Prior Year Adjustment	0	0	0	19,995	0	0	10,000	29,995
Loss from Disposition of Equipment and Rental Property - Net	0	(159)	(347)	(30,535)	(406)	0	1,023	(30,424)
Other	(839)	(294)	0	(4,548)	0	0	(400,687)	(406,368)
Total Operating Revenues (Expenses)	<u>(839)</u>	<u>(453)</u>	<u>(347)</u>	<u>(15,088)</u>	<u>(406)</u>	<u>0</u>	<u>(389,664)</u>	<u>(406,797)</u>
Change in Net Assets	<u>\$ 3,528</u>	<u>\$ 196,123</u>	<u>\$ 17,730</u>	<u>\$ 26,411</u>	<u>\$ 61,995</u>	<u>\$ (403,932)</u>	<u>\$ (668,637)</u>	<u>\$ (766,782)</u>

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
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Shelter Plus Care	Low Rent Public Housing	Public and Indian Housing Drug Elimination Program	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitat OH007MR0009	Revitalization of Severely Distressed Public Housing	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	\$6,195,804	\$2,276,625	\$28,618	\$6,475,236	\$0	\$9,497	\$0	\$0	\$0	\$705,493	\$3,591	\$15,694,864
113	Cash - Other Restricted	1,802,858	0	0	0	0	0	0	0	0	0	0	1,802,858
114	Cash - Tenant Security Deposits	119,584	0	0	290,242	0	0	0	0	0	0	0	409,826
100	Total Cash	8,118,246	2,276,625	28,618	6,765,478	0	9,497	0	0	0	705,493	3,591	17,907,548
122	Accounts Receivable - HUD Other Projects	0	0	0	75,445	0	6,616	35,174	6,494	0	0	692,931	816,660
124	Accounts Receivable - Other Government	0	0	0	111,357	0	0	0	0	0	0	0	111,357
125	Accounts Receivable - Miscellaneous	244,134	0	0	82,849	0	0	0	0	4,404	116,707	333	448,427
126	Accounts Receivable - Tenants - Dwelling Rents	133,903	0	0	110,793	0	0	0	0	0	0	0	244,696
126	Allowance for Doubtful Accounts - Dwelling Rents	(1,465)	0	0	(5,262)	0	0	0	0	0	0	0	(6,727)
126	Allowance for Doubtful Accounts - Other	0	0	0	0	0	0	0	0	0	0	0	0
127	Notes, Loans, & Mortgages Receivable - Current	22,548	0	0	0	0	0	0	0	0	0	0	22,548
128	Allowance for Doubtful Accounts - Fraud	0	0	0	0	0	0	0	0	0	0	0	0
129	Accrued Interest Receivable	168,907	0	0	0	0	0	0	0	0	0	0	168,907
120	Total Receivables, Net of Allowances for Doubtful Accounts	568,027	0	0	375,182	0	6,616	35,174	6,494	4,404	116,707	693,264	1,805,868
131	Investments - Unrestricted	602,668	0	0	0	0	0	0	0	0	0	0	602,668
142	Prepaid Expenses and Other Assets	1,196,831	0	0	342,884	0	0	0	0	0	0	354	1,540,069
143	Inventories	12,236	0	0	537,884	0	0	0	0	0	0	0	550,120
143	Allowance for Obsolete Inventories	(1)	0	0	(68,000)	0	0	0	0	0	0	0	(68,001)
144	Interprogram Due From	67,132	332,389	19	419,726	0	39	0	0	0	245,423	5	1,064,733
150	Total Current Assets	10,565,139	2,609,014	28,637	8,373,154	0	16,152	35,174	6,494	4,404	1,067,623	697,214	23,403,005
Non-current Assets													
161	Land	8,616,175	0	0	17,182,282	0	0	0	0	0	0	0	25,798,457
162	Buildings	44,886,530	0	0	207,610,185	0	0	0	0	0	0	0	252,496,715
163	Furniture, Equipment & Machinery - Dwellings	188,964	0	0	3,045,016	0	0	0	0	0	0	0	3,233,980
164	Furniture, Equipment & Machinery - Administration	1,861,411	2,017	0	3,169,302	0	31,671	0	0	2,438	662,958	0	5,729,797
165	Leasehold Improvements	0	0	0	0	0	0	0	0	0	0	0	0
166	Accumulated Depreciation	(13,575,184)	(2,017)	0	(125,134,334)	0	(29,940)	0	0	(1,896)	(631,145)	0	(139,374,516)
167	Construction In Progress	0	0	0	0	0	0	0	0	0	0	15,429,080	15,429,080
160	Total Fixed Assets, Net of Accumulated Depreciation	41,977,896	0	0	105,872,451	0	1,731	0	0	542	31,813	15,429,080	163,313,513
171	Notes, Loans, & Mortgages Receivable - Non Current	1,331,721	0	0	0	0	0	0	0	0	0	0	1,331,721
180	Total Non-Current Assets	43,309,617	0	0	105,872,451	0	1,731	0	0	542	31,813	15,429,080	164,645,234
190	Total Assets	53,874,756	2,609,014	28,637	114,245,605	0	17,883	35,174	6,494	4,946	1,099,436	16,126,294	188,048,239

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
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Shelter Plus Care	Low Rent Public Housing	Public and Indian Housing Drug Elimination Program	Lower Income Housing Assistance Program Section 8 OH007MR0009	Revitalization of Severely Distressed Public Housing	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	\$223,501	\$472	\$145	\$891,928	\$0	\$291	\$33,870	\$6,494	\$0	\$39,444	\$468,005	\$1,664,150
321	Accrued Wage/Payroll Taxes Payable	\$76,721	\$4,503	\$1,387	\$942,506	\$0	\$2,774	\$1,304	\$0	\$904	\$121,929	\$21,362	\$1,173,390
322	Accrued Compensated Absences - Current Portion	\$4,538	\$181	\$55	\$635,037	\$0	\$111	\$0	\$0	\$0	\$4,894	\$0	\$644,816
325	Accrued Interest Payable	\$3,508	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$3,508
331	Accounts Payable - HUD PHA Programs	\$0	\$205,799	\$0	\$43,163	\$0	\$3,024	\$0	\$0	\$0	\$572,968	\$0	\$824,954
341	Tenant Security Deposits	\$119,584	\$0	\$0	\$290,242	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$409,826
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	\$870,072	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$870,072
345	Other Current Liabilities	\$17,730	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$248,398	\$147,122	\$413,250
346	Accrued Liabilities - Other	\$215,719	\$0	\$0	\$447,328	\$0	\$0	\$0	\$0	\$0	\$0	\$57,650	\$720,697
347	Interprogram Due To	\$193,569	\$8,319	\$2,563	\$47,278	\$0	\$135,125	\$0	\$0	\$3,500	\$671,304	\$3,075	\$1,064,733
310	Total Current Liabilities	\$1,724,942	\$219,274	\$4,150	\$3,297,482	\$0	\$141,325	\$35,174	\$6,494	\$4,404	\$1,658,937	\$697,214	\$7,789,396
Non-current Liabilities													
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds	\$12,010,931	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$12,010,931
354	Accrued Compensated Absences - Non Current	\$71,350	\$2,841	\$875	\$871,790	\$0	\$1,750	\$0	\$0	\$0	\$76,938	\$0	\$1,025,544
353	Noncurrent Liabilities - Other	\$101,426	\$0	\$0	\$212,104	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$313,530
350	Total Noncurrent Liabilities	\$12,193,707	\$2,841	\$875	\$1,083,894	\$0	\$1,750	\$0	\$0	\$0	\$76,938	\$0	\$13,350,005
300	Total Liabilities	\$13,898,649	\$222,115	\$5,025	\$4,381,376	\$0	\$143,075	\$35,174	\$6,494	\$4,404	\$1,735,875	\$697,214	\$21,139,401
NET ASSETS													
508	Invested in Capital Assets, Net of Related Debt	\$29,096,893	\$0	\$0	\$105,872,451	\$0	\$1,731	\$0	\$0	\$542	\$31,813	\$15,429,080	\$150,432,510
511	Restricted Net Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
512	Unrestricted Net Assets	\$10,869,214	\$2,386,899	\$23,612	\$3,991,778	\$0	(\$126,923)	\$0	\$0	\$0	(\$668,252)	\$0	\$16,476,328
513	Total Equity/Net Assets	\$39,966,107	\$2,386,899	\$23,612	\$109,864,229	\$0	(\$125,192)	\$0	\$0	\$542	(\$636,439)	\$15,429,080	\$166,908,838
600	Total Liabilities and Equity/Net Assets	\$53,874,756	\$2,609,014	\$28,637	\$114,245,605	\$0	\$17,883	\$35,174	\$6,494	\$4,946	\$1,099,436	\$16,126,294	\$188,048,239

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, 2004

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Shelter Plus Care	Low Rent Public Housing	Public and Indian Housing Drug Elimination Program	Lower Income Housing Assistance Program Section 8 OH007MR0009	Revitalization of Severely Distressed Public Housing	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	\$4,185,603	\$0	\$0	\$6,103,315	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$10,288,918
704	Tenant Revenue - Other	19,108	\$0	\$0	\$78,670	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$97,778
705	Total Tenant Revenue	4,204,711	0	0	6,181,985	0	0	0	0	0	0	0	10,386,696
706	HUD PHA Operating Grants	0	5,459,148	212,746	14,398,644	255,263	437,579	436,577	107,252	112,427	25,054,989	2,454,425	48,929,050
706	Capital Grants	0	0	0	0	276	0	0	6,613	0	0	6,367,744	6,374,633
708	Other Government Grants	0	0	0	415,222	0	0	0	0	0	0	0	415,222
711	Investment Income - Unrestricted	82,254	23,873	0	59,531	0	805	0	0	0	958	0	167,421
712	Mortgage Interest Income	265,251	0	0	0	0	0	0	0	0	0	0	265,251
714	Fraud Recovery	0	0	0	0	0	2,076	0	0	0	45,315	0	47,391
715	Other Revenue	2,475,452	(2)	8	1,541,840	0	16	0	0	0	(708)	0	4,016,606
716	Gain/Loss on Sale of Fixed Assets	(30,424)	0	0	(10,646)	0	18	0	0	0	794	0	(40,258)
720	Investment Income - Restricted	6,455	0	0	0	0	0	0	0	0	0	0	6,455
700	Total Revenue	7,003,699	5,483,019	212,754	22,586,576	255,539	440,494	436,577	113,865	112,427	25,101,348	8,822,169	70,568,467

EXPENSES													
911	Administrative Salaries	578,641	33,200	12,986	2,973,316	0	25,975	115,303	0	0	1,141,690	253,410	5,134,521
912	Auditing Fees	20,601	110	53	28,413	0	105	0	0	0	4,619	0	53,901
913	Outside Management Fees	5,103	134	116	41,032	0	232	136,811	0	0	10,176	0	193,604
914	Compensated Absences	75,887	270	106	22,605	0	211	0	0	0	9,292	0	108,371
915	Employee Benefit Contributions - Administrative	250,790	31,720	5,752	1,325,128	0	11,504	29,158	0	0	505,634	64,723	2,224,409
916	Other Operating - Administrative	846,932	11,985	5,934	1,626,839	366	12,299	155,305	0	0	525,128	1,628,385	4,813,173
921	Tenant Services - Salaries	8,284	0	876	340,198	5,140	1,753	0	0	63,209	77,047	0	496,507
922	Relocation Costs	0	0	0	0	0	0	0	0	0	0	13,003	13,003
923	Employee Benefit Contributions - Tenant Services	5,118	0	385	151,443	754	770	0	0	37,746	33,847	0	230,063
924	Tenant Services - Other	3,028	44	169	24,111	109,015	338	0	0	11,527	14,889	145,810	308,931
931	Water	143,604	2	0	674,199	0	0	0	0	0	0	0	817,805
932	Electricity	233,980	81	0	1,263,728	0	0	0	0	0	0	0	1,497,789
933	Gas	138,662	42	0	1,153,863	0	0	0	0	0	0	0	1,292,567
938	Other Utilities Expense	137,040	1	0	843,329	0	0	0	0	0	0	0	980,370
941	Ordinary Maintenance and Operations - Labor	485,799	0	0	4,745,250	0	0	0	0	0	0	0	5,231,049
942	Ordinary Maintenance and Operations - Materials and Other	298,106	304	78	948,056	0	153	0	6,613	0	6,743	0	1,260,053
943	Ordinary Maintenance and Operations - Contract Costs	763,385	343	212	1,924,104	0	424	0	0	0	451,637	0	3,140,105
945	Employee Benefit Contributions - Ordinary Maintenance	199,608	0	0	2,082,344	0	0	0	0	0	0	0	2,281,952
951	Protective Services - Labor	139,376	10	281	502,357	121,091	563	0	94,921	0	24,727	268,929	1,152,255
952	Protective Services - Other Contract Costs	7,543	145	7	138,023	0	14	0	0	0	633	0	146,365
953	Protective Services - Other	232	0	1	3,765	0	3	0	0	0	120	0	4,121

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, 2004

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Shelter Plus Care	Low Rent Public Housing	Public and Indian Housing Drug Elimination Program	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitat OH007MR0009	Revitalization of Severely Distressed Public Housing	New Approach Anti-Drug Grants	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
EXPENSES (cont.)													
955	Employee Benefit Contributions - Protective Services	\$56,300	\$9	\$124	\$227,165	\$18,897	\$247	\$0	\$14,702	\$0	\$10,863	\$80,165	\$408,472
961	Insurance Premiums	142,914	347	771	765,065	0	1,542	0	0	0	67,756	0	978,395
962	Other General Expenses	17,323	0	0	3,699	0	0	0	0	0	0	0	21,022
963	Payments in Lieu of Taxes	173,429	0	0	234,775	0	0	0	0	0	0	0	408,204
964	Bad Debt - Tenant Rents	73,741	0	0	139,942	0	0	0	0	0	0	0	213,683
966	Bad Debt - Other	0	0	0	0	0	(371)	0	0	0	(5,549)	0	(5,920)
967	Interest Expense	1,255,483	0	0	0	0	0	0	0	0	0	0	1,255,483
969	Total Operating Expenses	6,060,909	78,747	27,851	22,182,749	255,263	55,762	436,577	116,236	112,482	2,879,252	2,454,425	34,660,253
970	Excess Operating Revenue over Operating Expenses	942,790	5,404,272	184,903	403,827	276	384,732	0	(2,371)	(55)	22,222,096	6,367,744	35,908,214
972	Casualty Losses - Non-Capitalized	44,815	0	16	122,942	0	32	0	0	0	1,393	0	169,198
973	Housing Assistance Payments	0	5,108,820	196,987	0	0	408,982	0	0	0	22,362,822	0	28,077,611
974	Depreciation Expense	1,288,666	358	0	9,215,171	1,080	1,278	0	0	813	56,171	0	10,563,537
900	Total Expenses	7,394,390	5,187,925	224,854	31,520,862	256,343	466,054	436,577	116,236	113,295	25,299,638	2,454,425	73,470,599
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	(390,691)	295,094	(12,100)	(8,934,286)	(804)	(25,560)	0	(2,371)	(868)	(198,290)	6,367,744	(2,902,132)
1102	Debt Principal Payments - Enterprise Funds	\$1,694,611	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,694,611
1103	Beginning Equity	\$40,075,399	\$2,091,805	\$35,712	\$109,133,059	\$13,801	(\$99,632)	\$0	\$0	\$1,626	(\$443,576)	\$18,725,433	\$169,533,627
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$281,399	\$0	\$0	\$9,665,456	(\$12,997)	\$0	\$0	\$2,371	(\$216)	\$5,427	(\$9,664,097)	\$277,343
1113	Maximum Annual Contributions Commitment (Per ACC)	\$0	\$3,044,855	\$0	\$0	\$0	\$425,780	\$0	\$0	\$0	\$23,265,503	\$0	\$26,736,138
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1115	Contingency Reserve, ACC Program Reserve	\$0	\$22,262,062	\$0	\$0	\$0	\$1,548,978	\$0	\$0	\$0	\$3,161,371	\$0	\$26,972,411
1116	Total Annual Contributions Available	\$0	\$25,306,917	\$0	\$0	\$0	\$1,974,758	\$0	\$0	\$0	\$26,426,874	\$0	\$53,708,549
1120	Unit Months Available	8,856	11,736	732	54,276	0	1,248	0	0	0	46,221	0	123,069
1121	Number of Unit Months Leased	7,626	11,382	532	52,366	0	1,048	0	0	0	45,159	0	118,113

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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, 2004, and have issued our report thereon dated December 6, 2004. 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), and Wilbeth-Arlington Homes Ltd. Partnership (a partnership owned by AMHA), which statements reflect total assets constituting less than three percent of the total assets at June 30, 2004, and total operating revenues constituting five 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. and Wilbeth-Arlington Homes Ltd. Partnership'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. or Wilbeth-Arlington Homes Ltd. Partnership.

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 6, 2004.

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, CPA, Inc.
Certified Public Accounts

December 6, 2004

JAMES G. ZUPKA, C.P.A., INC.
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**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, 2004. 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 an 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, 2004 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, 2004.

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, CPA, Inc.
Certified Public Accountants

December 6, 2004

AKRON METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
JUNE 30, 2004

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

2004(i)	Type of Financial Statement Opinion	Unqualified
2004(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2004(ii)	Were there any other reportable control weakness conditions reported at the financial statements level (GAGAS)?	No
2004(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2004(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
2004(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
2004(v)	Type of Major Programs' Compliance Opinion	Unqualified
2004(vi)	Are there any reportable findings under .510?	No
2004(vii)	Major Programs (list):	Low Rent Public Housing CFDA # 14.850 Section 8 Project Cluster CFDA # 14.182 and CFDA # 14.856
2004(viii)	Dollar Threshold: Type A\B Programs	Type A: >\$1,660,829 Type B: > all others
2004(ix)	Low Risk Auditee? AKRON METROPOLITAN HOUSING AUTHORITY	Yes

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
JUNE 30, 2004
(CONTINUED)

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

None.

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

None.

AKRON METROPOLITAN HOUSING AUTHORITY
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2004

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



**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 15, 2005**