

AKRON METROPOLITAN HOUSING AUTHORITY

AUDIT REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2008



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Akron Metropolitan Housing Authority, Summit County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2007 through June 30, 2008. 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.

Mary Taylor

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Auditor of State

June 9, 2009

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AKRON METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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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 business-type activities and the aggregate discretely presented component units of the Akron Metropolitan Housing Authority, Ohio (the "Authority"), as of and for the year ended June 30, 2008, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Eastland Woods, LLC, and Wilbeth Arlington Homes Ltd. Partnership (a partnership owned by the Akron Metropolitan Housing Authority), which statements reflect total assets constituting 9 percent of the Authority's total assets at June 30, 2008, and total operating revenues constituting 5 percent of the Authority's operating revenues for the year then ended. Those statements were audited by other auditors whose unqualified report has been furnished to us, and our opinion, insofar as it related to the amounts included for Eastland Woods, LLC, 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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.

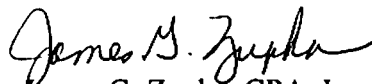
In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the aggregate discretely presented component units of the Authority as of June 30, 2008, and the respective changes in financial position and cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2009, on our consideration of the Akron Metropolitan Housing Authority, Ohio's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Akron Metropolitan Housing Authority, Ohio's basic financial statements. 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 of the Akron Metropolitan Housing Authority, Ohio. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

The Authority has not presented the Financial Data Schedules (FDS) required by the Department of Housing and Urban Development for additional analysis, although not required to be part of the basic financial statements. The FDS are not available due to revisions in the reporting system that the Department is now undertaking.


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

March 16, 2009

AKRON METROPOLITAN HOUSING AUTHORITY
Management Discussion and Analysis
for the Fiscal Year Ended June 30, 2008
Unaudited

The Akron Metropolitan Housing Authority's (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 13 to 15 of this report.

Financial Highlights

- The Authority's net assets increased by \$16,322,438 (9 percent) during fiscal year 2008. Net assets were \$189,733,944 and \$206,056,382 for 2007 and 2008, respectively.
- Revenue activity increased by \$1,526,769 (2 percent) during 2008 and was \$84,358,370 and \$85,885,139 for 2007 and 2008, respectively.
- The total expenses of all Authority programs decreased by \$(4,907,551) (7 percent) during 2008. Total expenses were \$74,775,382 and \$69,867,831 for 2007 and 2008, respectively.

Using This Annual Report

The following depicts the Authority's annual report

MD & A

Management Discussion and Analysis

Basic Financial Statements (pages 13 to 15)

Statement of Net Assets

Statement of Revenues, Expenses, and Changes in Fund Net Assets

Statement of Cash Flows

Notes to the Financial Statements

Pages 16 to 35

AKRON METROPOLITAN HOUSING AUTHORITY
Management Discussion and Analysis
for the Fiscal Year Ended June 30, 2008
Unaudited

Authority-wide Financial Statements

The Authority-wide financial statements (see pages 13 to 15) are designed to provide the reader with a corporate-like overview of a consolidation for the entire Authority. The component units of the Authority have been included in the financial statements and this MD&A because of their significance to the Authority's operations.

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.

Statement of Revenues, Expenses, and Changes in Fund Net Assets This statement, similar to an income 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 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:

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 "Invested in Capital Assets, Net of Related Debt", or "Restricted Net Assets".

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.

Statement of Cash Flows This statement 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, 2008
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 PROGRAMS

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.

Component Units

Component units represent 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 Eastland Woods with 100 units.

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.

AKRON METROPOLITAN HOUSING AUTHORITY
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Section 8 New and Substantial Rehab Program

Under this program, the Authority is Contract Administration for nine (9) 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.

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. During fiscal year 2006, an additional Hope VI grant was awarded to the Authority in the amount of \$20,000,000 for the replacement of the 116 units at Edgewood Homes. Replacements will consist of 221 new single family houses as rental and home ownership units.

Other Federal Program

In fiscal year 2007, the Authority implemented and successfully converted to HUD's Asset Management and Project Based Accounting model. With the conversion, a new Central Office Cost Center (COCC) was established. With the new accounting format, all central office costs are tracked as a separate entity and revenue is generated through management, bookkeeping, and asset management fees charged to the individual properties in the Low Income Housing program.

Statement of Net Assets

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

Table 1 - Statement of Net Assets - Primary Government

	FY 2008	FY 2007
<u>Assets</u>		
Current Assets	\$ 77,616,273	\$ 48,557,725
Other Non-Current Assets	2,400,123	2,320,343
Capital Assets, Net of Accumulated Depreciation	168,800,770	163,781,514
Total Assets	\$248,817,166	\$214,659,582
<u>Liabilities and Net Assets</u>		
<u>Liabilities</u>		
Current Liabilities	\$ 10,923,967	\$ 7,375,261
Non-Current Liabilities	31,836,817	17,550,377
Total Liabilities	42,760,784	24,925,638
<u>Net Assets</u>		
Invested in Capital Assets, Net of Related Debt	153,126,546	147,347,819
Unrestricted Net Assets	52,929,836	42,386,125
Total Net Assets	206,056,382	189,733,944
Total Liabilities and Net Assets	\$248,817,166	\$214,659,582

AKRON METROPOLITAN HOUSING AUTHORITY
Management Discussion and Analysis
for the Fiscal Year Ended June 30, 2008
Unaudited

Major Factors Affecting the Statement of Net Assets

Current assets increased by \$29,058,548. In the Public Housing Program, restricted investments in the amounts of \$15,402,770 was booked in 2008. These investments represent the proceeds from the Ohio Housing Finance Agency Capital Revenue Bonds. Cash also increased agency wide by \$9,558,000. The Housing Choice Voucher Program cash account increased by \$1,700,000 as a result of Housing Assistance payments not recaptured by HUD until 2009. The sale of Norton Homes netted an increase in the Public Housing cash/investments approximately \$10,000.

Net increase in Capital Assets in 2008 was \$5,019,256. During fiscal year 2008, the Elizabeth Park and Edgewood Homes capital assets were removed as they are currently under reconstruction under two Hope VI grants. During the period there were capital improvements in excess of \$22,385,000. These costs are associated with multiple construction phases under two Hope VI grants and the Capital Fund program.

Total liabilities increased by \$17,835,146 due largely to the addition debt issued for the Capital Revenue Bonds. The total bonds issued amounted to \$16,027,393.

Statement of Revenues and Expenses

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

Table 2 - Statement of Revenues and Expenses

	<u>FY 2008</u>	<u>FY 2007</u>	<u>Change</u>
<u>Revenues</u>			
Tenant Revenue - Rents/Other	\$ 8,422,803	\$ 7,432,277	\$ 990,526
Operating Subsidy and Grants	70,695,019	66,304,876	4,390,143
Interest and Investment Income	1,678,281	1,305,872	372,409
Other Revenues	5,394,166	9,315,345	(3,921,179)
Total Revenues	<u>86,190,269</u>	<u>84,358,370</u>	<u>1,831,899</u>
<u>Expenses</u>			
<u>Operating Expenses</u>			
Administrative	12,085,766	15,824,193	(3,738,427)
Tenant Services	1,429,593	1,971,431	(541,838)
Utilities	4,035,986	4,003,969	32,017
Maintenance/Security	11,211,283	11,767,803	(556,520)
Other General Expenses	3,030,002	1,895,870	1,134,132
Interest Expense	611,308	613,839	(2,531)
Total Operating Expenses	<u>32,403,938</u>	<u>36,077,105</u>	<u>(3,673,167)</u>
<u>Other Expenses</u>			
Extraordinary Maintenance	13,429	0	13,429
Housing Assistance	27,594,250	28,753,945	(1,159,695)
Depreciation Expense	9,856,214	9,944,332	(88,118)
Total Other Expenses	<u>37,463,893</u>	<u>38,698,277</u>	<u>(1,234,384)</u>
Total Expenses	<u>69,867,831</u>	<u>74,775,382</u>	<u>(4,907,551)</u>
Net Income (Deficit)	<u>\$ 16,322,438</u>	<u>\$ 9,582,988</u>	<u>\$ 6,739,450</u>

AKRON METROPOLITAN HOUSING AUTHORITY
Management Discussion and Analysis
for the Fiscal Year Ended June 30, 2008
Unaudited

Major Factors Affecting the Statement of Revenues and Expenses

Total revenue increased by \$1,526,769. Tenant rents changed by \$990,526, a 13 percent increase. During 2008 the Business Activities rental income, based on the HUD approved contract rent, was granted a 3.75 percent increase. The Public Housing Program instituted minimum rents which also resulted in a significant increase to revenue.

Other revenue decreased by \$3,921,179 as a result of the reporting of management fees, bookkeeping fees and asset management fees. In 2007 these fees were shown as a revenue to the Central Office Cost Center. In 2008 the HUD format eliminated these revenues.

Total operating expenses decreased by \$4,907,551. The public housing AMP expenses for management, bookkeeping and asset management fees were eliminated in 2008. These costs totaled \$3,276,451.

Table 3 -Revenue and Expenses by Program for the Fiscal Year Ending June 30, 2008

	<u>Revenue</u>	<u>Expenses</u>
Conventional Public Housing (LIPH)	\$ 35,745,942	\$ 31,719,733
Central Office Cost Center	4,937,152	3,927,901
Section 8 Housing Choice Voucher Program	28,048,441	26,526,585
Section 8 Mod Rehab Program	423,326	412,706
Section 8 New and Substantial Rehab Program	2,824,307	2,599,826
HOPE VI	10,738,311	1,534,262
Other Business Activities/Component Units	5,741,842	5,707,335
Resident Opportunity and Supportive Services	290,024	296,967
Shelter Plus Care	400,477	414,231
Disaster Voucher Program	11,768	4,686
Totals	<u>\$ 89,161,590</u>	<u>\$ 73,144,232</u>

AKRON METROPOLITAN HOUSING AUTHORITY
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The following table compares revenues and expenses for the current and previous fiscal year for all of 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, 2008**

	FY 2008	FY 2007	Change
<u>Revenues</u>			
Tenant Revenue - Rents/Other	\$ 8,422,803	\$ 7,432,277	\$ 990,526
Operating Subsidy and Grants	70,695,019	66,304,876	4,390,143
Investment Income	1,678,281	1,305,872	372,409
Other Revenues	<u>5,394,166</u>	<u>9,315,345</u>	<u>(3,921,179)</u>
Total Revenues	<u>86,190,269</u>	<u>84,358,370</u>	<u>1,831,899</u>
<u>Expenses</u>			
<u>Operating Expenses</u>			
Administrative	12,085,766	15,824,193	(3,738,427)
Tenant Services	1,429,593	1,971,431	(541,838)
Utilities	4,035,986	4,003,969	32,017
Maintenance/Security	11,211,283	11,767,803	(556,520)
Other General Expenses	3,030,002	1,895,870	1,134,132
Interest Expense	<u>611,308</u>	<u>613,839</u>	<u>(2,531)</u>
Total Operating Expenses	<u>32,403,938</u>	<u>36,077,105</u>	<u>(3,673,167)</u>
<u>Other Expenses</u>			
Capital Outlays	18,112,521	13,319,264	4,793,257
Extraordinary Maintenance	13,429	0	13,429
Housing Assistance	27,594,250	28,753,945	(1,159,695)
Depreciation Expense	<u>9,856,214</u>	<u>9,944,332</u>	<u>(88,118)</u>
Total Other Expenses	<u>55,576,414</u>	<u>52,017,541</u>	<u>3,558,873</u>
Total Expenses	<u>87,980,352</u>	<u>88,094,646</u>	<u>(114,294)</u>
Net Income (Deficit)	<u>(1,790,083)</u>	<u>(3,736,276)</u>	<u>1,946,193</u>
Plus Depreciation Add Back	<u>9,856,214</u>	<u>9,944,332</u>	<u>(88,118)</u>
Net Income (Deficit) Less Depreciation	<u>\$ 8,066,131</u>	<u>\$ 6,208,056</u>	<u>\$ 1,858,075</u>

AKRON METROPOLITAN HOUSING AUTHORITY
Management Discussion and Analysis
for the Fiscal Year Ended June 30, 2008
Unaudited

Capital Assets

During fiscal year 2008, the change in capital assets amounted to \$5,019,256. The following table represents the changes in the asset accounts by category as follows:

Table 5-Capital Assets at Year End (Net of Depreciation) for Fiscal Year Ended June 30, 2008

	2008	2007	Change
Land	\$ 26,056,313	\$ 25,815,215	\$ 241,098
Buildings	251,267,444	258,470,295	(7,202,851)
Equipment	7,520,523	7,924,043	(403,520)
Accumulated Depreciation	(155,156,052)	(158,669,143)	3,513,091
Construction in Progress	39,112,542	30,241,104	8,871,438
Totals	<u>\$168,800,770</u>	<u>\$163,781,514</u>	<u>\$ 5,019,256</u>

- Land increased by \$241,098 due to purchase of property associated with the Hope VI program and scattered site properties purchased by the Business Activities Program.
- Buildings had a net decrease of \$7,202,851. The removal of the 124 units at Elizabeth Park under the Hope VI program resulted in a decrease of \$7,176,873. Additionally, Edgewood Homes buildings were removed through Hope VI. The 116 units had a book value of \$7,456,869. In total there was \$14,633,743 removed from the building accounts due to the demolition of 240 units under the Hope VI grants
- During the year, construction costs to rebuild the above two sites under Hope VI and other Capital Fund projects amounted to \$22,385,000.

Debt

The change in outstanding debt from fiscal year 2007 to fiscal year 2008 represents the addition of the issuance of the Ohio Housing Finance Agency Capital Revenue Bonds. These bonds were issued in July 2007 in the amount of \$16,027,393.

Table 6 - Outstanding Debt at Year End

	2008	2007
Outstanding Debt	\$ 30,034,429	\$ 16,433,695
Less: Current Portion	(1,856,885)	(1,313,200)
Total	<u>\$ 28,177,544</u>	<u>\$ 15,120,495</u>

AKRON METROPOLITAN HOUSING AUTHORITY
Management Discussion and Analysis
for the Fiscal Year Ended June 30, 2008
Unaudited

Unrestricted Net Assets

The following table shows the changes in unrestricted net assets for the fiscal year ended June 30, 2008.

Table 7 - Change in Unrestricted Net Assets

Unrestricted Net Assets at June 30, 2007	\$ 42,386,125
Results of Operations, excluding Capital Grants	(1,790,083)
Adjustments:	
Depreciation (1)	<u>9,856,214</u>
Adjusted Results from Operations	<u>50,452,256</u>
Debt and Capital Expenditures	2,477,580
Transfer to Restricted	<u>(7,843,011)</u>
Unrestricted Net Assets at June 30, 2008	<u>\$ 45,086,825</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.

Economic Factors and 2008 Budgets

The preparation of the fiscal year 2008 budget was prepared with several significant economic and regulatory factors anticipated.

- The funding of the operating subsidy by the U.S. Department of Housing and Urban Development for the Conventional Public Housing Program has historically been at or near 100 percent. Over the past several years HUD has funded the program between 82 percent and 97 percent. In 2007, the proration was 82 percent and in 2008 the proration was 88.96 percent. The shortfall for 2008 amounted to \$1,663,000. It is uncertain what the 2009 proration will be however, the budget will reflect a reduction of 10 percent to 15 percent.
- The Authority successfully converted to HUD's Asset Management and Project Based Accounting model in 2007. With the conversion, the subsidy losses were stopped at five percent and annually an additional 1.9 million of subsidy is received.
- With the conversion to Asset Management, each Asset Management Project (AMP) was responsible for their individual budgets. HUD funded each AMP with operating subsidy based upon size, location, age, etc. It has become a challenge for each AMP to maintain a positive cash flow with the proration of subsidy. Also, as a result of Asset Management, a Central Office Cost Center was established. This new cost center receives no subsidy but receives revenue through management fees charged to the AMP's. This cost center also must show a positive cash flow. Several budget cuts and personnel changes were made throughout 2007 and 2008.

AKRON METROPOLITAN HOUSING AUTHORITY
Management Discussion and Analysis
for the Fiscal Year Ended June 30, 2008
Unaudited

With the prospect of subsidy reduction and the uncertainty of the annual proration, it has become vital to analyze the annual budget and determine where cuts are to be made. With any reductions, 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, 2008

	Primary Government	Component Units
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 18,703,790	\$ 1,254,785
Investments	27,931,284	0
Restricted Cash and Cash Equivalents	1,362,288	1,163,444
Receivable, Net	7,805,889	242,271
Inventories, Net	479,846	20,402
Prepaid Expenses and Other Assets	882,389	429,957
Due from Component Unit	<u>20,450,787</u>	<u>0</u>
Total Current Assets	<u>77,616,273</u>	<u>3,110,859</u>
<u>Noncurrent Assets</u>		
Capital Assets, Not Being Depreciated	65,168,855	1,809,133
Capital Assets, Net of Depreciation	103,631,915	22,225,055
Other Noncurrent Assets	<u>2,400,123</u>	<u>0</u>
Total Noncurrent Assets	<u>171,200,893</u>	<u>24,034,188</u>
TOTAL ASSETS	<u>\$ 248,817,166</u>	<u>\$27,145,047</u>
<u>LIABILITIES</u>		
<u>Current Liabilities</u>		
Accounts Payable	\$ 5,911,935	\$ 727,016
Accrued Liabilities	2,459,397	572,062
Intergovernmental Payable	20,902	0
Tenant Security Deposits	333,695	74,864
Bonds, Notes, and Loans Payable	1,856,885	255,208
Other Current Liabilities	341,153	7,558
Due to Primary Government	<u>0</u>	<u>20,450,787</u>
Total Current Liabilities	<u>10,923,967</u>	<u>22,087,495</u>
<u>Non-Current Liabilities</u>		
Bonds, Notes, and Loans Payable	28,177,544	2,105,000
Accrued Compensated Absences, Non-Current	1,386,375	20,909
Non-Current Liabilities - Other	<u>2,272,898</u>	<u>47,980</u>
Total Non-Current Liabilities	<u>31,836,817</u>	<u>2,173,889</u>
TOTAL LIABILITIES	<u>\$ 42,760,784</u>	<u>\$24,261,384</u>
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	\$ 153,126,546	\$ 7,920,246
Restricted Net Assets	7,843,011	0
Unrestricted Net Assets	<u>45,086,825</u>	<u>(5,036,583)</u>
TOTAL NET ASSETS	<u>\$ 206,056,382</u>	<u>\$ 2,883,663</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, 2008

	<u>Primary Government</u>	<u>Component Units</u>
<u>OPERATING REVENUE</u>		
Tenant Revenue	\$ 8,422,803	\$ 3,570,287
Government Operating Grants	52,582,498	0
Other Revenue	<u>5,087,843</u>	<u>7,138</u>
Total Operating Revenue	<u>66,093,144</u>	<u>3,577,425</u>
<u>OPERATING EXPENSES</u>		
Administrative	12,085,766	529,547
Tenant Services	1,429,593	276
Utilities	4,035,986	262,198
Maintenance	9,598,747	987,818
Protective Services	1,612,536	84,029
General	3,030,002	102,388
Housing Assistance Payment	27,594,250	0
Other Operating Expenses	13,429	0
Depreciation	<u>9,856,214</u>	<u>1,079,591</u>
Total Operating Expenses	<u>69,256,523</u>	<u>3,045,847</u>
Operating Income (Loss)	<u>(3,163,379)</u>	<u>531,578</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Interest and Investment Revenue	1,678,281	27,356
Miscellaneous Non-Operating	306,323	0
Interest Expense	<u>(611,308)</u>	<u>(1,240,558)</u>
Total Non-Operating Revenues (Expenses)	<u>1,373,296</u>	<u>(1,213,202)</u>
Income (Loss) Before Contributions and Transfers	(1,790,083)	(681,624)
Capital Grants	<u>18,112,521</u>	<u>0</u>
Change in Net Assets	16,322,438	(681,624)
Net Assets, Beginning of Year	189,733,944	3,106,186
Equity Adjustments	<u>0</u>	<u>459,101</u>
Total Net Assets, End of Year	<u>\$ 206,056,382</u>	<u>\$ 2,883,663</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, 2008

	Primary Government	Component Units
<u>Cash Flows from Operating Activities</u>		
Cash Received from HUD	\$ 48,731,934	\$ 0
Cash Received from Tenants and Other	8,431,358	3,565,727
Cash Received from Other Revenue	4,751,851	387,059
Cash Payments for Housing Assistance Payments	(27,594,250)	0
Cash Payments for Administrative	(12,210,440)	(508,671)
Cash Payments for Ordinary Maintenance	(9,633,989)	(1,107,960)
Cash Payments for Other Operating Expenses	(6,954,838)	(549,736)
Net Cash Provided (Used) by Operating Activities	<u>5,521,626</u>	<u>1,786,419</u>
<u>Cash Flows from Capital and Related Financing Activities</u>		
Retirement of Mortgage Payable	(2,004,266)	(286,772)
Proceeds from Sale of Capital Assets	3,278,985	15,450
Acquisition and Construction of Capital Assets	(18,154,455)	(76,495)
Proceeds from Capital Grants	18,112,521	0
Proceeds from Debt Issuance	15,605,000	0
Proceeds from Member Contributions	0	459,101
Net Cash Provided (Used) by Capital and Other Related Financing Activities	<u>16,837,785</u>	<u>111,284</u>
<u>Cash Flows from Investing Activities</u>		
Other Income	306,323	0
Redemption (Purchase) of Investments	(14,829,028)	0
Investment Income	1,678,281	27,356
Interest Expense	(611,308)	(1,240,558)
Net Cash Provided (Used) by Investing Activities	<u>(13,455,732)</u>	<u>(1,213,202)</u>
Change in Cash	8,903,679	684,501
Cash and Cash Equivalents, Beginning of Year	11,162,399	1,733,728
Cash and Cash Equivalents, End of Year	<u>\$ 20,066,078</u>	<u>\$ 2,418,229</u>
<u>Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities</u>		
Operating Loss	\$ (3,163,379)	\$ 531,578
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	9,856,214	1,079,591
Increase (Decrease) in Operating Assets and Liabilities:		
Accounts Receivable - HUD	(3,730,210)	0
Accounts Receivable - Tenant and Other	(929,463)	104,803
Due To/From Component Unit	(275,630)	275,630
Notes Receivable	(79,780)	0
Inventory	(35,242)	(3,910)
Deferred Charges and Other Assets	(355,296)	36,058
Accounts Payable	3,401,042	685,176
Intergovernmental	(120,354)	0
Accrued Payroll and Compensated Absences	(3,712)	7,264
Other Liabilities	(234,217)	(977,751)
Other Non-Current Liabilities	1,191,653	47,980
Total Adjustments	<u>8,685,005</u>	<u>1,254,841</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 5,521,626</u>	<u>\$ 1,786,419</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, 2008**

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.

Discretely Presented Component Units

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. Eastland Woods, LLC, was founded in 2004 for the purpose to acquire and rehabilitation a 100-unit affordable rental housing project in Akron, Ohio.

These two entities are reported in the component unit section of the Supplemental Financial Data Schedule.

AKRON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR FISCAL ENDED JUNE 30, 2008
(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.

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.

- 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.

AKRON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)

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.

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.

AKRON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)

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

B. Measurement Focus and Basis of Accounting (Continued)

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.

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.

AKRON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)

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

E. **Compensated Absences** (Continued)

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

F. **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.

G. **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 (CFP) are recognized as revenues in the period in which expenses related to CFP 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.

H. **Indirect Costs**

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

I. **Inventory**

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

**AKRON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)**

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

J. 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.

K. Use of Estimates

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

NOTE 3: **DEPOSITS AND INVESTMENTS**

A. Primary Government

Deposits

At fiscal year end, the carrying amount of the Authority's deposits was \$3,861,078 (including \$435,053 of non-negotiable certificates of deposit), and the bank balance was \$3,083,503. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of June 30, 2008, \$1,395,850 of the Authority's bank balance was covered by Federal Depository Insurance. The remainder was collateralized by securities pledged in the name of the Authority. Included in the carrying value of the Authority's deposits is \$2,325 in petty cash.

Custodial credit risk is the risk that, in the event of bank failure, the Authority's deposits may not be returned. The Authority's policy is to place deposits with major local banks approved by the Authority's Board. All deposits are collateralized with eligible securities in amounts equal to 100 percent of the carrying value of deposits. Such collateral, as permitted by Chapter 135 of the Ohio Revised Code, is held in financial institution pools at Federal Reserve banks, or at member banks of the Federal Reserve System, in the name of the respective depository bank, and pledged as a pool of collateral against the public deposits it holds, or as specific collateral held at the Federal Reserve bank in the name of the Authority.

AKRON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)

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

A. **Primary Government** (Continued)

Investments

The Authority has a formal investment policy; however, the Authority's investments were limited to U.S. Treasury/Agency securities and repurchase agreements at June 30, 2008.

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy (as established by HUD's Cash Management policy) limits operating reserves to be invested with maturities of not longer than three years. Repurchase agreements cannot exceed 30 days. To date, no investments have been purchased with a maturity greater than three years. Repurchase agreements do not exceed days.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority has no investment policy that would further limit its investment choices. The credit risks of the Authority's investments are displayed in the table below.

Concentration of Credit Risk

The Authority's investment policy states that investments in commercial paper and bankers' acceptances cannot exceed 25 percent of the Authority's investment portfolio. The Authority's investment policy places no other limits on the amounts that may be invested in any one issuer. The Authority did not have any investments in commercial paper and bankers' acceptances.

AKRON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)

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

A. **Primary Government** (Continued)

Cash, cash equivalents, and investments included in the Authority's cash position at June 30, 2008, are as follows:

	Fair Market Value	Credit Rating *	Investment Maturities (in Years)	
			Less than 1	1-3
Investment Type:				
Repurchase Agreements	\$16,205,000	N/A	\$16,205,000	\$ 0
U.S. Agencies	<u>27,931,284</u>	Aaa/AAA	<u>0</u>	<u>27,940,601</u>
Total Investments	<u>44,136,284</u>		<u>\$16,205,000</u>	<u>\$27,940,601</u>
Carrying Amount of Deposits:				
Unrestricted (including petty cash)	2,498,790			
Restricted	<u>1,362,288</u>			
Total Carrying Amount of Deposits	<u>3,861,078</u>			
Total Cash and Investments	<u>\$47,997,362</u>			

* Credit ratings were obtained from Moody's and Standard and Poor, respectively.

The classification of cash and cash equivalents and investments on the statement of net assets is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash		Total
	Equivalents	Investments	
GASB Statement No. 9	\$20,066,078	\$ 27,931,284	\$47,997,362
Petty Cash	(2,325)	0	(2,325)
Investments:			
Repurchase Agreements	<u>(16,205,000)</u>	<u>16,205,000</u>	<u>0</u>
GASB Statement No. 3	<u>\$ 3,858,753</u>	<u>\$44,136,284</u>	<u>\$47,995,037</u>

AKRON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)

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

B. Component Units

Deposits

At fiscal year end, the carrying amount of the Authority's component units' deposits was \$2,418,229 and the bank balance was \$2,426,305. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of June 30, 2008, \$200,000 of the component units' bank balance was covered by Federal Depository Insurance. The remainder was collateralized by securities pledged in the name of the Authority. Included in the carrying value of the component units' deposits is \$200 in petty cash.

Custodial credit risk is the risk that, in the event of bank failure, the Authority's deposits may not be returned. The Authority's policy is to place deposits with major local banks approved by the Authority's Board. All deposits are collateralized with eligible securities in amounts equal to 105 percent of the carrying value of deposits. Such collateral, as permitted by Chapter 135 of the Ohio Revised Code, is held in financial institution pools at Federal Reserve banks, or at member banks of the Federal Reserve System, in the name of the respective depository bank, and pledged as a pool of collateral against the public deposits it holds, or as specific collateral held at the Federal Reserve bank in the name of the Authority.

Investments

The Authority has a formal investment policy; however, the Authority's component units' did not have any investments at June 30, 2008.

Interest Rate Risk

As means of limited its exposure to fair value losses arising from rising interest rates, the Authority's investment policy (as established by HUD's Cash Management policy) limits operating reserves to be invested with maturities of not longer than three years. Repurchase agreements cannot exceed 30 days. To date, no investments have been purchased with a maturity greater than three years. Repurchase agreements do not exceed 30 days.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority has no investment policy that would further limit its investment choices. As of June 30, 2008, the Authority's component units had no investments.

AKRON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)

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

B. **Component Units** (Continued)

Investments (Continued)

Concentration of Credit Risk

The Authority's investment policy states that investments in commercial paper and bankers' acceptances cannot exceed 25 percent of the Authority's investment portfolio. The Authority's investment policy places no other limits on the amounts that may be invested in any one issuer. The Authority did not have any investments in commercial paper and bankers' acceptances.

Cash and cash equivalents included in the Authority's cash position at June 30, 2008, are as follows:

	<u>Fair Value</u>
Carrying Amount of Deposits:	
Unrestricted	\$1,254,785
Restricted	<u>1,163,444</u>
Total Carrying Amount of Deposits	<u>\$2,418,229</u>

AKRON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)

NOTE 4: CAPITAL ASSETS

A summary of capital assets at June 30, 2008 by class is as follows:

	Primary Government				
	Balance at 07/01/2007	Additions	Reductions	Reclassifications	Balance at 06/30/2008
<i>Capital Assets Not Being Depreciated</i>					
Land	\$ 25,815,215	\$ 688,569	\$ (447,471)	\$ 0	\$ 26,056,313
Construction in Progress	30,241,104	15,036,653	(6,165,215)	0	39,112,542
<i>Total Capital Assets not being depreciated</i>	<u>56,056,319</u>	<u>15,725,222</u>	<u>(6,612,686)</u>	<u>0</u>	<u>65,168,855</u>
<i>Capital Assets being depreciated</i>					
Buildings and Building Improvements	258,548,662	8,153,024	(15,434,242)	0	251,267,444
Furniture, Equipment, and Machinery-					
Dwelling	2,434,557	96,308	(411,485)	3,293,349	5,412,729
Administrative	5,394,907	345,116	(338,880)	(3,293,349)	2,107,794
<i>Total Capital Assets being depreciated</i>	266,378,126	8,594,448	(16,184,607)	0	258,787,967
Less Accumulated Depreciation	(158,652,931)	(9,856,214)	13,353,093	0	(155,156,052)
<i>Total Capital Assets being depreciated, Net</i>	<u>107,725,195</u>	<u>(1,261,766)</u>	<u>(2,831,514)</u>	<u>0</u>	<u>103,631,915</u>
Total Capital Assets, Primary Government, Net	<u>\$ 163,781,514</u>	<u>\$ 14,463,456</u>	<u>\$ (9,444,200)</u>	<u>\$ 0</u>	<u>\$168,800,770</u>
	Component Units				
	Balance at 07/01/2007	Additions	Reductions	Reclassifications	Balance at 06/30/2008
<i>Capital Assets Not Being Depreciated</i>					
Land	\$ 1,755,000	\$ 54,133	\$ 0	\$ 0	\$ 1,809,133
Construction in Progress	0	0	0	0	0
<i>Total Capital Assets not being depreciated</i>	<u>1,755,000</u>	<u>54,133</u>	<u>0</u>	<u>0</u>	<u>1,809,133</u>
<i>Capital Assets being depreciated</i>					
Buildings and Building					
Improvements	29,868,871	0	(56,487)	0	29,812,384
Furniture, Equipment, and Machinery-					
Dwelling	321,455	19,368	0	0	340,823
Administrative	94,579	2,994	0	0	97,573
<i>Total Capital Assets being depreciated</i>	30,284,905	22,362	(56,487)	0	30,250,780
Less Accumulated Depreciation	(6,987,171)	(1,079,591)	41,037	0	(8,025,725)
<i>Total Capital Assets being depreciated, Net</i>	<u>23,297,734</u>	<u>(1,057,229)</u>	<u>(15,450)</u>	<u>0</u>	<u>22,225,055</u>
Total Capital Assets, Component Units, Net	<u>\$ 25,052,734</u>	<u>\$ (1,003,096)</u>	<u>\$ (15,450)</u>	<u>\$ 0</u>	<u>\$ 24,034,188</u>

AKRON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)

NOTE 5: LONG-TERM OBLIGATIONS

Changes in the Authority's long-term obligations during fiscal year 2008 are as follows:

	<u>Balance at</u> <u>06/30/07</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>06/30/08</u>	<u>Due Within</u> <u>One Year</u>
<u>General Long-Term Obligations</u>					
<i>Primary Government</i>					
Midtown Note, 4/1/2005, 4.58%, \$1,293,552	\$ 1,061,160	\$ 0	\$ (115,272)	\$ 945,888	\$ 120,664
Central Office Mortgage, 4/1/1998, Variable, \$7,000,000	5,390,000	0	(230,000)	5,160,000	240,000
Non-Aided Mortgages, 7/1/1999, 4.99%, \$2,910,225	1,019,482	0	(296,307)	723,175	311,436
Energy Conservation Note, 8/12/2004, 4.44%, \$4,809,191	4,229,354	0	(336,698)	3,892,656	351,961
Energy Conservation Note, 9/20/2005, 3.79%, \$4,897,502	4,733,699	0	(335,989)	4,397,710	347,824
Capital Fund Financing Program, 9/28/2007, 3.90%, \$15,605,000	<u>0</u>	<u>15,605,000</u>	<u>(690,000)</u>	<u>14,915,000</u>	<u>485,000</u>
	16,433,695	15,605,000	(2,004,266)	30,034,429	1,856,885
Early Retirement Incentive Liability	156,574	0	(156,574)	0	0
Compensated Absences	<u>1,489,487</u>	<u>172,750</u>	<u>(140,850)</u>	<u>1,521,387</u>	<u>135,012</u>
<i>Total Primary Government</i>	<u>18,079,756</u>	<u>15,777,750</u>	<u>(2,301,690)</u>	<u>31,555,816</u>	<u>1,991,897</u>
<i>Component Units</i>					
Wilbeth-Bridge Loan, 12/30/1999	346,980	0	(171,772)	175,208	175,208
Eastland Woods - Mortgage	<u>2,300,000</u>	<u>0</u>	<u>(115,000)</u>	<u>2,185,000</u>	<u>80,000</u>
	2,646,980	0	(286,772)	2,360,208	255,208
Compensated Absences	<u>15,779</u>	<u>7,264</u>	<u>0</u>	<u>23,043</u>	<u>2,134</u>
<i>Total Component Units</i>	<u>2,662,759</u>	<u>7,264</u>	<u>(286,772)</u>	<u>2,383,251</u>	<u>257,342</u>
Total Long-Term Obligations	<u>\$20,742,515</u>	<u>\$15,785,014</u>	<u>\$(2,588,462)</u>	<u>\$ 33,939,067</u>	<u>\$ 2,249,239</u>

On September 20, 2005, the Authority gave the authorization to proceed with Phase II of HUD's Energy Incentive Program, which was financed by a \$4,897,502 tax-exempt municipal 12 year lease at an interest rate of 3.79 percent. Principal and interest payments of \$42,381 will be paid monthly to the financing lessor, Fifth Third Bank. Phase II of this program will primarily provide for the design, installation, and financing of energy conservation measures to reduce natural gas consumption throughout the Authority.

On August 12, 2004, the Authority gave the authorization to proceed with Phase I of HUD's Energy Incentive Program, financed by a \$4,809,191 tax-exempt municipal 12 year lease at an interest rate of 4.44 percent. Principal and interest payments of \$43,141 will be paid monthly to the financing lessor, Fifth Third Bank. Phase I of this program encompassed water and electric energy conservation measures (ECM) throughout the Authority.

AKRON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)

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

On April 1, 2005, the Authority issued a general obligation promissory note in the amount of \$1,293,552. 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 \$13,456 from April 1, 2005 to April 1, 2015. Interest is payable monthly at a rate of 4.58 percent. The mortgage will be repaid from the Non-Aided program.

On April 1, 1998, the Authority obtained a mortgage of \$7,000,000 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, 2006, the interest rate in effect was 3.99 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 17, 2007 the Authority obtained Series 2007A Capital Fund Revenue Bonds payable to Ohio Housing Finance Agency at an interest rate ranging from 3.90 percent to 4.67 percent. The principal amount of the bond issue is \$40,532,000 and \$15,605,000 of the principal amount is Akron's share. Payments are due semi-annually from October 2007 to April 2027. The bonds will be repaid from the Capital Fund Program and were issued to make energy improvements to several of the sites.

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.

On June 20, 2005, Eastland Woods, LLC obtained Series 2004A bonds payable to Huntington Bank in the amount of \$2,420,000 at an interest rate ranging from 3.25 percent to 4.75 percent. The bonds will be repaid from Eastland Woods, LLC in the Non-Aided program.

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.

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

AKRON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)

NOTE 5: LONG-TERM OBLIGATIONS (Continued)

The following is a summary of the Authority's future debt service requirements for mortgages payable as of June 30, 2008:

<u>For the Year</u> <u>Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Payments</u>
2009	\$ 1,856,885	\$ 1,320,027	\$ 3,176,912
2010	1,942,792	1,239,744	3,182,536
2011	1,776,369	1,159,846	2,936,215
2012	1,765,046	1,086,006	2,851,052
2013	1,844,763	1,009,518	2,854,281
2014-2018	11,769,197	3,698,253	15,467,450
2019-2023	4,654,377	1,794,910	6,449,287
2024-2027	<u>4,425,000</u>	<u>567,750</u>	<u>4,992,750</u>
Total	<u>\$30,034,429</u>	<u>\$11,876,054</u>	<u>\$41,910,483</u>

The following is a summary of the Authority's component units' future debt service requirements for mortgages payable as of June 30, 2008:

<u>For the Year</u> <u>Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Payments</u>
2009	\$ 255,208	\$ 99,034	\$ 354,242
2010	80,000	92,930	172,930
2011	90,000	89,780	179,780
2012	95,000	86,180	181,180
2013	95,000	82,580	177,580
2014-2018	540,000	350,714	890,714
2019-2023	680,000	216,899	896,899
2024-2028	<u>525,000</u>	<u>47,599</u>	<u>572,599</u>
Total	<u>\$ 2,360,208</u>	<u>\$ 1,065,716</u>	<u>\$ 3,425,924</u>

NOTE 6: OTHER EMPLOYEE BENEFITS

A. 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.

AKRON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)

NOTE 6: **OTHER EMPLOYEE BENEFITS** (Continued)

B. Special Termination Benefits

In fiscal year 2007, the Authority adopted a one-time voluntary Early Retirement Incentive Plan (the Plan) offered through the Ohio Public Employees Retirement System (OPERS). The Plan allows the Authority to purchase additional service credit for those employees who elect to participate. The purchase may allow employees to retire early, or to retire with a larger retirement than they may have otherwise been entitled. An Authority employee who is or will be eligible to retire on or before October 31, 2007 is eligible to participate in the Plan. One of the following age and service criteria must be met to be eligible for retirement:

- at least age 60 with five (5) or more years of total service credit on record, or
- at least age 55 with twenty-five (25) or more years of total service credit on record, or
- thirty (30) or more years of total Ohio service credit on record, regardless of age.

The Authority employees that met the eligibility requirements for retirement had to submit the Election to Participate application between the election period of September 16, 2006 through November 3, 2006. Fifteen employees elected to participate in the Plan. During fiscal year 2007, eight (8) employees retired and received their benefit. The remaining seven (7) employees have designated that they will retire no later than October 31, 2007. As of June 30, 2008, the Plan liability is \$0.

NOTE 7: **DEFINED BENEFIT PENSION PLANS**

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

AKRON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)

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

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of both the traditional pension 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 East Town Street, Columbus, Ohio 43215-5601, or by calling (614) 222-6705 or 1-800-222-7377.

Effective January 1, 2007, the members of all three plans were required to contribute 9.5 percent of their annual covered salaries; the percent of contributions changed to 10 percent effective January 1, 2008. The Authority's contribution rate for pension benefits was 7.85 percent from January 1, 2007 of covered payroll through December 31, 2007; effective January 1, 2008, the percent changed to 7.00 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 all the plans for the years ended June 30, 2008, 2007, and 2006, were \$1,508,415, \$1,089,097, and \$1,148,335, respectively; 92.20 percent has been contributed for 2008 and 100 percent for 2007 and 2006. Contributions to the member-directed plan for 2008 were \$11,635 made by the Authority and \$8,203 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. Health care coverage for disability recipients and primary survivor recipients is available with both the traditional and combined plan; however, health care benefits are not statutorily guaranteed. Members of the member-directed plan do not qualify for postretirement 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 OPERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2007 local employer contribution rate was 13.85 percent of covered payroll; 5.00 percent of covered payroll was the portion that was used to fund health care. Effective January 1, 2008, the Authority's contribution rate was 14.00 percent of covered payroll; 7.00 percent of covered payroll was the portion that was used to fund health care.

AKRON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)

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

Ohio Public Employees Retirement System (Continued)

Benefits are advance-funded using the individual entry age actuarial cost method. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.5 percent, an annual increase in active employee total payroll of 4.00 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 costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .50 percent to 5.00 percent for the next eight years. In subsequent years (9 and beyond), health care costs were assumed to increase at 4 percent (the projected wage inflation rate).

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, not to exceed a 12 percent corridor.

At December 31, 2007, the number of active contributing participants in the traditional and combined plans was 374,979. The number of active contributing participants for both plans used in the December 31, 2006, actuarial valuation was 362,130. Actual employer contributions for 2008 which were used to fund postemployment benefits were \$587,451. The actual contribution and the actuarially required contribution amounts are the same. OPERS' net assets available for payment of benefits at December 31, 2006, (the latest information available) were \$12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

**AKRON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)**

NOTE 9: INSURANCE COVERAGE

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

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

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Coverage Limits</u>
Property, Personal Property	\$ 10,000	\$150,000,000
General Liability	25,000	5,000,000
Automobile	500	1,000,000
Public Officials	0	4,000,000
Crime	10,000	1,000,000

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 partially self-funded 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. The Authority and its component units' expense recognized for payments in lieu of taxes totaled \$343,117 and \$289,568, respectively, for the year ended June 30, 2008.

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, 2008
(CONTINUED)**

NOTE 12: PRIOR PERIOD ADJUSTMENTS

The adjustment to the Component Units was due to the recording of the Eastland Woods, LLC member's contributions during the fiscal year. A summary of the adjustment is:

	Component Units
Equity Contribution from Limited Partner	\$ 459,101
Total	\$ 459,101

NOTE 13: CONSTRUCTION COMMITMENTS

As of June 30, 2008, the Authority had the following significant contractual commitments:

Project	Amount
Hope VI - Edgewood	\$ 9,034,936
Capital Projects	1,786,255
Scattered Sites	701,544
Total Construction Commitments	\$11,522,735

NOTE 14: INVESTED IN CAPITAL ASSETS

The Authority's investment in capital assets has been determined as follows:

	Primary Government	Component Units
Capital Assets, Net of Accumulated Depreciation	\$ 168,800,770	\$24,034,188
Debt Related to Capital Assets	(30,034,429)	(2,360,208)
Subtotal	138,766,341	21,673,980
Cash Available from Debt-Issuance to Fund Capital Assets	14,360,205	0
Note Payable to Primary Government Related to Capital Asset Addition	0	(13,753,734)
Total Invested in Capital Assets	\$ 153,126,546	\$ 7,920,246

**AKRON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)**

NOTE 15: RESTRICTED NET ASSETS

The Housing Choice Voucher Program requires the equity portion attributable to the excess housing assistance payments be reflected as restricted net assets. The corresponding funds are reflected in the cash and investment accounts.

Total Restricted Net Assets \$7,843,011

NOTE 16: CONDENSED FINANCIAL STATEMENT INFORMATION - COMPONENT UNITS

	Wilbeth Arlington	Eastland Woods	Total
<u>Balance Sheet</u>			
Current Assets	\$ 1,964,523	\$ 1,146,336	\$ 3,110,859
Capital Assets	10,407,174	13,627,014	24,034,188
Current Liabilities	(14,693,758)	(7,393,737)	(22,087,495)
Non-Current Liabilities	(20,494)	(2,153,395)	(2,173,889)
Net Assets	2,389,054	(5,272,717)	(2,883,663)
<u>Revenues, Expenses, and Changes in Equity</u>			
Operating Revenue	2,506,986	1,070,439	3,577,425
Operating Expenses	1,776,692	1,269,155	3,045,847
Net Operating Income (Loss)	730,294	(198,716)	531,578
Net Non-Operating Revenue over Expenses	(989,663)	(223,539)	(1,213,202)
Excess of Revenue over Expenses	(259,369)	(422,255)	(681,624)

**AKRON METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Expenditures
<u>From U.S. Department of HUD</u>		
<u>Direct Programs</u>		
<i>PHA Owned Housing:</i>		
Public Housing Annual Contributions	14.850a	\$ 17,040,655
Revitalization of Severely Distressed Public Housing	14.866	10,738,311
Public Housing - Capital Fund Program	14.872	11,300,399
Shelter Plus Care	14.238	400,470
Resident Opportunity and Supportive Services	14.870	290,024
<i>Total PHA Owned Housing</i>		<u>39,769,859</u>
<i>Section 8:</i>		
<u>Project Cluster</u>		
Lower Income Housing Assistance Program - Section 8 - New Construction	14.182	2,699,778
Low Income Housing Assistance Program - Moderate Rehabilitation	14.856	419,373
<i>Total Project Cluster</i>		<u>3,119,151</u>
Housing Choice Vouchers	14.871	27,600,784
<i>Total Section 8</i>		<u>30,719,935</u>
Total From U.S. Department of HUD		<u>70,489,794</u>
<u>From U.S. Department of Homeland Security</u>		
<u>Direct Programs</u>		
Disaster Housing Assistance Grant	97.109	11,768
<i>Total from U.S. Department of Homeland Security</i>		<u>11,768</u>
<u>From U.S. Department of Health and Human Services</u>		
<i>Pass through from Summit County Department of Job and Family Services</i>		
Temporary Assistance for Needy Families (TANF)	93.558	165,625
<i>Total from U.S. Department of Health and Human Services</i>		<u>165,625</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 70,667,187</u>

AKRON METROPOLITAN HOUSING AUTHORITY
NOTES TO SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

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.

JAMES G. ZUPKA, C.P.A., INC.
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Trustees
Akron Metropolitan Housing Authority
Akron, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the Akron Metropolitan Housing Authority, Ohio (the Authority), as of and for the year ended June 30, 2008, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated March 16, 2009. 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 of America. We did not audit the financial statements of Wilbeth-Arlington Homes Ltd. Partnership (a partnership owned by Akron Metropolitan Housing Authority), or Eastland Woods, LLC (a component unit of the Akron Metropolitan Housing Authority), which statements reflect total assets constituting 9 percent of the total assets at June 30, 2008, and total operating revenues constituting 5 percent of total operating revenues for the year then ended. Those statements were audited by other auditors and the other auditors have reported to you on Wilbeth-Arlington Homes Ltd. Partnership's and Eastland Woods' legal compliance and internal control over financial reporting. Accordingly, this report does not address the legal compliance and internal control over financial reporting of Wilbeth-Arlington Homes Ltd. Partnership and Eastland Woods, LLC.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

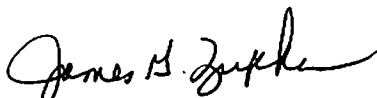
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to the management of the Authority in a separate letter dated March 16, 2009.

This report is intended solely for the information and use of the Board of Trustees, management, and Federal awarding agencies 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

March 16, 2009

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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, Ohio, 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, 2008. Akron Metropolitan Housing Authority, Ohio's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. 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, Ohio's management. Our responsibility is to express an opinion on Akron Metropolitan Housing Authority, Ohio'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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Akron Metropolitan Housing Authority, Ohio'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, Ohio's compliance with those requirements.

In our opinion, Akron Metropolitan Housing Authority, Ohio 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, 2008.

Internal Control Over Compliance

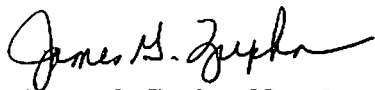
The management of the Akron Metropolitan Housing Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Akron 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Akron Metropolitan Housing Authority's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Trustees, and Federal awarding agencies 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

March 16, 2009

**AKRON METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
JUNE 30, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

2008(i)	Type of Financial Statement Opinion	Unqualified
2008(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2008(ii)	Were there any other significant deficiencies in internal control reported at the financial statements level (GAGAS)?	No
2008(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2008(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
2008(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
2008(v)	Type of Major Programs' Compliance Opinion	Unqualified
2008(vi)	Are there any reportable findings under .510?	No
2008(vii)	Major Programs (list): Public Housing Annual Contributions - CFDA #14.850 Public Housing - Capital Fund Program - CFDA # 14.872	
2008(viii)	Dollar Threshold: Type A\B Programs	Type A: >\$2,120,016 Type B: > all others
2008(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**AKRON METROPOLITAN HOUSING AUTHORITY
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008**

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



Mary Taylor, CPA
Auditor of State

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
JUNE 23, 2009**