AKRON METROPOLITAN HOUSING AUTHORITY

AUDIT REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Akron Metropolitan Housing Authority, Summit County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2005 through June 30, 2006. 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 17, 2007

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AKRON METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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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, as of June 30, 2006, and for the year then ended, 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 13 percent of the Akron Metropolitan Housing Authority, Ohio's total assets at June 30, 2006, 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of the other auditors, 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, 2006, and the respective changes in financial position and, where applicable, 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 December 15, 2006, 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 grants. 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 read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information 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. 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. The accompanying Financial Data Schedules and Statements of Modernization Costs - Completed are also presented for the purpose of additional analysis and are not a required part of the basic financial statements. The aforementioned supplemental schedules are also the responsibility of management. Such supplemental schedules and information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

December 15, 2006

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

The data presented in the following pages should be read in conjunction with the audit's consolidated financial statements on pages 16 to 18 of this report.

Financial Highlights

- The Authority's net assets increased by $12,851,467 (7.50 percent) during fiscal year 2006. Net assets were $169,448,120 and $182,299,587 for 2005 and 2006, respectively.

- Revenue activity increased by $10,488,255 (15.05 percent) during 2006 and was $69,698,464 and $80,186,719 for 2005 and 2006, respectively.

- The total expenses of all Authority programs increased by 1.40 percent. Total expenses were $72,473,992 and $73,493,199 for 2005 and 2006, respectively.

Using This Annual Report

The following depicts the Authority's annual report

MD & A
Management Discussion and Analysis

Basic Financial Statements (pages 16 to 18)
Statement of Net Assets
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Statement of Cash Flows

Notes to the Financial Statements
Pages 19 to 37

Authority-wide Financial Statements

The Authority-wide financial statements (see pages 16 to 18) are designed to provide the reader with a corporate-like overview of a consolidation for the entire Authority.

The statements include the following:

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

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

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

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

Unrestricted Net Assets: Consists of net assets that do not meet the definition of "Net Assets Invested in Capital Assets, Net of Related Debt", or "Restricted Net Assets".

The Authority-wide financial statements also include a Statement of Revenues, Expenses, and Changes in Fund Net Assets (similar to an income statement). This statement includes Operating Revenues, such as rental income, Operating Expenses, such as administrative, utilities, maintenance, and depreciation, and Non-Operating Revenue and Expenses, such as grant revenue, investment income, and interest expense.

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

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

Fund Financial Statements

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

THE AUTHORITY'S 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. During fiscal year 2006, 200 units at Rosemary Square were sold. These units were previously also under the HUD Section 8 Program.

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 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 housing 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 homeownership units.

Statement of Net Assets

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

Table 1 - Statement of Net Assets

	FY 2006	FY 2005
Assets		
Current Assets	$ 53,573,594	$ 48,763,697
Other Non-Current Assets	1,458,705	1,366,714
Capital Assets, Net of Accumulated Depreciation	182,300,706	173,812,877
Total Assets	$237,333,005	$223,943,288
Liabilities and Net Assets		
Liabilities		
Current Liabilities	$ 33,676,965	$ 34,208,578
Non-Current Liabilities	21,356,453	20,286,590
Total Liabilities	55,033,418	54,495,168
Net Assets		
Invested in Capital Assets, Net of Related Debt	152,669,900	143,074,802
Unrestricted Net Assets	29,629,687	26,373,318
Total Net Assets	182,299,587	169,448,120
Total Liabilities and Net Assets	$237,333,005	$223,943,288

Major Factors Affecting the Statement of Net Assets

Current assets increased by $4,809,897, mainly as a result of an increase in the Housing Choice Voucher cash increasing by $1,743,000. The increase is the result of unobligated ACC funding during fiscal year 2006. There was also an increase in the interfund due to account as a result of the notes due to LHA from the component units.

The change in current liabilities for the funding period remained constant with only a 1 percent decrease. Non-current liabilities increased from $20,286,590 to $21,356,453, a $1,069,863 change. The change is the net effect of the annual principal payments on the outstanding debt, as well as new debt issued. Additional debt was issued for the energy conservation program. See Note 5 to the financial statements.

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 2006	FY 2005	Change
Revenues			
Tenant Revenue - Rents/Other	$ 10,827,436	$ 10,528,728	$ 298,708
Operating Subsidy and Grants	64,954,094	56,157,713	8,796,381
Other Governmental Grants	0	252,521	(252,521)
Investment Income - Unrestricted	867,669	628,010	239,659
Other Revenues	3,537,520	2,131,492	1,406,028
Total Revenues	80,186,719	69,698,464	10,488,255
Expenses			
Operating Expenses			
Administrative	12,516,421	11,735,459	780,962
Tenant Services	1,324,062	1,094,642	229,420
Utilities	4,492,537	4,620,856	(128,319)
Maintenance/Security	13,089,109	13,065,231	23,878
Other General Expenses	2,029,558	1,636,562	392,996
Interest Expense	1,646,312	679,112	967,200
Total Operating Expenses	35,097,999	32,831,862	2,266,137
Other Expenses			
Extraordinary Maintenance	69,839	23,974	45,865
Casualty Losses	20,033	47,725	(27,692)
Housing Assistance	27,756,481	28,770,651	(1,014,170)
Depreciation Expense	10,548,847	10,799,780	(250,933)
Total Other Expenses	38,395,200	39,642,130	(1,246,930)
Total Expenses	73,493,199	72,473,992	1,019,207
Net Income (Deficit)	$ 6,693,520	$ (2,775,528)	$ 9,469,048

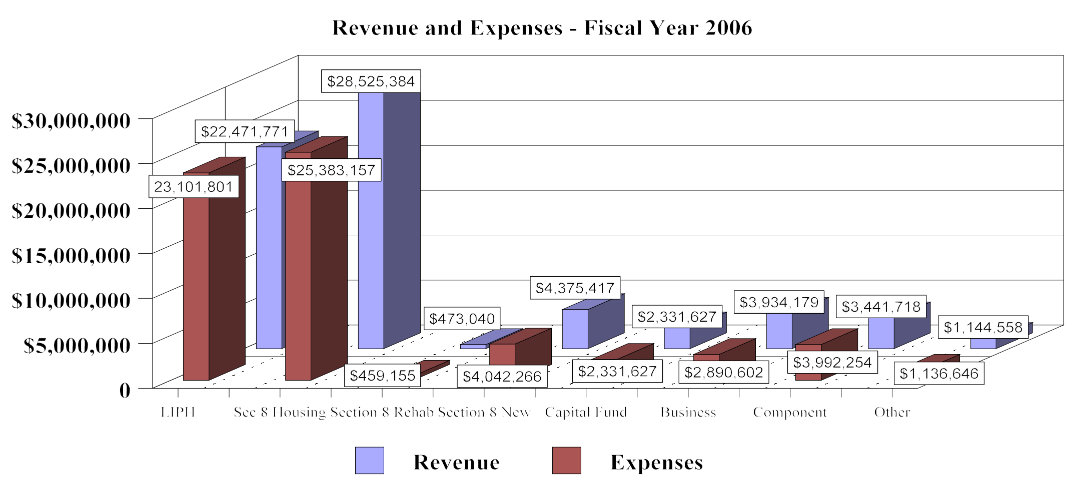
Major Factors Affecting the Statement of Revenues and Expenses

Total revenue increased by $10,488,255 in fiscal year 2006. An increase in the grant funding was realized in 2006 as a result of a second Hope VI grant award. During the year, the total grant receipts increased by $6,625,544. Additionally, the number of vouchers increased, thus the federal award increased by $2,040,448 for the Housing Choice Voucher Program. However, due to a lower proration of operating subsidy in the Low Income Housing Program, subsidy decreased by $1,408,273. This reduction was a result of funding levels at 94.7 percent in fiscal year 2005 and 86.02 percent of eligible subsidy in 2006.

Total expenditures increased by $2,266,137. Interest expense increased by $967,200 due to the addition of the mortgage interest for the Eastland Woods property. During fical year 2006, the interest expense for the Energy Performance Contract began accruing. Administrative expenses also increased by $779,653, a 7 percent increase. This increase is due to the added expenses associated with the addition of Eastland Woods and annual inflationary increases in health insurance and other administrative wage/benefit costs. The following schedule and chart depicts the revenues (excluding capital grants used for asset purchases) and expenses for fiscal year 2006, less depreciation expenses.

Table 3 -Revenue and Expenses by Program for the Fiscal Year Ending June 30, 2006

	Revenue	Expenses
Conventional Public Housing (LIPH)	$ 22,471,771	$ 23,101,801
Section 8 Housing Choice Voucher Program	28,525,384	25,383,157
Section 8 Mod Rehab Program	473,040	459,155
Section 8 New and Substantial Rehab Program	4,375,417	4,042,266
Capital Fund Program (CFP)	2,331,627	2,331,627
Business Activities	3,934,179	2,890,602
Component Units	3,441,718	3,922,254
Resident Opportunity and Supportive Services	66,534	50,048
Hope VI	787,452	787,452
Shelter Plus Care	290,572	299,146
Totals	$ 66,697,694	$ 63,267,508



The following table compares revenues and expenses for the current and previous fiscal year for all 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, 2006

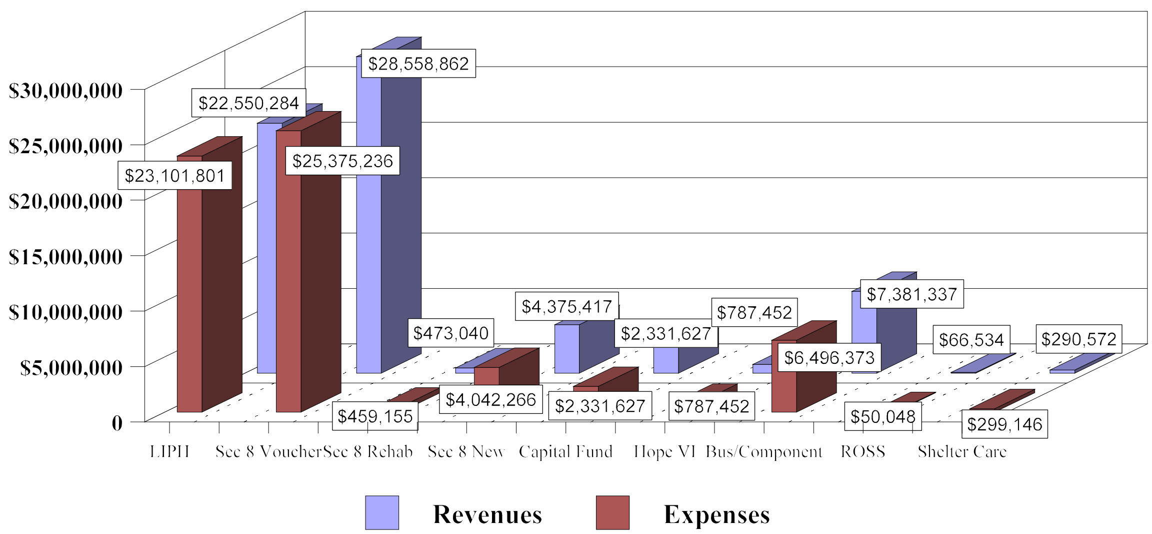
	FY 2006	FY 2005	Change
Revenues			
Tenant Revenue - Rents/Other	$ 10,827,436	$ 10,528,728	$ 298,708
Operating Subsidy and Grants	64,954,094	56,157,713	8,796,381
Other Governmental Grants	0	252,521	(252,521)
Investment Income - Unrestricted	867,669	628,010	239,659
Other Revenues	3,537,520	2,131,492	1,406,028
Total Revenues	80,186,719	69,698,464	10,488,255
Expenses			
Operating Expenses			
Administrative	12,516,421	11,735,459	780,962
Tenant Services	1,324,062	1,094,642	229,420
Utilities	4,492,537	4,620,856	(128,319)
Maintenance/Security	13,089,109	13,065,231	23,878
Other General Expenses	2,029,558	1,636,562	392,996
Interest Expense	1,646,312	679,112	967,200
Total Operating Expenses	35,097,999	32,831,862	2,266,137
Other Expenses			
Capital Outlays	13,486,225	6,146,669	7,339,556
Extraordinary Maintenance	69,839	23,974	45,865
Casualty Losses	20,033	47,725	(27,692)
Housing Assistance	27,756,481	28,770,651	(1,014,170)
Depreciation Expense	10,548,847	10,799,780	(250,933)
Total Other Expenses	51,881,425	45,788,799	6,092,626
Total Expenses	86,979,424	78,620,661	8,358,763
Net Income (Deficit)	(6,792,705)	(8,922,197)	2,129,492
Plus Depreciation Add Back	10,548,847	10,799,780	(250,933)
Net Income (Deficit) Less Depreciation	$ 3,756,142	$ 1,877,583	$ 1,878,559

The following table and chart depict the revenues and expenses for fiscal year 2006 less depreciation expenses plus capital outlays.

Table 5 - Revenue and Expenses by Program for the Fiscal Year Ended June 30, 2006

	Revenue	Expenses
Conventional Public Housing (LIPH)	$ 22,550,284	$ 23,101,801
Section 8 Housing Choice Voucher Program	28,558,862	25,375,236
Section 8 Mod Rehab Program	473,040	459,155
Section 8 New and Substantial Rehab Program	4,375,417	4,042,266
Capital Fund Program (CFP)	2,331,627	2,331,627
HOPE VI	787,452	787,452
Other Business Activities/Component Units	7,381,337	6,496,373
Resident Opportunity and Supportive Services	66,534	50,048
Shelter Plus Care	290,572	299,146
Totals	$ 66,815,125	$ 62,943,104

Revenue and Expenses by Program for Fiscal Year 2006



Capital Assets

During fiscal year 2006, the change in capital assets amounted to $9,007,183. The following table represents the changes in the asset accounts by category as follows:

Table 6-Capital Assets at Year End (Net of Depreciation) for Fiscal Year Ended June 30, 2006

	2006	2005	Change
Land	$ 27,281,080	$ 26,878,011	$ 403,069
Buildings	254,563,537	260,089,518	(5,525,981)
Equipment	7,667,134	8,628,884	(961,750)
Accumulated Depreciation	(155,621,771)	(149,652,687)	(5,969,084)
Construction in Progress	48,410,726	27,869,151	20,541,575
Totals	$182,300,706	$173,812,877	$ 8,487,829

- Buildings decreased by $5.5 million as the result of the sale of the Rosemary Square component unit. Equipment decreased by 0.96 million, which represents equipment disposals.

- The accumulated depreciation change of $5.9 million represents the current year depreciation of $10.5 million less accumulated depreciation deletions of $5.4 million.

- Construction in Progress increased by $20.5 million. This total represents the increase in funds received from the Capital Fund Program. The additions represent costs associated with the rehab at several scattered sites and other development sites.

Debt

The change in outstanding debt from fiscal year 2005 to fiscal year 2006 represents the principal payments made throughout the year, as well as there was additional debt acquired during fiscal year 2006 (see Note 5 to the financial statements). The debt for Rosemary Square was removed as a result of the sale of the property.

Table 7 - Outstanding Debt at Year End

	2006	2005
Outstanding Debt	$ 20,420,663	$ 19,243,726
Less: Current Portion	(1,291,354)	(1,196,675)
Total	$ 19,129,309	$ 18,047,051

Unrestricted Net Assets

The following table shows the changes in unrestricted net assets for the fiscal year ended June 30, 2006.

Table 8 - Change in Unrestricted Net Assets

Unrestricted Net Assets at June 30, 2005	$ 26,373,318
Results of Operations, excluding Capital Grants	(6,808,623)
Adjustments:	
Depreciation (1)	10,548,847
Adjusted Results from Operations	30,113,542
Debt and Capital Assets Payments affecting Unrestricted Net Assets	(483,855)
Unrestricted Net Assets at June 30, 2006	$ 29,629,687

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

Budget Analysis

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

Table 9 - Income Expense and Budget for HUD Programs

	Low Income Housing	Other	Section 8 Voucher-M/R	Section 8 N/C-S/R	Total	Budget	Variance
Operating Income							
Dwelling Rent/HAP	$ 6,093,414	$ 1,322,927	$ 0	$ 0	$ 7,416,341	$ 7,019,096	$ 397,245
Other Income	1,225,835	2,434,752	67,015	0	3,727,602	3,757,926	(30,324)
Interest Income	235,287	212,563	151,698	112,884	712,432	313,990	398,442
Subsidy/Admin Fees	14,917,235	0	2,093,726	290,000	17,300,961	19,083,447	(1,782,486)
Total Operating Income	$ 22,471,771	$ 3,970,242	$ 2,312,439	$ 402,884	$ 29,157,336	$ 30,174,459	$ (1,017,123)
Operating Expenses							
Admin Salaries	$ 3,317,088	$ 485,038	$ 1,037,584	$ 32,321	$ 4,872,031	$ 4,926,732	$ (54,701)
Other Admin	1,564,960	413,042	468,613	19,337	2,465,952	2,211,341	254,611
Tenant Services	396,534	17,407	149,098	0	563,039	459,300	103,739
Utilities	3,900,849	338,694	0	0	4,239,543	4,404,000	(164,457)
Maintenance/Labor	4,726,942	320,078	0	0	5,047,020	4,811,674	235,346
Maintenance/Material	1,058,391	122,482	8,079	0	1,188,952	1,051,475	137,477
Maintenance/Contracts	1,578,894	357,920	23,107	124	1,960,045	1,733,654	226,391
Protective Services	662,618	59,828	28,076	0	750,522	775,557	(25,035)
Insurance	962,423	49,800	49,691	613	1,062,527	989,694	72,833
PILOT	230,341	0	0	0	230,341	172,003	58,338
Employee Benefits	4,301,602	388,620	625,057	17,752	5,333,031	5,781,180	(448,149)
Collection Loss	203,659	9,487	(9,154)	0	203,992	195,200	8,792
Interest Expense	173,678	324,268	0	0	497,946	476,337	21,609
Other Expenses	2,245	3,938	0	0	6,183	12,000	(5,817)
Casualty Losses	20,033	0	0	0	20,033	0	20,033
Prior Year Adjustment	(55,554)	0	0	0	(55,554)	0	(55,554)
Total Operating Expenses	$ 23,044,703	$ 2,890,602	$ 2,380,151	$ 70,147	$ 28,385,603	$ 28,000,147	$ 385,456

Budgetary Highlights

Operating Income

Operating income during fiscal year 2006 was $1,017,123 under budget. The most significant shortfall was the $1,782,486 reduction in the Low Income Housing Program. After the budget was submitted, the HUD approved proration of subsidy was reduced to 85.5 percent.

Interest income earned during fiscal year 2006 was $398,442 greater than anticipated, as a result of rates increasing from 2.5 percent to 5.0 percent.

Dwelling Rents and HAP payments were also higher than budget, resulting from increased rental payments and lower utility allowance payments.

Operating Expenses

Operating expenses were $385,456 over the budget projections for the year by 1.38 percent.

Other administrative costs were over budget by $254,611, resulting from several large legal payments associated with property sales and purchases in the Business Activities Program. Also, due to cutbacks in personnel, temporary labor services were increased.

Tenant services were over budget by $103,739 as a result of an increase in services provided under the FSS Program. The revenue shown in the Housing Choice Voucher Program reflects this increase.

Utilities show a net positive variance of $164,457; however, the costs for natural gas exceeded the budget due to higher rates in 2006. The savings this year is a result of the energy conservation contract for water. The net water savings for 2006 totaled $283,000.

Total maintenance costs exceeded the budget by nearly $600,000 due to the increasing costs for contracted labor and material increases.

Employee benefits were under budget by $448,149 due to a better than expected rate for hospitalization insurance.

Economic Factors and 2006 Budgets

The preparation of the fiscal year 2007 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 has historically been at or near 100 percent. During fiscal year 2006, the funding was at 89 percent and subsequently was further reduced to 85.5 percent. This funding shortfall resulted in a reduced subsidy of 2.5 million annually. Additionally, the fiscal year 2007 outlook for funding the subsidy has an anticipated 24 percent reduction. This reduction translates into a 3.4 million shortfall for 2007.

- During fiscal year 2007, HUD's mandated conversion to Asset Management and Project Based Accounting/Budgeting must be met. Under HUD's new funding formula, the Authority's subsidy shows a decline of another 12-13 percent. This transitional funding reduction may amount to 1.9 million annually. The Authority, in an effort to cap the loss at 5 percent of the 1.9 million, must be compliant with HUD's Asset Management conversion by April 15, 2007.

- Dwelling Rent and HAP increased by $290,000 as a result of annual rent increases in the Business Activities Program and the cumulative effect of the residents in the Low Income Program.

- Interest income from the investment portfolio has significantly increased. Interest rates over the past year have increased from 2.50 percent to 5.25 percent.

- Administrative fees earned in the Housing Choice Voucher Program have increased by $184,000 as a result of the annual inflation factor increase and an increase of vouchers available.

- Administrative salaries overall have increased on average by 2 percent, resulting from annual increases in both the bargaining and non-bargaining units.

- Maintenance wages have increased by 3 percent, also a result of the bargaining unit's annual increase.

- Due to increasing premiums in health insurance, fiscal year 2007 projection of a 30 percent increase translates into $973,000.

- Utility costs budgeted for fiscal year 2007 reflect a $114,000 reduction. This reduction is based upon rate decreases in the natural gas contract and also reduced consumption for water and electric, as the energy management plan is implemented.

- During fiscal year 2007, the Hope VI grants at Elizabeth Park and Edgewood Homes will continue to move forward in the construction and demolition phases. As units are taken off-line, operating subsidies will be reduced and corresponding reductions in operating expenses will be realized.

- During the first quarter of fiscal year 2007, the Authority has offered to its eligible employees a one-year early retirement incentive plan. This offer was initiated in an attempt to offset the funding shortfall which the Authority is facing during the next year. This offer, if successful, will eliminate the need to reduced the number of employees affected by a potential layoff.

With these events factored into the fiscal year 2007 budget, it has become necessary for the Authority to analyze each line item and determine where cuts are to be made. With any reduction, the Authority remains committed to its residents and maintaining high housing standards.

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

Respectfully submitted,

Anthony W. O'Leary
Executive Director

AKRON METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
PROPRIETARY FUND TYPE
JUNE 30, 2006

	Primary Government	Component Units
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 6,753,219	$ 393,021
Investments	9,885,439	0
Restricted Cash and Cash Equivalents	4,192,287	1,209,655
Receivable, Net	2,881,766	3,065,945
Inventories, Net	392,718	13,873
Prepaid Expenses and Other Assets	446,894	644,756
Due from Component Unit	23,693,902	0
Due from Primary Government	0	119
Total Current Assets	48,246,225	5,327,369
Noncurrent Assets		
Capital Assets, Not Depreciated	66,864,246	8,827,560
Capital Assets, Net of Depreciation	89,871,960	16,736,940
Other Noncurrent Assets	1,458,705	0
Total Noncurrent Assets	158,194,911	25,564,500
TOTAL ASSETS	$206,441,136	$ 30,891,869
LIABILITIES		
Current Liabilities		
Accounts Payable	$ 2,201,158	$ 49,411
Accrued Liabilities	2,570,997	319,502
Intergovernmental Payable	576,865	0
Tenant Security Deposits	355,417	75,408
Bonds, Notes, and Loans Payable	1,091,901	199,453
Other Current Liabilities	563,715	1,979,117
Interprogram Due to Primary Government	0	23,693,902
Interprogram Due to Component Unit	119	0
Total Current Liabilities	7,360,172	26,316,793
Non-Current Liabilities		
Bonds, Notes, and Loans Payable	16,434,737	2,678,826
Accrued Compensated Absences, Non-Current	1,175,428	0
Non-Current Liabilities - Other	1,067,462	0
Total Non-Current Liabilities	18,677,627	2,678,826
TOTAL LIABILITIES	$ 26,037,799	$ 28,995,619
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	$ 142,120,476	$10,549,424
Unrestricted Net Assets	38,282,861	(8,653,174)
TOTAL NET ASSETS	$ 180,403,337	$ 1,896,250

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, 2006

	Primary Government	Component Units
OPERATING REVENUE		
Tenant Revenue	$ 7,416,341	$ 3,411,095
Government Operating Grants	51,451,951	0
Other Revenue	3,532,627	1,937
Total Operating Revenue	62,400,919	3,413,032
OPERATING EXPENSES		
Administrative	11,850,337	666,084
Tenant Services	1,324,062	0
Utilities	4,239,551	252,986
Maintenance	10,567,777	911,332
Protective Services	1,576,362	103,477
General	1,503,232	526,326
Housing Assistance Payment	27,756,481	0
Other Operating Expenses	20,033	0
Depreciation	9,546,043	1,002,804
Total Operating Expenses	68,383,878	3,463,009
Operating Income (Loss)	(5,982,959)	(49,977)
NON-OPERATING REVENUES (EXPENSES)		
Interest and Investment Revenue	838,983	28,686
Miscellaneous Non-Operating	156	2,800
Interest Expense	(497,946)	(1,148,366)
Total Non-Operating Revenues (Expenses)	341,193	(1,116,880)
Income (Loss) Before Contributions and Transfers	(5,641,766)	(1,166,857)
Capital Grants	13,502,143	0
Change in Net Assets	7,860,377	(1,166,857)
Net Assets, Beginning of Year	172,767,242	(3,319,122)
Equity Adjustments	(224,282)	6,382,229
Total Net Assets, End of Year	$ 180,403,337	$ 1,896,250

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, 2006

	Primary Government	Component Units
Cash Flows from Operating Activities		
Cash Received from HUD	$ 51,340,728	$ 0
Cash Received from Tenants and Other	7,166,535	3,421,650
Cash Received from Other Revenue	3,232,727	1,837,993
Cash Payments for Housing Assistance Payments	(27,756,481)	0
Cash Payments for Administrative	(11,689,186)	(732,373)
Cash Payments for Ordinary Maintenance	(10,509,138)	(972,878)
Cash Payments for Other Operating Expenses	(8,297,625)	(1,377,617)
Net Cash Provided (Used) by Operating Activities	3,487,560	2,176,775
Cash Flows from Capital and Related Financing Activities		
Retirement of Mortgage Payable	(836,151)	(239,354)
Proceeds from Sale of Capital Assets	1,304,628	2,079,602
Acquisition and Construction of Capital Assets	(17,871,443)	(4,549,467)
Proceeds From Capital Grants	13,502,143	0
New Debt Issuance	4,897,502	0
Net Cash Provided (Used) by Capital and Other Related Financing Activities	996,679	(2,709,219)
Cash Flows from Investing Activities		
Redemption (Purchase) of Investments	(9,885,439)	317,574
Investment (Other) Income	839,139	31,486
Interest Expense	(497,946)	(1,148,366)
Net Cash Provided (Used) by Investing Activities	(9,544,246)	(799,306)
Change in Cash	(5,060,007)	(1,331,750)
Cash and Cash Equivalents, Beginning of Year	16,005,513	2,934,426
Cash and Cash Equivalents, End of Year	$ 10,945,506	$ 1,602,676
Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities		
Operating Loss	$ (5,982,959)	$ (49,977)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	9,546,043	1,002,804
Increase (Decrease) in Operating Assets and Liabilities:		
Accounts Receivable - HUD	(145,911)	(10,981)
Accounts Receivable - Tenant and Other	(409,462)	10,555
Due To/From Component Unit	750,252	(35,369)
Notes Receivable	(91,991)	0
Inventory	581	(3,510)
Deferred Charges and Other Assets	790,706	(58,036)
Accounts Payable - HUD and Other Governments	(1,216,026)	0
Accounts Payable - Other	58,639	(494,828)
Accrued Payroll and Compensated Absences	162,151	(66,289)
Other Liabilities	22,186	1,882,406
Other Non-Current Liabilities	3,351	0
Total Adjustments	9,470,519	2,226,752
Net Cash Provided (Used) by Operating Activities	$ 3,487,560	$ 2,176,775

See accompanying notes to the basic financial statements.

NOTE 1: <u>DEFINITION OF THE ENTITY</u>

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.

<u>Discretely Presented Component Units</u>

Rosemary Square was formed as a component unit of the Authority; it was sold during fiscal year 2006.

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.

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

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

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

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

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

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

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

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

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

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

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

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

A. **Basis of Presentation**

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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

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

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

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

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

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

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

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

C. **Cash and Investments**

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

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

Land, structures, and equipment are capitalized at cost. Structures and equipment are depreciated over the estimated useful lives of the assets using the straight-line method. Buildings are depreciated over 40 years and equipment is depreciated over 3 to 5 years. All items in excess of $1,000 are capitalized by the Authority.

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

E. **Compensated Absences**

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

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

The entire compensated absence liability is reported as 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 (CGP) are recognized as revenues in the period in which expenses related to CGP projects were incurred. Rentals and grants received in advance of the period in which they are recognized are recorded as deferred revenue.

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

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

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.

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 $5,360,506, and the bank balance was $5,346,229. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of June 30, 2006, $349,151 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 $2,525 in petty cash.

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

A. **Primary Government** (Continued)

Deposits (Continued)
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 and repurchase agreements at June 30, 2006.

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.

Cash, cash equivalents, and investments included in the Authority's cash position at June 30, 2006, are as follows:

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

A. **Primary Government** (Continued)

	Fair Market Value	Credit Rating *	Investment Maturities (in Years) Less than 1	1-3
Investment Type:				
Repurchase Agreements	$5,585,000	N/A	$5,585,000	$ 0
U.S. Agencies	9,885,439	Aaa/AAA	1,996,880	7,888,559
Total Investments	15,470,439		$7,581,880	$7,888,559
Carrying Amount of Deposits:				
Unrestricted	1,168,219			
Restricted	4,192,287			
Total Carrying Amount of Deposits	5,360,506			
Total Cash and Investments	$20,830,945			

* 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 Equivalents	Investments	Total
GASB Statement No. 9	$10,945,506	$ 9,885,439	$20,830,945
Petty Cash	(2,525)	0	(2,525)
Investments:			
Repurchase Agreements	(5,585,000)	5,585,000	0
GASB Statement No. 3	$ 5,357,981	$15,470,439	$20,828,420

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 $1,602,676 and the bank balance was $1,607,688. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of June 30, 2006, $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, 2006.

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, 2006, the Authority's component units had no investments.

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, 2006, are as follows:

	Fair Value
Carrying Amount of Deposits:	
Unrestricted	$ 393,021
Restricted	1,209,655
Total Carrying Amount of Deposits	$1,602,676

NOTE 4: CAPITAL ASSETS

A summary of capital assets at June 30, 2006 by class is as follows:

Primary Government	Balance at 06/30/2005	Additions	Reductions	Transfers	Balance at 06/30/2006
Capital Assets Not Being Depreciated					
Land	$ 25,132,811	$ 675,880	$ (282,611)	$ 0	$ 25,526,080
Construction in Progress	25,104,892	16,233,274	0	0	41,338,166
Total Capital Assets not being depreciated	50,237,703	16,909,154	(282,611)	0	66,864,246
Capital Assets being depreciated					
Buildings and Building Improvements	231,962,132	796,463	(957,020)	0	231,801,575
Furniture, Equipment, and Machinery-					
Dwelling	2,482,317	13,630	(358,901)	93,869	2,230,915
Administrative	5,419,157	152,196	(420,064)	(93,869)	5,057,420
Total Capital Assets being depreciated	239,863,606	962,289	(1,735,985)	0	239,089,910
Less Accumulated Depreciation	(140,385,875)	(9,546,043)	713,968	0	(149,217,950)
Total Capital Assets being depreciated, Net	99,477,731	(8,583,754)	(1,022,017)	0	89,871,960
Total Capital Assets, Primary Government, Net	$ 149,715,434	$ 8,325,400	$ (1,304,628)	$ 0	$156,736,206

Component Units	Balance 06/30/2005	Additions	Reductions	Transfers	Balance 06/30/2006
Capital Assets Not Being Depreciated					
Land	$ 1,745,200	$ 9,800	$ 0	$ 0	$ 1,755,000
Construction in Progress	2,764,259	4,343,956	(35,655)	0	7,072,560
Total Capital Assets not being depreciated	4,509,459	4,353,756	(35,655)	0	8,827,560
Capital Assets being depreciated					
Buildings and Building Improvements	28,197,374	136,865	(5,572,277)	0	22,761,962
Furniture, Equipment, and Machinery-					
Dwelling	566,342	92,392	(373,121)	0	285,613
Administrative	91,077	2,109	0	0	93,186
Total Capital Assets being depreciated	28,854,793	231,366	(5,945,398)	0	23,140,761
Less Accumulated Depreciation	(9,266,813)	(1,002,804)	3,865,796	0	(6,403,821)
Total Capital Assets being depreciated, Net	19,587,980	(771,438)	(2,079,602)	0	16,736,940
Total Capital Assets, Component Units, Net	$ 24,097,439	$ 3,582,318	$ (2,115,257)	$ 0	$ 25,564,500

NOTE 5: **LONG-TERM OBLIGATIONS**

Changes in the Authority's long-term obligations during fiscal year 2006 are as follows:

	Balance at 06/30/05	Additions	Deletions	Balance at 06/30/06	Due Within One Year
General Long-Term Obligations					
Primary Government					
Midtown Note, 4/1/2000					
5.81%, $1,700,000	$ 1,276,482	$ 0	$ (105,201)	$ 1,171,281	$ 110,121
Central Office Mortgage, 4/1/1998					
Variable, $6,855,000	5,810,000	0	(205,000)	5,605,000	215,000
Non-Aided Mortgages, 7/1/1999					
4.99%, $2,910,225	1,569,614	0	(268,219)	1,301,395	281,913
Energy Conservation Note, 8/12/2004					
4.44%, $4,809,191	4,809,191	0	(257,731)	4,551,460	322,106
Energy Conservation Note, 9/20/2005					
3.79%, $4,897,502	0	4,897,502	0	4,897,502	162,761
	13,465,287	4,897,502	(836,151)	17,526,638	1,091,901
Compensated Absences	1,834,045	141,803	0	1,975,848	800,420
Total Primary Government	15,299,332	5,039,305	(836,151)	19,502,486	1,892,321
Component Units					
Rosemary Square Mortgage, 6/1/1996					
7%, $3,598,421	2,461,354	0	(2,461,354)	0	0
Wilbeth-Bridge Loan, 12/30/1999	680,487	0	(165,102)	515,385	168,405
Note Payable - Rosemary Square					
0%, Interest	199,452	0	(199,452)	0	0
Eastland Woods - Mortgage	2,437,146	0	(74,252)	2,362,894	31,048
Compensated Absences	0	15,746	0	15,746	15,746
Total Component Units	5,778,439	15,746	(2,900,160)	2,894,025	215,199
Total Long-Term Obligations	$21,077,771	$ 5,055,051	$(3,736,311)	$ 22,396,511	$ 2,107,520

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

On April 1, 1998, the Authority obtained a mortgage of $6,855,000 at a variable rate of interest based on the weekly interest rate for such one-week period as defined in the loan agreement. At June 30, 2005, the interest rate in effect was 1.05 percent, which was utilized in the calculation of future debt service requirements. The mortgage was for the construction and furnishing of the Authority's central office building, and will be repaid from the Non-Aided program.

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

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, 2006:

For the Year Ended June 30	Principal	Interest	Total Payments
2007	$ 1,091,901	$ 704,882	$ 1,796,783
2008	1,313,190	650,897	1,964,087
2009	1,371,884	592,627	1,964,511
2010	1,432,792	531,744	1,964,536
2011	1,241,369	472,246	1,713,615
2012-2016	6,396,721	1,580,832	7,977,553
2017-2019	4,678,781	177,381	4,856,162
Total	$17,526,638	$ 4,710,609	$22,237,247

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

The following is a summary of the Authority's component units' future debt service requirements for mortgages payable as of June 30, 2006:

For the Year Ended June 30	Principal	Interest	Total Payments
2007	$ 199,453	$ 163,130	$ 362,583
2008	204,863	157,720	362,583
2009	210,515	152,068	362,583
2010	37,672	146,199	183,871
2011	40,195	143,676	183,871
2012-2016	245,143	674,212	919,355
2017-2021	338,987	580,368	919,355
2022-2026	468,759	450,596	919,355
2027-2031	648,206	271,149	919,355
2032-2034	484,483	67,130	551,613
Total	$ 2,878,276	$ 2,806,248	$ 5,684,524

NOTE 6: **COMPENSATED ABSENCES**

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

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

NOTE 7: **DEFINED BENEFIT PENSION PLANS**

The Authority participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member directed plan is a defined contribution plan in which the member invests both member and 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 plan benefit. Member contributions, whose investment if self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

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 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 43215-4642, or by calling (614) 222-6705 or 1-800-222-7377.

For the period ended December 31, 2005, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries; the percent of contributions changed to 9 percent effective January 1, 2006. The Authority's contribution rate for pension benefits was 9.55 percent of covered payroll through December 31, 2005; effective January 1, 2006, the percent increased to 9.7 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, 2006, 2005, and 2004 were $1,148,335, $1,141,739, and $1,014,281, respectively; 92.38 percent has been contributed for 2006 and 100 percent for 2005 and 2004. Contributions to the member-directed plan for 2006 were $14,361 made by the Authority and $9,231 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 2005 local employer contribution rate was 13.55 percent of covered payroll (13.70 for 2006; 4.00 percent of covered payroll was the portion that was used to fund health care.

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

Ohio Public Employees Retirement System (Continued)
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, 2004, include a rate of return on investments of 8.00 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 premiums were assumed to increase 4 percent annually.

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.

At December 31, 2005, the number of active contributing participants in the traditional and combined plans was 376,109. Actual employer contributions for 2006 which were used to fund postemployment benefits were $520,976. The actual contribution and the actuarially required contribution amounts are the same. OPERS' net assets available for payment of benefits at December 31, 2004, (the latest information available) were $10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were $29.5 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 skyrocketing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

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 Ohio Housing Authority Property Casualty, Inc. (OHAPCI). OHAPCI is an insurance risk-sharing and purchasing pool comprised of four Ohio housing authorities (of which the Authority is one). Deductibles and coverage limits are summarized below:

Type of Coverage	Deductible	Coverage Limits
Property, Personal Property	$ 10,000	$ 50,000,000
Excess Property Policy	5,000	250,000,000
General Liability	5,000	5,000,000
Automobile	500	5,000,000
Law Enforcement	5,000	5,000,000
Public Officials	5,000	5,000,000
Crime	1,000	1,000,000
Pollution and Remediation Legal Liability	5,000	1,000,000
Boiler and Machinery	1,000	50,000,000

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

NOTE 10: **PAYMENTS IN LIEU OF TAXES**

The Authority has cooperation agreements with certain municipalities under which it makes payments in lieu of real estate taxes for various public services. The Authority and its component units' expense recognized for payments in lieu of taxes totaled $230,342 and $344,278, respectively, for the year ended June 30, 2006.

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: **PRIOR PERIOD ADJUSTMENTS**

Adjustments were made during the audit period to correct the various programs' equity balances. The largest adjustment related to the Authority's component units and represented the removal of Rosemary Square from the reporting entity, due to its sale during the fiscal year.

NOTE 13: **INTERPROGRAM TRANSACTIONS**

Interprogram balance at June 30, 2006, consists of the following receivables and payables:

	Due From	Due To
Business Activities	$ 57,771	$ 210,448
N/C S/R Section 8 Program	332,363	7,774
Shelter Plus Care	12	2,612
Low Rent Public Housing	378,455	29,391
Section 8 Rental Voucher Program	244,578	626,094
Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	18	133,918
Hope VI	0	2,960
Total	$ 1,013,197	$ 1,013,197

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

NOTE 14: **CONSTRUCTION COMMITMENTS**

As of June 30, 2006, the Authority had the following significant contractual commitments:

Project	Amount
Security System	$ 1,754,596
Exterior Balcony Renovations	378,122
Doors and Lock Upgrades	966,946
Scattered Sites Rehabilitation	235,900
Scattered Sites Lead-Based Paint Removal and Rehab	329,560
Exterior Renovations	846,300
Total	$ 4,511,424

NOTE 15: INVESTED IN CAPITAL ASSETS

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

	Primary Government	Component Units
Capital Assets, Net of Depreciation	$156,736,206	$25,564,500
Debt Related to Capital Assets	(17,526,638)	(2,878,279)
Subtotal	139,209,568	22,686,221
Portion of Debt Unspent (in restricted cash)	2,910,908	0
Note Payable to Primary Government		
Related to Capital Asset Addition	0	(12,136,797)
Total Invested in Capital Assets	$ 142,120,476	$10,549,424

NOTE 16: CONDENSED FINANCIAL STATEMENT INFORMATION - COMPONENT UNITS

	Wilbeth Arlington	Eastland Woods	Total
Balance Sheet			
Current Assets	$ 1,204,056	$ 4,123,313	$ 5,327,369
Capital Assets	11,218,456	14,346,044	25,564,500
Current Liabilities	(14,246,700)	(12,070,093)	(26,316,793)
Non-Current Liabilities	(346,980)	(2,331,846)	(2,678,826)
Net Assets	2,171,168	(4,067,418)	(1,896,250)
Revenues, Expenses, and Changes in Equity			
Operating Revenue	2,502,619	910,413	3,413,032
Operating Expenses	2,473,220	989,789	3,463,009
Net Operating Income (Loss)	29,399	(79,376)	(49,977)
Net Non-Operating Revenue over Expenses	(961,919)	(154,961)	(1,116,880)
Excess of Revenue over Expenses	(932,520)	(234,337)	(1,166,857)

AKRON METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Funds Expended
From U.S. Department of HUD		
Direct Programs		
PHA Owned Housing:		
Public Housing Annual Contributions	14.850a	$14,917,235
Revitalization of Severely Distressed Public Housing	14.866	7,563,560
Public Housing - Capital Fund Program	14.872	9,041,744
Shelter Plus Care	14.238	290,564
Resident Opportunity and Supportive Services	14.870	66,534
Total PHA Owned Housing		31,879,637
Section 8:		
Project Cluster		
Lower Income Housing Assistance Program - Section 8 - New Construction	14.182	4,262,533
Low Income Housing Assistance Program - Moderate Rehabilitation	14.856	468,743
Total Project Cluster		4,731,276
Housing Choice Vouchers	14.871	28,343,181
Total Section 8		33,074,457
TOTAL EXPENDITURES OF FEDERAL AWARDS		$ 64,954,094

AKRON METROPOLITAN HOUSING AUTHORITY
NOTES TO SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1: **REPORTING ENTITY**

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

NOTE 2: **BASIS OF ACCOUNTING**

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

AKRON METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULES
STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2006

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Shelter Plus Care	Low Rent Public Housing	Lower Income Housing Assistance Program-Section 8 Moderate Rehabilitation OH007MR0009	Revitalization of Severely Distressed Public Housing	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	Component Units
ASSETS											
Current Assets:											
111	Cash - Unrestricted	$996,162	$1,246,855	$11,920	$1,027,646	$75,714	$0	$0	$3,326,082	$68,840	$393,021
113	Cash - Other Restricted	$801,430	$0	$0	$3,112,494	$0	$0	$0	$0	$0	$1,109,093
114	Cash - Tenant Security Deposits	$58,049	$0	$0	$220,314	$0	$0	$0	$0	$0	$100,562
100	Total Cash	$1,855,641	$1,246,855	$11,920	$4,360,454	$75,714	$0	$0	$3,326,082	$68,840	$1,602,676
122	Accounts Receivable - HUD Other Projects	$0	$34,676	$0	$0	$0	$494,364	$24,036	$0	$693,160	$0
124	Accounts Receivable - Other Government	$0	$0	$0	$74,938	$0	$0	$0	$0	$0	$0
125	Accounts Receivable - Miscellaneous	$686,724	$0	$0	$114,574	$0	$0	$0	$40,075	$0	$2,981,928
126	Accounts Receivable - Tenants - Dwelling Rents	$20,559	$0	$0	$190,396	$0	$0	$0	$202,286	$0	$121,517
126.1	Allowance for Doubtful Accounts - Dwelling Rents	($359)	$0	$0	($6,364)	$0	$0	$0	$0	$0	($37,500)
126.2	Allowance for Doubtful Accounts - Other	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
129	Accrued Interest Receivable	$201,454	$16,719	$0	$77,809	$0	$0	$0	$16,719	$0	$0
120	Total Receivables, net of allowances for doubtful accounts	$908,378	$51,395	$0	$451,353	$0	$494,364	$24,036	$259,080	$693,160	$3,065,945
131	Investments - Unrestricted	$999,700	$1,498,269	$0	$5,922,679	$0	$0	$0	$1,464,791	$0	$0
142	Prepaid Expenses and Other Assets	$81,829	$0	$0	$364,711	$0	$0	$0	$0	$354	$644,756
143	Inventories	$1,951	$0	$0	$405,768	$0	$0	$0	$0	$0	$13,874
143.1	Allowance for Obsolete Inventories	($1)	$0	$0	($15,000)	$0	$0	$0	$0	$0	($1)
144	Interprogram Due From	$23,751,673	$332,363	$12	$378,455	$18	$0	$0	$244,578	$0	$119
150	**Total Current Assets**	$27,599,171	$3,128,882	$11,932	$11,868,420	$75,732	$494,364	$24,036	$5,294,531	$762,354	$5,327,369
Noncurrent Assets:											
161	Land	$7,844,198	$0	$0	$17,182,282	$0	$499,600	$0	$0	$0	$1,755,000
162	Buildings	$24,239,078	$0	$0	$207,562,497	$0	$0	$0	$0	$0	$22,761,962
163	Furniture, Equipment & Machinery - Dwellings	$1	$0	$0	$2,230,914	$0	$0	$0	$0	$0	$285,613
164	Furniture, Equipment & Machinery - Administration	$1,392,489	$2,171	$0	$2,957,257	$30,541	$25,901	$16,486	$632,575	$0	$93,186
166	Accumulated Depreciation	($5,964,403)	($2,171)	$0	($142,593,730)	($29,767)	($3,679)	($568)	($623,632)	$0	($6,403,821)
167	Construction In Progress	$0	$0	$0	$6,803,372	$0	$6,806,669	$0	$0	$27,728,125	$7,072,560
160	Total Fixed Assets, Net of Accumulated Depreciation	$27,511,363	$0	$0	$94,142,592	$774	$7,328,491	$15,918	$8,943	$27,728,125	$25,564,500
171	Notes, Loans, & Mortgages Receivable - Non Current	$1,458,705	$0	$0	$0	$0	$0	$0	$0	$0	$0
180	**Total Non-Current Assets**	$28,970,068	$0	$0	$94,142,592	$774	$7,328,491	$15,918	$8,943	$27,728,125	$25,564,500
190	**TOTAL ASSETS**	$56,569,239	$3,128,882	$11,932	$106,011,012	$76,506	$7,822,855	$39,954	$5,303,474	$28,490,479	$30,891,869

AKRON METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2006

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Shelter Plus Care	Low Rent Public Housing	Lower Income Housing Assistance Program-Section 8 Moderate Rehabilitation OH007MR0009	Revitalization of Severely Distressed Public Housing	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	Component Units
LIABILITIES											
Current Liabilities:											
312	Accounts Payable <= 90 Days	$90,409	$33,070	$134	$877,120	$202	$463,543	$21,779	$9,253	$705,648	$49,411
321	Accrued Wage/Payroll Taxes Payable	$84,824	$5,214	$1,752	$293,561	$2,628	$4,419	$532	$39,740	$10,810	$10,701
322	Accrued Compensated Absences - Current Portion	$4,509	$266	$90	$652,695	$134	$18,403	$1,309	$87,197	$35,817	$15,746
325	Accrued Interest Payable	$1	$0	$0	$1	$0	$0	$0	$0	$0	$119,177
331	Accounts Payable - HUD PHA Programs	$0	$112,502	$0	$410,947	$40,194	$0	$0	$13,222	$0	$0
341	Tenant Security Deposits	$60,564	$0	$0	$294,853	$0	$0	$0	$0	$0	$75,408
342	Deferred Revenues	$0	$0	$0	$0	$0	$0	$0	$0	$0	$595
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	$607,034	$0	$0	$484,867	$0	$0	$0	$0	$0	$199,453
345	Other Current Liabilities	$22,662	$0	$0	$64,117	$0	$0	$0	$476,936	$0	$1,978,522
346	Accrued Liabilities - Other	$32,482	$19	$6	$1,278,609	$10	$5,039	$416	$435	$10,079	$173,878
347	Interprogram Due To	$210,567	$7,774	$2,612	$29,391	$133,918	$2,960	$0	$626,094	$0	$23,693,902
310	**Total Current Liabilities**	$1,113,052	$158,845	$4,594	$4,386,161	$177,086	$494,364	$24,036	$1,252,877	$762,354	$26,316,793
Noncurrent Liabilities:											
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds	$7,470,642	$0	$0	$8,964,095	$0	$0	$0	$0	$0	$2,678,826
354	Accrued Compensated Absences - Non Current	$68,803	$4,066	$1,366	$1,004,965	$2,049	$0	$0	$94,179	$0	$0
353	Noncurrent Liabilities - Other	$947,247	$0	$0	$120,215	$0	$0	$0	$0	$0	$0
350	**Total Noncurrent Liabilities**	$8,486,692	$4,066	$1,366	$10,089,275	$2,049	$0	$0	$94,179	$0	$2,678,826
300	**TOTAL LIABILITIES**	$9,599,744	$162,911	$5,960	$14,475,436	$179,135	$494,364	$24,036	$1,347,056	$762,354	$28,995,619
NET ASSETS:											
508	Total Contributed Capital	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
508.1	Invested in Capital Assets, Net of Related Debt	$19,433,687	$0	$0	$87,604,538	$774	$7,328,491	$15,918	$8,943	$27,728,125	$10,549,424
511	Total Reserved Fund Balance	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
511.1	Restricted Net Assets	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
512.1	Unrestricted Net Assets	$27,535,808	$2,965,971	$5,972	$3,931,038	($103,403)	$0	$0	$3,947,475	$0	($8,653,174)
513	**Total Equity/Net Assets**	$46,969,495	$2,965,971	$5,972	$91,535,576	($102,629)	$7,328,491	$15,918	$3,956,418	$27,728,125	$1,896,250
600	**TOTAL LIABILITIES AND EQUITY/NET ASSETS**	$56,569,239	$3,128,882	$11,932	$106,011,012	$76,506	$7,822,855	$39,954	$5,303,474	$28,490,479	$30,891,869

AKRON METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2006

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Shelter Plus Care	Low Rent Public Housing	Lower Income Housing Assistance Program-Section 8 Moderate Rehabilitation OH007MR0009	Revitalization of Severely Distressed Public Housing	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	Component Units
REVENUES:											
703	Net Tenant Rental Revenue	$1,299,362	$0	$0	$6,020,799	$0	$0	$0	$0	$0	$3,365,429
704	Tenant Revenue - Other	$23,565	$0	$0	$72,615	$0	$0	$0	$0	$0	$45,666
705	Total Tenant Revenue	$1,322,927	$0	$0	$6,093,414	$0	$0	$0	$0	$0	$3,411,095
706	HUD PHA Operating Grants	$0	$4,262,533	$290,564	$14,917,235	$468,743	$787,452	$50,616	$28,343,181	$2,331,627	$0
706.1	Capital Grants	$0	$0	$0	$0	$0	$6,776,108	$15,918	$0	$6,710,117	$0
711	Investment Income - Unrestricted	$178,437	$112,884	$0	$235,287	$1,265	$0	$0	$115,203	$0	$28,686
712	Mortgage Interest Income	$195,907	$0	$0	$0	$0	$0	$0	$0	$0	$0
714	Fraud Recovery	$0	$0	$0	$0	$3,017	$0	$0	$72,417	$0	$0
715	Other Revenue	$2,236,908	$0	$8	$1,225,835	$12	$0	$0	($5,570)	$0	$1,937
716	Gain/Loss on Sale of Fixed Assets	$0	$0	$0	$0	$3	$0	$0	$153	$0	$0
700	**TOTAL REVENUES**	$3,934,179	$4,375,417	$290,572	$22,471,771	$473,040	$7,563,560	$66,534	$28,525,384	$9,041,744	$3,441,718
EXPENSES:											
911	Administrative Salaries	$394,254	$33,404	$13,815	$3,224,088	$20,722	$151,396	$0	$952,286	$345,806	$196,054
912	Auditing Fees	$16,172	$109	$63	$29,639	$94	$0	$0	$4,316	$0	$8,047
913	Outside Management Fees	$13,625	$95	$121	$31,682	$181	$66,098	$0	$8,324	$0	$54,517
914	Compensated Absences	$93,978	$694	$233	$185,382	$350	$18,403	$1,309	$16,078	$35,817	$15,746
915	Employee Benefit Contributions - Administrative	$209,854	$17,745	$7,470	$1,591,593	$11,205	$71,646	$0	$507,290	$187,999	$118,367
916	Other Operating - Administrative	$383,245	$19,144	$6,067	$1,503,639	$9,197	$230,765	$1,456	$420,903	$1,012,585	$273,353
921	Tenant Services - Salaries	$14,677	$14	$239	$380,746	$358	$23,725	$30,261	$127,780	$0	$0
922	Relocation Costs	$0	$0	$0	$0	$0	$25,891	$0	$0	$13,566	$0
923	Employee Benefit Contributions - Tenant Services	$7,772	$7	$127	$172,064	$191	$12,437	$17,022	$66,939	$0	$0
924	Tenant Services - Other	$2,730	$2	$290	$15,788	$435	$185,539	$0	$19,980	$205,482	$0
931	Water	$38,699	$0	$0	$497,952	$0	$0	$0	$0	$0	$101,344
932	Electricity	$177,463	$8	$0	$1,298,473	$0	$0	$0	$0	$0	$46,896
933	Gas	$72,548	$0	$0	$1,403,118	$0	$0	$0	$0	$0	$40,335
938	Other Utilities Expense	$49,984	$0	$0	$701,306	$0	$0	$0	$0	$0	$64,411
941	Ordinary Maintenance and Operations - Labor	$316,884	$3	$0	$4,635,332	$0	$0	$0	$39	$0	$235,323
942	Ordinary Maintenance and Operations - Materials and Other	$122,482	$31	$115	$1,058,391	$168	$0	$0	$7,766	$0	$94,015
943	Ordinary Maintenance and Operations - Contract Costs	$357,920	$123	$301	$1,578,894	$456	$0	$0	$61,324	$0	$379,353

AKRON METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2006

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Shelter Plus Care	Low Rent Public Housing	Lower Income Housing Assistance Program-Section 8 Moderate Rehabilitation OH007MR0009	Revitalization of Severely Distressed Public Housing	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	Component Units
	EXPENSES (Continuted):										
951	Protective Services - Labor	$48,819	$1	$375	$557,683	$563	$0	$0	$25,880	$492,271	$64,720
952	Protective Services - Other Contract Costs	$11,009	$1	$17	$104,935	$25	$0	$0	$1,182	$0	$1,225
953	Protective Services - Other	$0	$0	$0	$0	$0	$0	$0	$31	$0	$0
955	Employee Benefit Contributions - Protective Services	$23,317	$0	$200	$258,096	$299	$0	$0	$13,557	$38,101	$37,532
961	Insurance Premiums	$49,800	$678	$665	$963,194	$0	$0	$0	$47,381	$0	$93,735
962	Other General Expenses	$3,938	$0	$0	$2,245	$998	$0	$0	$0	$0	$16,967
963	Payments in Lieu of Taxes	$0	$0	$0	$230,342	$0	$0	$0	$0	$0	$344,278
964	Bad Debt - Tenant Rents	$9,487	$0	$0	$203,659	$0	$0	$0	$0	$0	$71,346
966	Bad Debt - Other	$0	$0	$0	$0	($290)	$0	$0	($8,865)	$0	$0
967	Interest Expense	$324,268	$0	$0	$173,678	$0	$0	$0	$0	$0	$1,148,366
969	**Total Operating Expenses**	$2,890,602	$72,061	$30,098	$23,081,768	$44,952	$785,900	$50,048	$2,272,211	$2,331,627	$3,538,732
970	Excess Operating Revenue over Operating Expenses	$1,043,577	$4,303,356	$260,474	($609,997)	$428,088	$6,777,660	$16,486	$26,253,173	$6,710,117	($97,014)
971	Extraordinary Maintenance	$0	$0	$0	$0	$0	$0	$0	$0	$0	$69,839
972	Casualty Losses - Non-Capitalized	$0	$0	$0	$20,033	$0	$0	$0	$0	$0	($2,800)
973	Housing Assistance Payments	$0	$3,970,205	$269,048	$0	$414,203	$0	$0	$23,103,025	$0	$0
974	Depreciation Expense	$505,323	$501	$0	$9,029,493	$685	$1,552	$568	$7,921	$0	$1,002,804
900	**Total Expenses**	$3,395,925	$4,042,767	$299,146	$32,131,294	$459,840	$787,452	$50,616	$25,383,157	$2,331,627	$4,608,575
1010	Total Other Financing Sources (Uses)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	$538,254	$332,650	($8,574)	($9,659,523)	$13,200	$6,776,108	$15,918	$3,142,227	$6,710,117	($1,166,857)
1102	Debt Principal Payments - Enterprise Funds	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
1103	Beginning Equity	$48,416,024	$2,633,321	$14,546	$101,030,172	($115,829)	$554,982	$0	($783,962)	$21,017,988	($3,319,122)
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	($1,984,783)	$0	$0	$164,927	$0	($2,599)	$0	$1,598,153	$20	$6,382,229
1113	Maximum Annual Contributions Commitment (Per ACC)	$0	$1,677,278	$0	$0	$551,093	$0	$0	$28,430,390	$0	$0
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
1115	Contingency Reserve, ACC Program Reserve	$0	$15,814,449	$0	$0	$1,354,388	$0	$0	$1,584,365	$0	$0
1116	Total Annual Contributions Available	$0	$17,491,727	$0	$0	$1,905,481	$0	$0	$30,014,755	$0	$0
1120	Unit Months Available	2,520	9,420	840	54,348	1,248	0	0	48,828	0	5,106
1121	Number of Unit Months Leased	2,403	9,374	694	51,865	1,051	0	0	48,298	0	5,002

AKRON METROPOLITAN HOUSING AUTHORITY
STATEMENT OF MODERNIZATION COST - COMPLETED
FOR THE TWELVE MONTHS ENDED JUNE 30, 2006

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

	Capital Grant OH12P007-501-01
Project OH	
Funds Approved	$ 10,648,415
Funds Expended	10,648,415
Excess (Deficiency) of Funds Approved	$ 0
Funds Advanced	$ 10,648,415
Funds Expenses	10,648,415
Excess (Deficiency) of Funds Advanced	$ 0

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

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

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

AKRON METROPOLITAN HOUSING AUTHORITY
STATEMENT OF MODERNIZATION COST - COMPLETED
FOR THE TWELVE MONTHS ENDED JUNE 30, 2006

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

	Capital Grant OH12P007-501-02
Project OH	
Funds Approved	$ 9,984,954
Funds Expended	9,984,954
Excess (Deficiency) of Funds Approved	$ 0
Funds Advanced	$ 9,984,954
Funds Expenses	9,984,954
Excess (Deficiency) of Funds Advanced	$ 0

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

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

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

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

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, as of and for the year ended June 30, 2006, which collectively comprise the Akron Metropolitan Housing Authority, Ohio's basic financial statements and have issued our report thereon dated December 15, 2006. 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 13 percent of the total assets at June 30, 2006, 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 Akron Metropolitan Housing Authority, Ohio's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Akron Metropolitan Housing Authority, Ohio's 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 Akron Metropolitan Housing Authority, Ohio, in a separate letter dated December 15, 2006.

This report is intended solely for the information and use of the Board of Trsutees, management, Auditor of State, 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.
Certified Public Accountants

December 15, 2006

JAMES G. ZUPKA, C.P.A., INC.
Certified Public Accountants
5240 East 98th Street
Garfield Hts., Ohio 44125

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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

<u>Compliance</u>

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, 2006. 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 on 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, 2006.

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 requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

This report is intended solely for the information and use of the Board of Trustees, management, Auditor of State, 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.
Certified Public Accountants

December 15, 2006

AKRON METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
JUNE 30, 2006

1. SUMMARY OF AUDITOR'S RESULTS

2006(i)	Type of Financial Statement Opinion	Unqualified
2006(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2006(ii)	Were there any other reportable control weakness conditions reported at the financial statements level (GAGAS)?	No
2006(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2006(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
2006(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
2006(v)	Type of Major Programs' Compliance Opinion	Unqualified
2006(vi)	Are there any reportable findings under .510?	No
2006(vii)	Major Programs (list): Revitalization of Severely Distressed Public Housing - CFDA #14.886 Housing Choice Voucher - CFDA #14.871	
2006(viii)	Dollar Threshold: Type A\B Programs	Type A: >$1,948,623 Type B: > all others
2006(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, 2006

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 10, 2007

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