AKRON METROPOLITAN HOUSING AUTHORITY

AUDIT REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

James G. Zupka, CPA, Inc.

Certified Public Accountants

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, 2008 through June 30, 2009. 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

Mary Taylor, CPA
Auditor of State

April 9, 2010

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AKRON METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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JAMES G. ZUPKA, C.P.A., INC.
Certified Public Accountants
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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 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, 2009, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Akron Metropolitan Housing Authority, Ohio'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 8 percent of the Akron Metropolitan Housing Authority, Ohio's total assets at June 30, 2009, and total operating revenues constituting 5 percent of the Akron Metropolitan Housing Authority, Ohio'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 the 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 opinions.

In our opinion, based on our audit and the report of the other auditors, the 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 Akron Metropolitan Housing Authority, Ohio, as of June 30, 2009, and the respective changes in financial position, and cash flows, where applicable, 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 January 20, 2010, on our consideration of the Akron Metropolitan Housing Authority, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 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. The Statement of Modernization Costs - Completed is presented for purposes of additional analysis as required by the U.S. Department of Housing and Urban Development and is not a required part of the basic financial statements. 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 U.S. 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.

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

January 20, 2010

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 12 to 14 of this report.

Financial Highlights

- The Authority's net assets increased by $15,090,574 (7 percent) during fiscal year 2009. Net assets were $206,056,382 and $221,146,956 for 2008 and 2009, respectively.

- Revenue activity increased by $1,999,628 (2 percent) during 2009 and was $86,190,269 and $88,189,897 for 2008 and 2009, respectively.

- The total expenses of all Authority programs increased by $2,773,063 (4 percent) during 2009. Total expenses were $69,867,831 and $72,640,894 for 2008 and 2009, respectively.

Using This Annual Report

The following depicts the Authority's annual report

MD & A
Management Discussion and Analysis

Basic Financial Statements (pages 12 to 14)
Statement of Net Assets
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Statement of Cash Flows

Notes to the Financial Statements
Pages 15 to 31

Authority-wide Financial Statements

The Authority-wide financial statements (see pages 12 to 14) 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.

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 4,200) 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, Eastland Woods with 100 units, and Edgewood Homes with 31 tax credit 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.

Section 8 New and Substantial Rehab Program

Under this program, the Authority is Contract Administration for five (5) 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 2009	FY 2008
Assets		
Current Assets	$ 94,893,476	$ 77,616,273
Other Non-Current Assets	1,533,108	2,400,123
Capital Assets, Net of Accumulated Depreciation	170,217,013	168,800,770
Total Assets	$ 266,643,597	$248,817,166
Liabilities and Net Assets		
Liabilities		
Current Liabilities	$ 8,291,906	$ 10,923,967
Non-Current Liabilities	37,204,735	31,836,817
Total Liabilities	45,496,641	42,760,784
Net Assets		
Invested in Capital Assets, Net of Related Debt	157,696,607	153,126,546
Restricted Net Assets	4,858,250	7,843,011
Unrestricted Net Assets	58,592,099	45,086,825
Total Net Assets	221,146,956	206,056,382
Total Liabilities and Net Assets	$ 266,643,597	$248,817,166

Major Factors Affecting the Statement of Net Assets

In December 2008, the Authority sold the 170 unit Norton Homes property to the Barberton City School District for $11,500,000. Net proceeds in excess of $9,800,000 was invested in short-term securities. Additionally, the net income earned from the other programs was invested in short-term investments.

Capital assets increased due to the completion of the Edgewood Homes Phase I in the Hope VI Program and the transferring to Public Housing. The total increase for this property was approximately $8,650,000. There were also increases of $8,400,000 in Construction-in-Progress, which is the annual cost associated with the Capital Program. However, the sale of Norton Homes decreased this balance by $9,800,000.

Non-current liabilities increased by $5,367,918. This increase is due largely to the bond debt issued through the Hope VI Program to finance the Edgewood Homes Phase I Project.

Statement of Revenues and Expenses

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

Table 2 - Statement of Revenues and Expenses

	FY 2009	FY 2008	Change
Revenues			
Tenant Revenue - Rents/Other	$ 8,523,333	$ 8,422,803	$ 100,530
Operating Subsidy and Grants	58,752,802	70,695,019	(11,942,217)
Capital Contributions	5,481,957	0	5,481,957
Investment Income - Unrestricted	1,140,141	1,678,281	(538,140)
Gain/Loss on Sale of Capital Assets	9,280,748	0	9,280,748
Other Revenues	5,010,916	5,394,166	(383,250)
Total Revenues	88,189,897	86,190,269	1,999,628
Expenses			
Operating Expenses			
Administrative	11,421,493	12,085,766	(664,273)
Tenant Services	2,056,453	1,429,593	626,860
Utilities	3,907,065	4,035,986	(128,921)
Maintenance/Security	12,218,764	11,211,283	1,007,481
Other General Expenses	2,502,166	3,043,431	(541,265)
Interest Expense	696,359	611,308	85,051
Total Operating Expenses	32,802,300	32,417,367	384,933
Other Expenses			
Housing Assistance	29,212,999	27,594,250	1,618,749
Depreciation Expense	10,625,595	9,856,214	769,381
Total Other Expenses	39,838,594	37,450,464	2,388,130
Total Expenses	72,640,894	69,867,831	2,773,063
Net Income (Deficit)	$ 15,549,003	$ 16,322,438	$ (773,435)

Major Factors Affecting the Statement of Revenues and Expenses

Total revenue increased by $1,999,628. In 2008, the Hope VI grant total was $9,204,049 for the construction of Edgewood Homes I. In 2009, the Hope VI grant totaled $2,849,848 for the remaining construction of the Edgewood Homes I. The amount the Housing Choice Voucher Program HAP received from HUD decreased by $2,054,987 in 2009, due to a recapture of prior year unspent HAP funding in the amount of $4,000,000. However, due to the sale of Norton Homes in 2009, there was a gain in the sale of capital assets of $9,280,748 and capital contributions received for Edgewood Homes were $5,484,957.

Total operating expenses increased by $384,933. Tenant Services increased by $626,860 as a result of additional FSS and other grant funding available in 2009. Maintenance and Security expenses increased by $1,007,481. This increase is due largely to the increases to contracted services and annual increases due to employee pay raises.

Other operating expenses increased by $2,388,130. As noted above, the HAP revenue decreased due to the HUD recapture; however, the expenses increased by $1,618,749. Depreciation expense increased by $769,381, due to asset additions that were made during the year.

Table 3 -Revenue and Expenses by Program for the Fiscal Year Ending June 30, 2009

	Revenue	Expenses
Conventional Public Housing (LIPH)	$ 44,492,916	$ 29,484,040
Central Office Cost Center	4,477,030	4,861,770
Section 8 Housing Choice Voucher Program	25,967,285	28,535,676
Section 8 Mod Rehab Program	473,831	481,651
Section 8 New and Substantial Rehab Program	2,788,624	2,520,164
HOPE VI	3,704,717	861,970
Other Business Activities/Component Units	5,547,162	5,153,784
Resident Opportunity and Supportive Services	347,616	339,294
Shelter Plus Care	376,644	389,468
Disaster Voucher Program	14,072	13,077
Totals	$ 88,189,897	$ 72,640,894

Capital Assets

During fiscal year 2009, the change in capital assets amounted to $1,416,243. The following table represents the changes in the asset accounts by category as follows:

Table 4-Capital Assets at Year End (Net of Depreciation) for Fiscal Year Ended June 30, 2008

	2009	2008	Change
Land	$ 25,485,361	$ 26,056,313	$ (570,952)
Buildings	254,833,518	251,267,444	3,566,074
Equipment	7,209,028	7,520,523	(311,495)
Accumulated Depreciation	(156,820,654)	(155,156,052)	(1,664,602)
Construction-in-Progress	39,509,760	39,112,542	397,218
Totals	$170,217,013	$168,800,770	$ 1,416,243

- Land decreased by $570,952, primarily due to the sale of the Norton Homes property.

- Buildings increased by $3,566,074. With the addition this fiscal year of Edgewood Homes Phase I, an increase of $12,700,000 was realized. The sale of Norton Homes decreased building cost by approximately $9,200,000.

- Construction-in-progress increased by $297,218. This increase represents the annual costs associated with the planned capital improvements through the Capital Fund Program.

Debt

During fiscal year 2009, the financing of the Edgewood I Hope VI Project was made by issuing $6,890,625 in bonds.

Table 5 - Outstanding Debt at Year End

	2009	2008
Outstanding Debt	$ 35,503,631	$ 30,034,429
Less: Current Portion	(2,006,146)	(1,856,885)
Total	$ 33,497,485	$ 28,177,544

Unrestricted Net Assets

The following table shows the changes in unrestricted net assets for the fiscal year ended June 30, 2009.

Table 6 - Change in Unrestricted Net Assets

Unrestricted Net Assets at June 30, 2009	$ 45,086,825
Results of Operations, excluding Capital Grants	15,549,003
Adjustments:	
Depreciation (1)	10,625,595
Adjusted Results from Operations	71,261,423
Debt and Capital Expenditures	5,238,806
Capital Revenue	(14,923,369)
Transfer to Restricted	(2,984,761)
Unrestricted Net Assets at June 30, 2009	$ 58,592,099

(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 2009 Budgets

The preparation of the fiscal year 2009 budget was prepared with several significant economic and regulatory factors anticipated.

- Funding for the Public Housing Program by the U.S. Department of Housing and Urban Development over the past several years has had a proration between 82 percent and 97 percent. During fiscal year 2009, the proration was 88 percent, which amounted to a shortfall of $2,867,406.

- The Authority has completed its third year under HUD's Asset Management and Project Based Accounting. With the successful conversion, subsidy losses were stopped at 5 percent, with an additional 1.9 million of subsidy realized.

- The Authority continues to receive Capital Funding for the capital needs of Public Housing. During fiscal year 2009, budgets for these improvements were $4,971,000.

- Hope VI funding has also generated nearly $3,000,000 in 2009 capital additions to the Edgewood Homes Project. In 2010, this amount should also be realized as additional phases will be started.

With funding uncertainty in the Public Housing Program, it has become vital to analyze the annual budget and determine where cuts may be necessary. However, 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 O'Leary

Anthony W. O'Leary
Executive Director

AKRON METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
PROPRIETARY FUND TYPE
JUNE 30, 2009

	Primary Government	Component Units
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 14,981,502	$ 322,849
Investments - Unrestricted	19,087,900	4,359,375
Restricted Cash and Cash Equivalents	5,035,222	1,188,821
Investments - Restricted	24,500,346	0
Receivable, Net	5,167,815	135,916
Inventories, Net	451,920	20,785
Prepaid Expenses and Other Assets	988,357	523,470
Due from Component Unit	24,680,414	0
Total Current Assets	94,893,476	6,551,216
Noncurrent Assets		
Capital Assets, Not Being Depreciated	64,995,121	1,809,133
Capital Assets, Net of Depreciation	105,221,892	30,293,484
Other Noncurrent Assets	1,533,108	0
Total Noncurrent Assets	171,750,121	32,102,617
TOTAL ASSETS	$ 266,643,597	$38,653,833
LIABILITIES		
Current Liabilities		
Accounts Payable	$ 2,994,061	$ 1,187,578
Accrued Liabilities	2,429,433	421,626
Intergovernmental Payable	24	0
Tenant Security Deposits	332,259	87,161
Bonds, Notes, and Loans Payable	2,006,146	41,470
Other Current Liabilities	529,983	45,159
Due to Primary Government	0	24,680,414
Total Current Liabilities	8,291,906	26,463,408
Non-Current Liabilities		
Bonds, Notes, and Loans Payable	33,497,485	6,448,078
Accrued Compensated Absences, Non-Current	1,496,941	0
Non-Current Liabilities - Other	2,210,309	772,762
Total Non-Current Liabilities	37,204,735	7,220,840
TOTAL LIABILITIES	$ 45,496,641	$33,684,248
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	$ 157,696,607	$ 7,750,752
Restricted Net Assets	4,858,250	0
Unrestricted Net Assets	58,592,099	(2,781,167)
TOTAL NET ASSETS	$ 221,146,956	$ 4,969,585

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, 2009

	Primary Government	Component Units
Operating Revenue		
Tenant Revenue	$ 8,523,333	$ 3,625,619
Government Operating Grants	49,311,390	0
Other Revenue	5,010,916	1,210
Total Operating Revenue	62,845,639	3,626,829
Operating Expenses		
Administrative	11,421,493	622,441
Tenant Services	2,056,453	0
Utilities	3,907,065	301,751
Maintenance	10,621,840	962,628
Protective Services	1,596,924	92,280
General	2,192,971	543,412
Housing Assistance Payment	29,212,999	0
Other Operating Expenses	309,195	725,105
Depreciation	10,625,595	1,294,902
Total Operating Expenses	71,944,535	4,542,519
Operating Income (Loss)	(9,098,896)	(915,690)
Non-Operating Revenues (Expenses)		
Interest and Investment Revenue	1.140,141	8,000
Gain on Sale of Capital Assets	9,280,748	0
Interest Expense	(696,359)	(1,184,573)
Total Non-Operating Revenues (Expenses)	9,724,530	(1,176,573)
Income (Loss) Before Contributions and Transfers	625,634	(2,092,263)
Capital Revenue		
Capital Grants	9,441,412	0
Capital Contributions	5,481,957	3,719,756
Total Capital Revenue	14,923,369	3,719,756
Change in Net Assets	15,549,003	1,627,493
Net Assets, Beginning of Year	206,056,382	2,883,663
Equity Transfer	(458,429)	458,429
Total Net Assets, End of Year	$221,146,956	$ 4,969,585

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, 2009

	Primary Government	Component Units
Cash Flows from Operating Activities		
Cash Received from HUD	$ 53,355,922	$ 0
Cash Received from Tenants and Other	8,628,153	3,744,271
Cash Received from Other Revenue	4,470,580	1,210
Cash Payments for Housing Assistance Payments	(29,212,999)	0
Cash Payments for Administrative	(11,422,755)	(659,096)
Cash Payments for Ordinary Maintenance	(10,593,914)	(962,628)
Cash Payments for Other Operating Expenses	(13,004,586)	(668,189)
Net Cash Provided (Used) by Operating Activities	2,220,401	1,455,568
Cash Flows from Capital and Related Financing Activities		
Retirement of Mortgage Payable	(1,843,816)	(230,035)
Proceeds from Sale of Capital Assets	9,883,789	0
Acquisition and Construction of Capital Assets	(12,644,879)	(9,363,331)
Proceeds from Capital Grants and Contributions	14,923,369	3,719,756
Proceeds from Debt Issuance	7,313,018	4,359,375
Primary to Component Loans	(4,688,056)	4,688,056
Net Cash Provided (Used) by Capital and Other Related Financing Activities	12,943,425	3,173,821
Cash Flows from Investing Activities		
Redemption (Purchase) of Investments	(15,656,962)	(4,359,375)
Investment Income	1,140,141	8,000
Interest Expense	(696,359)	(1,184,573)
Net Cash Provided (Used) by Investing Activities	(15,213,180)	(5,535,948)
Change in Cash	(49,354)	(906,559)
Cash and Cash Equivalents, Beginning of Year	20,066,078	2,418,229
Cash and Cash Equivalents, End of Year	$ 20,016,724	$ 1,511,670
Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities		
Operating Loss	$ (9,098,896)	$ (915,690)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	10,625,595	1,294,902
Increase (Decrease) in Operating Assets and Liabilities:		
Accounts Receivable - HUD	4,065,410	0
Accounts Receivable - Tenant and Other	(1,427,336)	106,355
Notes Receivable	867,015	0
Inventory	27,926	(383)
Prepaids and Other Assets	(105,968)	(93,513)
Accounts Payable	(2,917,874)	460,562
Intergovernmental	(20,878)	0
Accrued Payroll and Compensated Absences	80,602	(36,655)
Other Liabilities	187,394	(84,792)
Other Non-Current Liabilities	(62,589)	724,782
Total Adjustments	11,319,297	2,371,258
Net Cash Provided (Used) by Operating Activities	$ 2,220,401	$ 1,455,568

See accompanying notes to the basic financial statements.

NOTE 1: DEFINITION OF THE ENTITY

The Akron Metropolitan Housing Authority ("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. Arlington Homes, Inc. is the general partner of Wilbeth Arlington Homes Limited Partnership 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. Akron Edgewood Homes, LLC was formed in 2007 to acquire a 79-unit affordable rental housing project in Akron, Ohio.

These three entities are reported in the component unit column of the financial statements on pages 12 through 14.

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 the 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.

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.

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.

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.

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

J. **Budgetary Accounting**

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

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 $1,969,656 (including $345,481 of non-negotiable certificates of deposit), and the bank balance was $2,323,749. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of June 30, 2009, $648,889 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.

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.

Investments

The Authority has a formal investment policy; however, the Authority's investments were limited to U.S. Treasury/Agency securities, money market accounts backed by U.S. Treasury/Agency securities, and repurchase agreements at June 30, 2009.

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

A. **Primary Government** (Continued)

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 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. 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 be made. 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, cash equivalents, and investments included in the Authority's cash position at June 30, 2009, are as follows:

	Fair Market Value	Credit Rating *	Investment Maturities (in Years) Less than 1	1-3
Investment Type:				
Money Market Accounts	$ 2,352,200	AAA	$ 2,352,200	$ 0
Various Held by Trustee Banks **	20,604,607	N/A	20,604,607	0
Repurchase Agreements	16,315,000	N/A	16,315,000	0
U.S. Agencies	22,363,507	AAA	10,607,626	11,755,881
Total Investments	61,635,314		$49,879,433	$ 11,755,881
Total Carrying Amount of Deposits	1,969,656			
Total Cash and Investments	$ 63,604,970			

* Credit ratings were obtained from Moody's and Standard and Poor, respectively.
** Related to debt proceeds not yet spent and under the control of the Trustee banks until expended.

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

A. **Primary Government** (Continued)

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 Equivalents	Investments	Total
GASB Statement No. 9	$20,016,724	$ 43,588,246	$63,604,970
Petty Cash	(2,325)	0	(2,325)
Investments:			
Money Market Accounts	(1,732,068)	1,732,068	0
Repurchase Agreements	(16,315,000)	16,315,000	0
GASB Statement No. 3	$ 1,967,331	$61,635,314	$63,602,645

B. **Restricted Cash and Investments**

The Authority has restricted cash and investments at June 30, 2009 as follows:

Unspent Debt Proceeds and Debt Escrows	$ 24,214,833
Unspent HAP Funding Provided the Housing Choice Voucher Program	4,858,249
Tenant Security Deposits	331,250
Other	131,236
Total Restricted Cash and Investments of the Primary Government	$ 29,535,568

NOTE 4: CAPITAL ASSETS

A summary of capital assets at June 30, 2009 by class is as follows:

Primary Government

	Balance at 07/01/2008	Additions	Reductions	Balance at 06/30/2009
Capital Assets Not Being Depreciated				
Land	$ 26,056,313	$ 32,089	$ (603,041)	$ 25,485,361
Construction in Progress	39,112,542	7,217,284	(6,820,066)	39,509,760
Total Capital Assets Not Being Depreciated	65,168,855	7,249,373	(7,423,107)	64,995,121
Capital Assets Being Depreciated				
Buildings and Building Improvements	251,267,444	11,998,369	(8,432,295)	254,833,518
Furniture, Equipment, and Machinery-				
Dwelling	5,412,729	17,731	(380,663)	5,049,797
Administrative	2,107,794	199,472	(148,035)	2,159,231
Total Capital Assets Being Depreciated	258,787,967	12,215,572	(8,960,993)	262,042,546
Less Accumulated Depreciation	(155,156,052)	(10,625,595)	8,960,993	(156,820,654)
Total Capital Assets Being Depreciated, Net	103,631,915	1,589,977	0	105,221,892
Total Capital Assets, Primary Government, Net	$ 168,800,770	$ 8,839,350	$ (7,423,107)	$ 170,217,013

Component Units

	Balance at 07/01/2008	Additions	Reductions	Balance at 06/30/2009
Capital Assets Not Being Depreciated				
Land	$ 1,809,133	$ 0	$ 0	$ 1,809,133
Construction in Progress	0	0	0	0
Total Capital Assets Not Being Depreciated	1,809,133	0	0	1,809,133
Capital Assets Being Depreciated				
Buildings and Building Improvements	29,812,384	9,286,243	(348,814)	38,749,813
Furniture, Equipment, and Machinery-				
Dwelling	340,823	75,610	0	416,433
Administrative	97,573	1,478	0	99,051
Total Capital Assets Being Depreciated	30,250,780	9,363,331	(348,814)	39,265,297
Less Accumulated Depreciation	(8,025,725)	(1,294,902)	348,814	(8,971,813)
Total Capital Assets Being Depreciated, Net	22,225,055	8,068,429	0	30,293,484
Total Capital Assets, Component Units, Net	$ 24,034,188	$ 8,068,429	$ 0	$ 32,102,617

NOTE 5: LONG-TERM OBLIGATIONS

Changes in the Authority's long-term obligations during fiscal year 2009 are as follows:

	Balance at 06/30/2008	Additions	Deletions	Balance at 06/30/2009	Due Within One Year
General Long-Term Obligations					
Primary Government					
Midtown Note, 4/1/2005, 4.58%, $1,293,552	$ 945,888	$ 0	$ (120,664)	$ 825,224	$ 126,308
Central Office Mortgage, 4/1/1998, Variable, $7,000,000	5,160,000	0	(229,054)	4,930,946	250,000
Non-Aided Mortgages, 7/1/1999, 4.99%, $2,910,225	723,175	0	(311,436)	411,739	327,337
Energy Conservation Note, 8/12/2004, 4.44%, $4,809,191	3,892,656	0	(351,961)	3,540,695	367,910
Energy Conservation Note, 9/20/2005, 3.79%, $4,897,502	4,397,710	0	(345,701)	4,052,009	361,238
Capital Fund Financing Program, 9/28/2007, 3.90%, $15,605,000	14,915,000	422,393	(485,000)	14,852,393	573,353
Edgewood Apartments, 11/1/2008, Port Authority,	0	6,890,625	0	6,890.625	0
	30,034,429	7,313,018	(1,843,816)	35,503,631	2,006,146
Compensated Absences	1,521,387	332.539	(115,925)	1,738,001	241,061
Total Primary Government	$ 31,555,816	$ 7,645,557	$ (1,959,741)	$ 37,241,632	$ 2,247,207
Component Units					
Wilbeth-Bridge Loan, 12/30/1999	$ 175,208	$ 0	$ (175,208)	$ 0	$ 0
Eastland Woods - Mortgage	2,185,000	0	(54,827)	2,130,173	41,470
Akron Edgewood Homes, LLC	0	4,359,375	0	4,359,375	0
	2,360,208	4,359,375	(230,035)	6,489,548	41,470
Compensated Absences	23,043	0	(23,043)	0	0
Total Component Units	$ 2,383,251	$ 4,359,375	$ (253,078)	$ 6,489,598	$ 41,470

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 least 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.

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. Premium on the bonds of $422,393 was added to the debt in fiscal year 2009 and is being amortized over the life of the bonds.

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.

The Authority obtained financing from the Summit County Port Authority in the amount of $11,250,000 to fund construction of the Edgewood Apartment Project. This project debt is at an interest rate of 4.25 percent and the debt is split between the Authority ($6,890,625) and Akron Edgewood Homes, LLC ($4,359,375). The debt will be refinanced in 2010.

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.

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.

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, 2009:

For the Year Ended June 30	Principal	Interest	Total Payments
2010	$ 2,006,146	$ 1,239,744	$ 3,245,890
2011	8,688,114	1,452,698	10,140,812
2012	1,786,166	1,086,006	2,872,172
2013	1,865,883	1,009,518	2,875,401
2014	1,952,308	929,598	2,881,906
2015-2019	10,996,054	3,212,937	14,208,991
2020-2024	4,740,600	1,569,750	6,310,350
2025-2028	3,468,360	346,500	3,814,860
Total	$35,503,631	$10,846,751	$46,350,382

The following is a summary of the Authority's component units' future debt service requirements for mortgages payable as of June 30, 2009:

For the Year Ended June 30	Principal	Interest	Total Payments
2010	$ 41,470	$ 92,930	$ 134,400
2011	4,449,375	275,054	4,724,429
2012	95,000	86,180	181,180
2013	95,000	82,580	177,580
2014	100,000	79,680	179,680
2015-2019	565,000	326,444	891,444
2020-2024	715,000	184,764	899,764
2025-2028	428,703	24,324	453,027
Total	$ 6,489,548	$ 1,151,956	$ 7,641,504

NOTE 6: **OTHER EMPLOYEE BENEFITS**

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**

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 if self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of both the Traditional 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, 2008, the members of all three plans were required to contribute 10 percent of their annual covered salaries. The Authority's contribution rate for pension benefits was 14 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

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

The Authority's required contributions for pension obligations to all the plans for the years ended June 30, 2009, 2008, and 2007, were $1,714,966, $1,508,415, and $1,089,097, respectively; 100 percent has been contributed for 2009, 2008, and 2007. Included as part of the above were contributions to the Member-Directed Plan for 2009 of $22,874 made by the Authority and $16,339 made by the plan members, and contributions to the Combined Plan for 2009 of $15,509 made by the Authority and $11,078 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 post-retirement health care coverage. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care based on authority granted by State statute. 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.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2007, include a rate of return on investments of 6.50 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 at the projected wage inflation rate plus an additional factor ranging from .50 percent to 4 percent annually for the next 7 years. In subsequent years (8 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.

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

Ohio Public Employees Retirement System (Continued)

As of December 31, 2008, the number of active contributing participants in the Traditional Pension and Combined plans totaled 363,503. The number of active contributing participants for both plans used in the December 31, 2007, actuarial valuation was 364,076. Actual Authority contributions for 2008 which were used to fund post-employment benefits were $846,046. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS' net assets available for payment of benefits at December 31, 2007 (the latest information available) was $12.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were $29.8 billion and $17.0 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.

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:

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

NOTE 9: **INSURANCE COVERAGE** (Continued)

Additionally, workers' compensation insurance is maintained through the State of Ohio Bureau of Workers' Compensation, in which rates are calculated retrospectively. The Authority is also fully insured through a 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's expense recognized for payments in lieu of taxes totaled $177,487 for the year ended June 30, 2009.

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.

NOTE 12: **CONSTRUCTION COMMITMENTS**

As of June 30, 2009, the Authority had the following significant contractual commitments:

Project	Amount
Hope VI - Edgewood Phase IV	$16,719,070
Capital Projects	983,898
Scattered Sites	243,435
Total Construction Commitments	$17,946,403

NOTE 13: 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	$ 170,217,013	$32,102,617
Debt Related to Capital Assets	(35,503,631)	(6,489,548)
Subtotal	134,713,382	25,613,069
Cash Available from Debt-Issuance to Fund Capital Assets	22,983,225	4,359,375
Note Payable to Primary Government Related to Capital Asset Addition	0	(22,221,692)
Total Invested in Capital Assets	$ 157,696,607	$ 7,750,752

NOTE 14: 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	$4,858,250

NOTE 15: CONDENSED FINANCIAL STATEMENT INFORMATION - COMPONENT UNITS

	Wilbeth Arlington	Eastland Woods	Akron Edgewood Homes, LLC	Total
Balance Sheet				
Current Assets	$ 978,595	$ 999,725	$ 4,572,896	$ 6,551,216
Capital Assets	10,599,949	13,188,023	8,314,645	32,102,617
Current Liabilities	(14,888,157)	(7,345,033)	(4,230,218)	(26,463,408)
Non-Current Liabilities	0	(2,069,837)	(5,151,003)	(7,220,840)
Net Assets	3,309,613	(4,772,878)	(3,506,320)	(4,969,585)
Revenues, Expenses, and Changes in Equity				
Operating Revenue	2,444,149	1,093,326	89,354	3,626,829
Operating Expenses	3,114,080	1,153,947	274,492	4,542,519
Net Operating Income (Loss)	(669,931)	(60,621)	(185,138)	(915,690)
Net Non-Operating Revenue Over Expenses	(1,029,355)	(147,225)	3,719,763	2,543,183
Excess of Revenue over Expenses	(1,699,286)	(207,846)	3,534,625	1,627,493

AKRON METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Federal Grantor/ ***Pass Through Grantor/*** Program Title	**Federal CFDA Number**	**Expenditures**
U.S. Department of Housing and Urban Development		
Direct Programs		
PHA Owned Housing:		
Public Housing Annual Contributions	14.850a	$ 16,790,901
Revitalization of Severely Distressed Public Housing	14.866	3,704,717
Public Housing - Capital Fund Program	14.872	8,398,074
Shelter Plus Care	14.238	376,635
Resident Opportunity and Supportive Services	14.870	347,616
Total PHA Owned Housing		29,617,943
Section 8:		
Project Cluster		
Lower Income Housing Assistance Program - Section 8 - New Construction	14.182	2,684,657
Low Income Housing Assistance Program - Moderate Rehabilitation	14.856	471,312
Total Project Cluster		3,155,969
Housing Choice Vouchers	14.871	25,745,366
Total Section 8		28,901,335
Total U.S. Department of Housing and Urban Development		58,519,278
U.S. Department of Homeland Security		
Direct Program		
Disaster Housing Assistance Grant	97.109	14,072
Total U.S. Department of Homeland Security		14.072
U.S. Department of Health and Human Services		
Pass through from Summit County Department of Jobs and Family Services		
Temporary Assistance for Needy Families (TANF)	93.558	219,452
Total U.S. Department of Health and Human Services		219,452
TOTAL EXPENDITURES OF FEDERAL AWARDS		$ 58,752,802

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.

Annual Contributions Contract C-959

1. The total amount of modernization costs of the Capital Fund and Replacement Housing Program grants are shown below:

OH12ROO750100	
Funds Approved	$ 569,685
Funds Expended	569,685
Excess (Deficiency) of Funds Approved	$ 0
Funds Advanced	$ 569,685
Funds Expended	569,685
Excess (Deficiency) of Funds Advanced	$ 0
OH12ROO750101	
Funds Approved	$ 601,888
Funds Expended	601,888
Excess (Deficiency) of Funds Approved	$ 0
Funds Advanced	$ 601,888
Funds Expended	601,888
Excess (Deficiency) of Funds Advanced	$ 0
OH12ROO750102	
Funds Approved	$ 718,858
Funds Expended	718,858
Excess (Deficiency) of Funds Approved	$ 0
Funds Advanced	$ 718,858
Funds Expended	718,858
Excess (Deficiency) of Funds Advanced	$ 0
OH12ROO750103	
Funds Approved	$ 509,995
Funds Expended	509,995
Excess (Deficiency) of Funds Approved	$ 0
Funds Advanced	$ 509,995
Funds Expended	509,995
Excess (Deficiency) of Funds Advanced	$ 0

(Continued)

Annual Contributions Contract C-959 (Continued)

1. The total amount of modernization costs of the Capital Fund and Replacement Housing Program grants are shown below: (Continued)

OH12ROO750104

Funds Approved	$ 595,710
Funds Expended	595,710
Excess (Deficiency) of Funds Approved	$ 0
Funds Advanced	$ 595,710
Funds Expended	595,710
Excess (Deficiency) of Funds Advanced	$ 0

OH12ROO750105

Funds Approved	$ 90,019
Funds Expended	90,019
Excess (Deficiency) of Funds Approved	$ 0
Funds Advanced	$ 90,019
Funds Expended	90,019
Excess (Deficiency) of Funds Advanced	$ 0

OH12ROO750106

Funds Approved	$ 77,276
Funds Expended	77,276
Excess (Deficiency) of Funds Approved	$ 0
Funds Advanced	$ 77,276
Funds Expended	77,276
Excess (Deficiency) of Funds Advanced	$ 0

OH12ROO750107

Funds Approved	$ 104,737
Funds Expended	104,737
Excess (Deficiency) of Funds Approved	$ 0
Funds Advanced	$ 104,737
Funds Expended	104,737
Excess (Deficiency) of Funds Advanced	$ 0

(Continued)

Annual Contributions Contract C-959 (Continued)

1. The total amount of modernization costs of the Capital Fund and Replacement Housing Program grants are shown below: (Continued)

OH12ROO750108	
Funds Approved	$ 9,428
Funds Expended	9,428
Excess (Deficiency) of Funds Approved	$ 0
Funds Advanced	$ 9,428
Funds Expended	9,428
Excess (Deficiency) of Funds Advanced	$ 0
OH12POO750203	
Funds Approved	$ 1,740,387
Funds Expended	1,740,387
Excess (Deficiency) of Funds Approved	$ 0
Funds Advanced	$ 1,740,387
Funds Expended	1,740,387
Excess (Deficiency) of Funds Advanced	$ 0
OH12POO750104	
Funds Approved	$ 9,282,391
Funds Expended	9,282,391
Excess (Deficiency) of Funds Approved	$ 0
Funds Advanced	$ 9,282,391
Funds Expended	9,282,391
Excess (Deficiency) of Funds Advanced	$ 0

2. All modernization work in connection with the Capital Fund Program has been completed.

3. The entire actual modernization cost or liabilities incurred by the Authority have been fully paid.

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

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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 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, 2009, which collectively comprise the Akron Metropolitan Housing Authority, Ohio's basic financial statements and have issued our report thereon dated January 20, 2010. 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 the Akron Metropolitan Housing Authority), or Eastland Woods, LLC (a component unit of the Akron Metropolitan Housing Authority), which statements reflect total assets constituting 8 percent of the total assets at June 30, 2009, 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 Akron Metropolitan Housing Authority, Ohio'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 Akron Metropolitan Housing Authority, Ohio's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Akron Metropolitan Housing Authority, Ohio'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 Akron Metropolitan Housing Authority, Ohio'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 Akron Metropolitan Housing Authority, Ohio's financial statements that is more than inconsequential will not be prevented or detected by the Akron Metropolitan Housing Authority, Ohio'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 Akron Metropolitan Housing Authority, Ohio'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.

We noted a certain matter that we reported to the management of the Akron Metropolitan Housing Authority, Ohio, in a separate letter dated January 20, 2010.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Akron Metropolitan Housing Authority, Ohio'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*.

This report is intended solely for the information and use of management, the Board of Trustees, others within the entity, and 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.

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

January 20, 2010

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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, 2009. The 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 of the Akron Metropolitan Housing Authority, Ohio's compliance with those requirements.

In our opinion, the 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, 2009.

Internal Control Over Compliance
The management of the Akron Metropolitan Housing Authority, Ohio, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Akron Metropolitan Housing Authority, Ohio'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, Ohio'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, others within the entity, and 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.

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

January 20, 2010

AKRON METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
JUNE 30, 2009

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

2009(i)	Type of Financial Statement Opinion	Unqualified
2009(ii)	Were there any material control weaknesses reported at the financial statement leve (GAGAS)?	No
2009(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2009(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2009(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2009(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
2009(v)	Type of Major Programs' Compliance Opinion	Unqualified
2009(vi)	Are there any reportable findings under .510?	No
2009(vii)	Major Programs (list): Public Housing Annual Contributions - CFDA #14.850 Public Housing - Revitalization of Distressed Public Housing - CFDA #14.866	
2009(viii)	Dollar Threshold: Type A\B Programs	Type A: >$ 1,762,584 Type B: > all others
2009(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, 2009

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
MAY 6, 2010

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