

**AKRON METROPOLITAN HOUSING AUTHORITY**

**AUDIT REPORT**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**





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, 2006 through June 30, 2007. 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 3, 2008

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**AKRON METROPOLITAN HOUSING AUTHORITY**  
**AUDIT REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

*Certified Public Accountants*

*5240 East 98<sup>th</sup> Street*

*Garfield Hts., Ohio 44125*

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**INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Akron Metropolitan Housing Authority  
Akron, Ohio

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

We have audited the accompanying basic financial statements of the business-type activities and the aggregate discretely presented component units of the Akron Metropolitan Housing Authority, Ohio (the "Authority"), as of and for the year ended June 30, 2007, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Eastland Woods, LLC, and Wilbeth Arlington Homes Ltd. Partnership (a partnership owned by the Akron Metropolitan Housing Authority), which statements reflect total assets constituting 13 percent of the Authority's total assets at June 30, 2007, and total operating revenues constituting 5 percent of the Authority's operating revenues for the year then ended. Those statements were audited by other auditors whose unqualified report has been furnished to us, and our opinion, insofar as it related to the amounts included for Eastland Woods, LLC, and Wilbeth-Arlington Homes, Ltd. Partnership is based solely on the report of such other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the aggregate discretely presented component units of the Authority as of June 30, 2007, and the respective changes in financial position and cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2008, on our consideration of the Akron Metropolitan Housing Authority, Ohio's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Akron Metropolitan Housing Authority, Ohio's basic financial statements. The accompanying supplemental Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Not-Profit Organizations*, and is not a required part of the basic financial statements of the Akron Metropolitan Housing Authority, Ohio. The accompanying Financial Data Schedules and Statement of Modernization Costs - Completed are also presented for the purpose of additional analysis and are not a required part of the basic financial statements of the Akron Metropolitan Housing Authority, Ohio. 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

January 7, 2008

**AKRON METROPOLITAN HOUSING AUTHORITY**  
**Management Discussion and Analysis**  
**for the Fiscal Year Ended June 30, 2007**  
**Unaudited**

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

The data presented in the following pages should be read in conjunction with the audit's consolidated financial statements on pages 13 to 15 of this report.

**Financial Highlights**

- The Authority's net assets increased by \$10,540,543 (5.78 percent) during fiscal year 2007. Net assets were \$182,299,587 and \$192,840,130 for 2006 and 2007, respectively.
- Revenue activity increased by \$7,498,349 (9.35 percent) during 2007 and was \$80,186,719 and \$87,685,068 for 2006 and 2007, respectively.
- The total expenses of all Authority programs increased by \$5,297,067 (7.21 percent) during 2007. Total expenses were \$73,493,199 and \$78,790,266 for 2006 and 2007, respectively.

**Using This Annual Report**

The following depicts the Authority's annual report

**MD & A**

Management Discussion and Analysis

**Basic Financial Statements** (pages 13 to 15)

Statement of Net Assets

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

Statement of Cash Flows

**Notes to the Financial Statements**

Pages 16 to 35

**AKRON METROPOLITAN HOUSING AUTHORITY**  
**Management Discussion and Analysis**  
**for the Fiscal Year Ended June 30, 2007**  
**Unaudited**

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**Authority-wide Financial Statements**

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

The statements include the following:

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

Statement of Revenues, Expenses, and Changes in Fund Net Assets: This statement, similar to an income statement, includes Operating Revenues, such as rental income, Operating Expenses, such as administrative, utilities, maintenance, and depreciation, and Non-Operating Revenue and Expenses, such as grant revenue, investment income, and interest expense.

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

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

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

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

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

Statement of Cash Flows: This statement discloses net cash provided by, or used for operating activities, non-capital financing activities, and from capital and related financing activities.

**AKRON METROPOLITAN HOUSING AUTHORITY**  
**Management Discussion and Analysis**  
**for the Fiscal Year Ended June 30, 2007**  
**Unaudited**

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**Fund Financial Statements**

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

**THE AUTHORITY'S PROGRAMS**

Conventional Public Housing

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

Housing Choice Voucher Program

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

Capital Fund Program (CFP)

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

Non-Aided (LHA)/Other Business Activities

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

Component Units

Component units represent non-HUD resources developed from a variety of activities, including the rental of 328 units at Wilbeth Arlington Homes, which is also under the HUD Section 8 Program, and Eastland Woods with 100 units.

Service Coordinator Grant

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

**AKRON METROPOLITAN HOUSING AUTHORITY**  
**Management Discussion and Analysis**  
**for the Fiscal Year Ended June 30, 2007**  
**Unaudited**

Section 8 New and Substantial Rehab Program

Under this program, the Authority is Contract Administration for nine (9) Section 8 Project-Based low-income housing apartment properties. The Authority subsidizes the family's rent through a Housing Assistance Payment (HAP) made to the owner/landlord.

Shelter Plus Care

HUD provides funding to the Authority for the purpose of assisting low-income individuals with drug addiction and those who have contracted the AIDS virus and other diseases.

Hope VI Revitalization Grant

The Authority was awarded a \$19.25 million grant to assist in the replacement of the 124 unit Elizabeth Park Homes Development. The replacement housing consists of 269 new single-family homes and townhouses. During fiscal year 2006, an additional Hope VI grant was awarded to the Authority in the amount of \$20,000,000 for the replacement of the 116 units at Edgewood Homes. Replacements will consist of 221 new single family houses as rental and homeownership units.

Other Federal Program

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

**Statement of Net Assets**

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

**Table 1 - Statement of Net Assets**

	FY 2007	FY 2006
<b><u>Assets</u></b>		
Current Assets	\$ 51,121,034	\$ 53,573,594
Other Non-Current Assets	2,320,343	1,458,705
Capital Assets, Net of Accumulated Depreciation	188,834,248	182,300,706
<b>Total Assets</b>	<b><u>\$242,275,625</u></b>	<b><u>\$237,333,005</u></b>
<b><u>Liabilities and Net Assets</u></b>		
<b><u>Liabilities</u></b>		
Current Liabilities	\$ 29,510,708	\$ 33,676,965
Non-Current Liabilities	19,924,787	21,356,453
Total Liabilities	<u>49,435,495</u>	<u>55,033,418</u>
<b><u>Net Assets</u></b>		
Invested in Capital Assets, Net of Related Debt	155,999,839	152,669,900
Unrestricted Net Assets	36,840,291	29,629,687
Total Net Assets	<u>192,840,130</u>	<u>182,299,587</u>
<b>Total Liabilities and Net Assets</b>	<b><u>\$242,275,625</u></b>	<b><u>\$237,333,005</u></b>

**AKRON METROPOLITAN HOUSING AUTHORITY**  
**Management Discussion and Analysis**  
**for the Fiscal Year Ended June 30, 2007**  
**Unaudited**

**Major Factors Affecting the Statement of Net Assets**

Current assets decreased by \$2,452,560 as a result of the accounts receivable balance in the component unit from investors decreasing by \$2,762,024. Other changes include increases in the cash accounts by \$348,000 and accounts receivable from HUD by \$437,000. Capital assets increased by \$6,553,542 due to the Hope VI and Capital program increases.

Current liabilities decreased by \$4,166,257 as a result of the interfund payables between Business Activities and Component Units reclassification. Noncurrent liabilities also decreased by \$1,431,666. A majority of the change is the result of the annual principal payments on the outstanding debt.

**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 2007	FY 2006	Change
<b><u>Revenues</u></b>			
Tenant Revenue - Rents/Other	\$ 10,718,851	\$ 10,827,436	\$ (108,585)
Operating Subsidy and Grants	66,304,876	64,954,094	1,350,782
Investment Income	1,340,893	867,669	473,224
Other Revenues	9,320,448	3,537,520	5,782,928
<b>Total Revenues</b>	<b>87,685,068</b>	<b>80,186,719</b>	<b>7,498,349</b>
<b><u>Expenses</u></b>			
<b><u>Operating Expenses</u></b>			
Administrative	16,434,779	12,516,421	3,918,358
Tenant Services	1,971,431	1,324,062	647,369
Utilities	4,267,154	4,492,537	(225,383)
Maintenance/Security	12,676,075	13,089,109	(413,034)
Other General Expenses	2,303,565	2,029,558	274,007
Interest Expense	1,674,029	1,646,312	27,717
<b>Total Operating Expenses</b>	<b>39,327,033</b>	<b>35,097,999</b>	<b>4,229,034</b>
<b><u>Other Expenses</u></b>			
Extraordinary Maintenance	0	69,839	(69,839)
Casualty Losses	158,826	20,033	138,793
Housing Assistance	28,753,945	27,756,481	997,464
Depreciation Expense	10,550,462	10,548,847	1,615
<b>Total Other Expenses</b>	<b>39,463,233</b>	<b>38,395,200</b>	<b>1,068,033</b>
<b>Total Expenses</b>	<b>78,790,266</b>	<b>73,493,199</b>	<b>5,297,067</b>
<b>Net Income (Deficit)</b>	<b>\$ 8,894,802</b>	<b>\$ 6,693,520</b>	<b>\$ 2,201,282</b>

**AKRON METROPOLITAN HOUSING AUTHORITY**  
**Management Discussion and Analysis**  
**for the Fiscal Year Ended June 30, 2007**  
**Unaudited**

**Major Factors Affecting the Statement of Revenues and Expenses**

Rental income remained stable between 2006 and 2007, with a decrease of \$108,585. Subsidy and HUD grants increased by \$1,350,782 as the annual inflation factor is applied to the HUD programs. Other revenue increased by \$5,782,928, due largely to the revenue generated to the Central Office Cost Center as management fees from the AMPs. The fees totaled \$4,172,829 and will be reflected as increases to expenses for the Low Rent Program.

Expenses for the period increased by \$5,297,067. As noted above, the main increase is the costs paid to the Central Office Cost Center for management fees. These fees are a part of the Administrative line. Housing Assistance payments in the Housing Choice Voucher Program increased by \$997,464. This increase is the result of the increase in rental payments to the landlords in 2007.

**Table 3 -Revenue and Expenses by Program for the Fiscal Year Ending June 30, 2007**

	<u>Revenue</u>	<u>Expenses</u>
Conventional Public Housing (LIPH)	\$ 23,306,209	\$ 31,334,487
Other Federal Program	4,172,829	3,422,214
Section 8 Housing Choice Voucher Program	28,636,949	26,401,711
Section 8 Mod Rehab Program	451,017	432,349
Section 8 New and Substantial Rehab Program	4,437,291	4,069,373
Capital Fund Program (CFP)	2,218,111	2,218,111
Hope VI	1,515,972	1,520,656
Other Business Activities/Component Units	8,954,396	8,494,797
Resident Opportunity and Supportive Services	206,359	214,497
Shelter Plus Care	345,674	356,134
<b>Totals</b>	<u>\$ 74,244,807</u>	<u>\$ 78,464,329</u>

**AKRON METROPOLITAN HOUSING AUTHORITY**  
**Management Discussion and Analysis**  
**for the Fiscal Year Ended June 30, 2007**  
**Unaudited**

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

**Table 4 - Statement of Revenues and Expenses Less Depreciation Expense  
for Fiscal Year Ended June 30, 2007**

	FY 2007	FY 2006	Change
<b><u>Revenues</u></b>			
Tenant Revenue - Rents/Other	\$ 10,718,851	\$ 10,827,436	\$ (108,585)
Operating Subsidy and Grants	66,304,876	64,954,094	1,350,782
Investment Income - Unrestricted	1,120,767	867,669	253,098
Other Revenues	<u>9,540,574</u>	<u>3,537,520</u>	<u>6,003,054</u>
<b>Total Revenues</b>	<u>87,685,068</u>	<u>80,186,719</u>	<u>7,498,349</u>
<b><u>Expenses</u></b>			
<b><u>Operating Expenses</u></b>			
Administrative	16,434,779	12,516,421	3,918,358
Tenant Services	1,971,431	1,324,062	647,369
Utilities	4,267,154	4,492,537	(225,383)
Maintenance/Security	12,676,075	13,089,109	(413,034)
Other General Expenses	2,303,565	2,029,558	274,007
Interest Expense	<u>1,674,029</u>	<u>1,646,312</u>	<u>27,717</u>
Total Operating Expenses	<u>39,327,033</u>	<u>35,097,999</u>	<u>4,229,034</u>
<b><u>Other Expenses</u></b>			
Capital Outlays	13,319,264	13,486,225	(166,961)
Extraordinary Maintenance	0	69,839	(69,839)
Casualty Losses	158,826	20,033	138,793
Housing Assistance	28,753,945	27,756,481	997,464
Depreciation Expense	<u>10,550,462</u>	<u>10,548,847</u>	<u>1,615</u>
Total Other Expenses	<u>52,782,497</u>	<u>51,881,425</u>	<u>901,072</u>
<b>Total Expenses</b>	<u>92,109,530</u>	<u>86,979,424</u>	<u>5,130,106</u>
<b>Net Income (Deficit)</b>	<u>(4,424,462)</u>	<u>(6,792,705)</u>	<u>2,368,243</u>
Plus Depreciation Add Back	<u>10,550,462</u>	<u>10,548,847</u>	<u>1,615</u>
<b>Net Income (Deficit) Less Depreciation</b>	<u>\$ 6,126,000</u>	<u>\$ 3,756,142</u>	<u>\$ 2,369,858</u>

**AKRON METROPOLITAN HOUSING AUTHORITY**  
**Management Discussion and Analysis**  
**for the Fiscal Year Ended June 30, 2007**  
**Unaudited**

**Capital Assets**

During fiscal year 2007, the change in capital assets amounted to \$6,533,542. The following table represents the changes in the asset accounts by category as follows:

**Table 5-Capital Assets at Year End (Net of Depreciation) for Fiscal Year Ended June 30, 2007**

	2007	2006	Change
Land	\$ 27,570,215	\$ 27,281,080	\$ 289,135
Buildings	288,417,533	254,563,537	33,853,996
Equipment	8,245,498	7,667,134	578,364
Accumulated Depreciation	(165,640,102)	(155,621,771)	(10,018,331)
Construction in Progress	30,241,104	48,410,726	(18,169,622)
<b>Totals</b>	<b>\$188,834,248</b>	<b>\$182,300,706</b>	<b>\$ 6,533,542</b>

- Land increased by \$289,135 due to recent purchases or property associated with the Hope VI program.
- Buildings increased by \$33,853,996. This increase is the result of the completion of open capital projects from 2006 and transferred from construction-in-progress to the building account. Also, in 2007 there were increases of \$4,339,755 in capital projects in the Hope VI program. There were \$8,979,509 in additions from the Capital program.

**Debt**

The change in outstanding debt from fiscal year 2006 to fiscal year 2007 represents the principal payments made throughout the year.

**Table 7 - Outstanding Debt at Year End**

	2007	2006
Outstanding Debt	\$ 19,080,675	\$ 20,420,663
Less: Current Portion	(1,599,972)	(1,291,354)
<b>Total</b>	<b>\$ 17,480,703</b>	<b>\$ 19,129,309</b>

**AKRON METROPOLITAN HOUSING AUTHORITY**  
**Management Discussion and Analysis**  
**for the Fiscal Year Ended June 30, 2007**  
**Unaudited**

**Unrestricted Net Assets**

The following table shows the changes in unrestricted net assets for the fiscal year ended June 30, 2007.

**Table 7 - Change in Unrestricted Net Assets**

Unrestricted Net Assets at June 30, 2006	<u>\$ 29,629,687</u>
Results of Operations, excluding Capital Grants	(4,424,462)
Adjustments:	
Depreciation (1)	<u>10,550,462</u>
Adjusted Results from Operations	35,755,687
Debt and Capital Assets Payments affecting Unrestricted Net Assets	(561,137)
Year-end Equity Adjustments	<u>1,645,741</u>
Unrestricted Net Assets at June 30, 2007	<u>\$ 36,840,291</u>

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

**Economic Factors and 2007 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 2007, the funding was at 82 percent, a reduction of \$3,429,000. This funding shortfall is anticipated again for the fiscal year 2008 allocation.
- During fiscal year 2007, the Authority successfully converted to HUD's mandated Asset Management and Project Based Accounting model. With this conversion, the Authority, which was scheduled to lose an additional \$1.9 million in subsidy, had the losses stopped at 5 percent of the \$1.9 million.
- As noted above, the Authority successfully converted to asset management; however, to achieve this, a separate cost center, Central Office Cost Center, was established. This new cost center received no subsidy funding from HUD, but received revenues from the Low Income Housing AMPs through management fees. To achieve the HUD goal of a positive cash flow, several personal changes were made, positions were eliminated, and an early retirement incentive program was instituted in 2007.

With the prospect of subsidy reduction and the uncertainty of the annual proration, it has become vital to analyze the annual budget and determine where cuts are to be made. With any reductions, the Authority remains committed to its residents and maintaining high housing standards.

**AKRON METROPOLITAN HOUSING AUTHORITY**  
**Management Discussion and Analysis**  
**for the Fiscal Year Ended June 30, 2007**  
**Unaudited**

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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, 2007**

	<u>Primary Government</u>	<u>Component Units</u>
<b><u>ASSETS</u></b>		
<b><u>Current Assets</u></b>		
Cash and Cash Equivalents	\$ 9,165,707	\$ 457,924
Investments	13,102,256	0
Restricted Cash and Cash Equivalents	1,996,692	1,275,804
Receivable, Net	3,146,216	341,878
Inventories, Net	444,604	16,492
Prepaid Expenses and Other Assets	527,093	466,015
Due from Component Unit	20,175,157	0
Due from Primary Government	<u>0</u>	<u>5,196</u>
<b>Total Current Assets</b>	<u>48,557,725</u>	<u>2,563,309</u>
<b><u>Noncurrent Assets</u></b>		
Capital Assets, Not Being Depreciated	56,056,319	1,755,000
Capital Assets, Net of Depreciation	107,725,195	23,297,734
Other Noncurrent Assets	<u>2,320,343</u>	<u>0</u>
<b>Total Noncurrent Assets</b>	<u>166,101,857</u>	<u>25,052,734</u>
<b>TOTAL ASSETS</b>	<u>\$ 214,659,582</u>	<u>\$27,616,043</u>
<b><u>LIABILITIES</u></b>		
<b><u>Current Liabilities</u></b>		
Accounts Payable	\$ 2,510,893	\$ 41,840
Accrued Liabilities	2,500,847	451,749
Intergovernmental Payable	141,256	0
Tenant Security Deposits	363,398	79,424
Bonds, Notes, and Loans Payable	1,313,200	286,772
Other Current Liabilities	540,471	1,099,993
Due to Primary Government	0	20,175,157
Deferred Revenue	0	512
Due to Component Unit	<u>5,196</u>	<u>0</u>
<b>Total Current Liabilities</b>	<u>7,375,261</u>	<u>22,135,447</u>
<b><u>Non-Current Liabilities</u></b>		
Bonds, Notes, and Loans Payable	15,120,495	2,360,208
Accrued Compensated Absences, Non-Current	1,348,637	14,202
Non-Current Liabilities - Other	<u>1,081,245</u>	<u>0</u>
<b>Total Non-Current Liabilities</b>	<u>17,550,377</u>	<u>2,374,410</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 24,925,638</u>	<u>\$24,509,857</u>
<b><u>NET ASSETS</u></b>		
Invested in Capital Assets, Net of Related Debt	\$ 147,347,819	\$ 8,652,020
Unrestricted Net Assets	<u>42,386,125</u>	<u>(5,545,834)</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 189,733,944</u>	<u>\$ 3,106,186</u>

See accompanying notes to the basic financial statements.

**AKRON METROPOLITAN HOUSING AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUND TYPE**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>Primary Government</u>	<u>Component Units</u>
<b><u>OPERATING REVENUE</u></b>		
Tenant Revenue	\$ 7,432,277	\$ 3,286,574
Government Operating Grants	52,985,612	0
Other Revenue	<u>8,436,136</u>	<u>5,103</u>
<b>Total Operating Revenue</b>	<u>68,854,025</u>	<u>3,291,677</u>
<b><u>OPERATING EXPENSES</u></b>		
Administrative	15,824,193	610,586
Tenant Services	1,971,431	0
Utilities	4,003,969	263,185
Maintenance	10,253,212	817,165
Protective Services	1,514,591	91,107
General	1,729,919	566,521
Housing Assistance Payment	28,753,945	0
Other Operating Expenses	165,951	0
Depreciation	<u>9,944,332</u>	<u>606,130</u>
<b>Total Operating Expenses</b>	<u>74,161,543</u>	<u>2,954,694</u>
Operating Income (Loss)	<u>(5,307,518)</u>	<u>336,983</u>
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>		
Interest and Investment Revenue	1,305,872	35,021
Miscellaneous Non-Operating	879,209	0
Interest Expense	<u>(613,839)</u>	<u>(1,060,190)</u>
<b>Total Non-Operating Revenues (Expenses)</b>	<u>1,571,242</u>	<u>(1,025,169)</u>
Income (Loss) Before Contributions and Transfers	<u>(3,736,276)</u>	<u>(688,186)</u>
Capital Grants	<u>13,319,264</u>	<u>0</u>
Change in Net Assets	9,582,988	(688,186)
Net Assets, Beginning of Year	180,403,337	1,896,250
Equity Adjustments	<u>(252,381)</u>	<u>1,898,122</u>
<b>Total Net Assets, End of Year</b>	<u>\$ 189,733,944</u>	<u>\$ 3,106,186</u>

See accompanying notes to the basic financial statements.

**AKRON METROPOLITAN HOUSING AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND TYPE - ENTERPRISE FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Primary Government	Component Units
<b><u>Cash Flows from Operating Activities</u></b>		
Cash Received from HUD	\$ 52,113,011	\$ 0
Cash Received from Tenants and Other	7,604,819	3,290,590
Cash Received from Other Revenue	9,305,159	1,845,481
Cash Payments for Housing Assistance Payments	(28,753,945)	0
Cash Payments for Administrative	(16,153,980)	(610,553)
Cash Payments for Ordinary Maintenance	(10,305,098)	(824,736)
Cash Payments for Other Operating Expenses	(8,923,406)	(598,275)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b><u>4,886,560</u></b>	<b><u>3,102,507</u></b>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>		
Retirement of Mortgage Payable	(1,092,943)	(231,299)
Proceeds from Sale of Capital Assets	0	43,488
Acquisition and Construction of Capital Assets	(17,028,311)	(137,852)
Proceeds From Capital Grants	13,319,264	0
Proceeds from Member Contributions	(861,638)	1,898,122
<b>Net Cash Provided (Used) by Capital and Other Related Financing Activities</b>	<b><u>(5,663,628)</u></b>	<b><u>1,572,459</u></b>
<b><u>Cash Flows from Investing Activities</u></b>		
Payment to Primary Government	3,518,745	(3,518,745)
Redemption (Purchase) of Investments	(3,216,817)	0
Investment (Other) Income	1,305,872	35,021
Interest Expense	(613,839)	(1,060,190)
<b>Net Cash Provided (Used) by Investing Activities</b>	<b><u>993,961</u></b>	<b><u>(4,543,914)</u></b>
Change in Cash	216,893	131,052
Cash and Cash Equivalents, Beginning of Year	10,945,506	1,602,676
<b>Cash and Cash Equivalents, End of Year</b>	<b><u>\$ 11,162,399</u></b>	<b><u>\$ 1,733,728</u></b>
<b><u>Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities</u></b>		
Operating Loss	\$ (5,307,518)	\$ 336,983
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	9,944,332	606,130
Increase (Decrease) in Operating Assets and Liabilities:		
Accounts Receivable - HUD	(436,992)	0
Accounts Receivable - Tenant and Other	172,542	2,724,067
Due To/From Component Unit	5,077	(5,077)
Notes Receivable	879,209	0
Inventory	(51,886)	(2,619)
Deferred Charges and Other Assets	(80,199)	178,741
Accounts Payable - HUD and Other Governments	(435,609)	0
Accounts Payable - Other	309,735	(7,571)
Accrued Payroll and Compensated Absences	(329,787)	146,449
Other Liabilities	203,873	(875,108)
Other Non-Current Liabilities	13,783	512
Total Adjustments	<u>10,194,078</u>	<u>2,765,524</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b><u>\$ 4,886,560</u></b>	<b><u>\$ 3,102,507</u></b>

See accompanying notes to the basic financial statements.

**AKRON METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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**NOTE 1: DEFINITION OF THE ENTITY**

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

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

**Discretely Presented Component Units**

Wilbeth Arlington Homes Limited Partnership was organized for the purpose of constructing, purchasing, rehabilitating and operating low-income multifamily housing, as described in Note 12. The Corporation Arlington Homes is the general partner of Wilbeth Arlington Homes Ltd. and is controlled by the Authority. Eastland Woods, LLC, was founded in 2004 for the purpose to acquire and rehabilitation a 100-unit affordable rental housing project in Akron, Ohio.

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

**AKRON METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR FISCAL ENDED JUNE 30, 2007  
(CONTINUED)**

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

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

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

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

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

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

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

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

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

**AKRON METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**  
**(CONTINUED)**

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

**A. Basis of Presentation**

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

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

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

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

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

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

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

**AKRON METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**  
**(CONTINUED)**

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

**B. Measurement Focus and Basis of Accounting** (Continued)

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

**C. Cash and Investments**

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

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

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

**E. Compensated Absences**

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

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

**AKRON METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**  
**(CONTINUED)**

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

E. **Compensated Absences** (Continued)

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

F. **Interprogram Balances**

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

G. **Recognition of Revenues and Expenses**

Contributions and subsidies received from HUD are generally recognized as revenues in the Annual Contributions Contract year, except for HAP payments received under the Non-Aided Program which are recognized as dwelling rental revenue when earned. Tenant rentals are recognized as revenues in the month of occupancy. Contributions under the Comprehensive Grant Program (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.

H. **Indirect Costs**

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

I. **Inventory**

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

**AKRON METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**  
**(CONTINUED)**

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

**J. Budgetary Accounting**

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

**K. Use of Estimates**

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

NOTE 3: **DEPOSITS AND INVESTMENTS**

**A. Primary Government**

**Deposits**

At fiscal year end, the carrying amount of the Authority's deposits was \$2,262,399 (including \$325,757 of non-negotiable certificates of deposit), and the bank balance was \$2,695,095. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of June 30, 2007, \$500,000 of the Authority's bank balance was covered by Federal Depository Insurance. The remainder was collateralized by securities pledged in the name of the Authority. Included in the carrying value of the Authority's deposits is \$2,325 in petty cash.

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

**AKRON METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**  
**(CONTINUED)**

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

A. **Primary Government** (Continued)

**Investments**

The Authority has a formal investment policy; however, the Authority's investments were limited to U.S. Treasury/Agency securities and repurchase agreements at June 30, 2007.

**Interest Rate Risk**

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

**Credit Risk**

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

**Concentration of Credit Risk**

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

**AKRON METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**  
**(CONTINUED)**

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

A. **Primary Government** (Continued)

Cash, cash equivalents, and investments included in the Authority's cash position at June 30, 2007, are as follows:

Investment Type:	<u>Fair Market Value</u>	<u>Credit Rating *</u>	<u>Investment Maturities (in Years)</u>	
			<u>Less than 1</u>	<u>1-3</u>
Repurchase Agreements	\$8,900,000	N/A	\$8,900,000	\$ 0
U.S. Agencies	<u>13,102,256</u>	Aaa/AAA	<u>0</u>	<u>13,102,256</u>
<b>Total Investments</b>	<u>22,002,256</u>		<u>\$8,900,000</u>	<u>\$13,102,256</u>
Carrying Amount of Deposits:				
Unrestricted (including petty cash)	265,707			
Restricted	<u>1,996,692</u>			
<b>Total Carrying Amount of Deposits</b>	<u>2,262,399</u>			
<b>Total Cash and Investments</b>	<u>\$24,264,655</u>			

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

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

	<u>Cash and Cash</u>		<u>Total</u>
	<u>Equivalents</u>	<u>Investments</u>	
GASB Statement No. 9	\$11,162,399	\$ 13,102,256	\$24,264,655
Petty Cash	(2,325)	0	(2,325)
Investments:			
Repurchase Agreements	<u>(8,900,000)</u>	<u>8,900,000</u>	<u>0</u>
GASB Statement No. 3	<u>\$ 2,260,074</u>	<u>\$22,002,256</u>	<u>\$24,262,330</u>

**AKRON METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**  
**(CONTINUED)**

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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 \$1,733,728 and the bank balance was \$1,736,510. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of June 30, 2007, \$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, 2007.

**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, 2007, the Authority's component units had no investments.

**AKRON METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**  
**(CONTINUED)**

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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, 2007, are as follows:

	<u>Fair Value</u>
Carrying Amount of Deposits:	
Unrestricted	\$ 457,924
Restricted	<u>1,275,804</u>
Total Carrying Amount of Deposits	<u>\$1,733,728</u>

**AKRON METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**  
**(CONTINUED)**

**NOTE 4: CAPITAL ASSETS**

A summary of capital assets at June 30, 2007 by class is as follows:

	Primary Government				Balance at 06/30/2007
	Balance at 06/30/2006	Additions	Reductions	Transfers	
<i>Capital Assets Not Being Depreciated</i>					
Land	\$ 25,526,080	\$ 289,135	\$ 0	\$ 0	\$ 25,815,215
Construction in Progress	41,338,166	15,916,244	(9,618,089)	(17,395,217)	30,241,104
<i>Total Capital Assets not being depreciated</i>	<u>66,864,246</u>	<u>16,205,379</u>	<u>(9,618,089)</u>	<u>(17,395,217)</u>	<u>56,056,319</u>
<i>Capital Assets being depreciated</i>					
Buildings and Building Improvements	231,801,575	10,150,806	0	16,596,281	258,548,662
Furniture, Equipment, and Machinery-					
Dwelling	2,230,915	67,754	(207,654)	343,542	2,434,557
Administrative	5,057,420	222,461	(340,368)	455,394	5,394,907
<i>Total Capital Assets being depreciated</i>	<u>239,089,910</u>	<u>10,441,021</u>	<u>(548,022)</u>	<u>17,395,217</u>	<u>266,378,126</u>
Less Accumulated Depreciation	<u>(149,217,950)</u>	<u>(9,944,332)</u>	<u>509,351</u>	<u>0</u>	<u>(158,652,931)</u>
<i>Total Capital Assets being depreciated, Net</i>	<u>89,871,960</u>	<u>496,689</u>	<u>(38,671)</u>	<u>17,395,217</u>	<u>107,725,195</u>
<b>Total Capital Assets, Primary Government, Net</b>	<u>\$ 156,736,206</u>	<u>\$ 16,702,068</u>	<u>\$ (9,656,760)</u>	<u>\$ 0</u>	<u>\$ 163,781,514</u>
Component Units					
	Balance at 06/30/2006	Additions	Reductions	Transfers	Balance at 06/30/2007
<i>Capital Assets Not Being Depreciated</i>					
Land	\$ 1,755,000	\$ 0	\$ 0	\$ 0	\$ 1,755,000
Construction in Progress	7,072,560	0	(7,072,560)	0	0
<i>Total Capital Assets not being depreciated</i>	<u>8,827,560</u>	<u>0</u>	<u>(7,072,560)</u>	<u>0</u>	<u>1,755,000</u>
<i>Capital Assets being depreciated</i>					
Buildings and Building Improvements	22,761,962	7,139,747	(32,838)	0	29,868,871
Furniture, Equipment, and Machinery-					
Dwelling	285,613	69,272	(33,430)	0	321,455
Administrative	93,186	1,393	0	0	94,579
<i>Total Capital Assets being depreciated</i>	<u>23,140,761</u>	<u>7,210,412</u>	<u>(66,268)</u>	<u>0</u>	<u>30,284,905</u>
Less Accumulated Depreciation	<u>(6,403,821)</u>	<u>(606,130)</u>	<u>22,780</u>	<u>0</u>	<u>(6,987,171)</u>
<i>Total Capital Assets being depreciated, Net</i>	<u>16,736,940</u>	<u>6,604,282</u>	<u>(43,488)</u>	<u>0</u>	<u>23,297,734</u>
<b>Total Capital Assets, Component Units, Net</b>	<u>\$ 25,564,500</u>	<u>\$ 6,604,282</u>	<u>\$ (7,116,048)</u>	<u>\$ 0</u>	<u>\$ 25,052,734</u>

**AKRON METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**  
**(CONTINUED)**

**NOTE 5: LONG-TERM OBLIGATIONS**

Changes in the Authority's long-term obligations during fiscal year 2007 are as follows:

	<u>Balance at</u> <u>06/30/06</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>06/30/07</u>	<u>Due Within</u> <u>One Year</u>
<b><u>General Long-Term Obligations</u></b>					
<i>Primary Government</i>					
Midtown Note, 4/1/2005, 4.58%, \$1,293,552	\$ 1,171,281	\$ 0	\$ (110,121)	\$ 1,061,160	\$ 115,272
Central Office Mortgage, 4/1/1998, Variable, \$7,000,000	5,605,000	0	(215,000)	5,390,000	230,000
Non-Aided Mortgages, 7/1/1999, 4.99%, \$2,910,225	1,301,395	0	(281,913)	1,019,482	296,317
Energy Conservation Note, 8/12/2004, 4.44%, \$4,809,191	4,551,460	0	(322,106)	4,229,354	336,703
Energy Conservation Note, 9/20/2005, 3.79%, \$4,897,502	<u>4,897,502</u>	<u>0</u>	<u>(163,803)</u>	<u>4,733,699</u>	<u>334,908</u>
	17,526,638	0	(1,092,943)	16,433,695	1,313,200
Early Retirement Incentive Liability	0	272,600	(116,026)	156,574	156,574
Compensated Absences	<u>1,975,848</u>	<u>314,059</u>	<u>(800,420)</u>	<u>1,489,487</u>	<u>140,850</u>
<i>Total Primary Government</i>	<u>19,502,486</u>	<u>586,659</u>	<u>(2,009,389)</u>	<u>18,079,756</u>	<u>1,610,624</u>
<i>Component Units</i>					
Wilbeth-Bridge Loan, 12/30/1999	515,385	0	(168,405)	346,980	171,772
Eastland Woods - Mortgage	<u>2,362,894</u>	<u>0</u>	<u>(62,894)</u>	<u>2,300,000</u>	<u>115,000</u>
	2,878,279	0	(231,299)	2,646,980	286,772
Compensated Absences	<u>15,746</u>	<u>33</u>	<u>0</u>	<u>15,779</u>	<u>1,577</u>
<i>Total Component Units</i>	<u>2,894,025</u>	<u>33</u>	<u>(231,299)</u>	<u>2,662,759</u>	<u>288,349</u>
<b>Total Long-Term Obligations</b>	<b><u>\$22,396,511</u></b>	<b><u>\$ 586,692</u></b>	<b><u>\$(2,240,688)</u></b>	<b><u>\$ 20,742,515</u></b>	<b><u>\$ 1,898,973</u></b>

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

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

**AKRON METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**  
**(CONTINUED)**

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

On April 1, 2005, the Authority issued a general obligation promissory note in the amount of \$1,293,552. The proceeds of the note were used for the purchase of real property, a building, and all building improvements from the Midtown Partners Limited Partnership. The note, due to First Merit Bank, N.A., is payable in monthly installments of \$13,456 from April 1, 2005 to April 1, 2015. Interest is payable monthly at a rate of 4.58 percent. The mortgage will be repaid from the Non-Aided program.

On April 1, 1998, the Authority obtained a mortgage of \$7,000,000 at a variable rate of interest based on the weekly interest rate for such one-week period as defined in the loan agreement. At June 30, 2006, the interest rate in effect was 3.99 percent, which was utilized in the calculation of future debt service requirements. The mortgage was for the construction and furnishing of the Authority's central office building, and will be repaid from the Non-Aided program.

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

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

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

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

**AKRON METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**  
**(CONTINUED)**

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

The following is a summary of the Authority's future debt service requirements for mortgages payable as of June 30, 2007:

<u>For the Year</u> <u>Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Payments</u>
2008	\$ 1,313,200	\$ 650,897	\$ 1,964,097
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	1,205,046	422,480	1,627,526
2013-2018	6,519,199	1,312,841	7,832,040
2018-2019	<u>3,350,205</u>	<u>23,934</u>	<u>3,374,139</u>
Total	<u>\$16,433,695</u>	<u>\$ 4,006,769</u>	<u>\$20,440,464</u>

The following is a summary of the Authority's component units' future debt service requirements for mortgages payable as of June 30, 2007:

<u>For the Year</u> <u>Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Payments</u>
2008	\$ 286,772	\$ 155,031	\$ 441,803
2009	255,208	99,034	354,242
2010	80,000	92,930	172,930
2011	90,000	89,780	179,780
2012	90,000	86,180	176,180
2013-2017	520,000	371,772	891,772
2018-2022	645,000	246,900	891,900
2023-2027	<u>680,000</u>	<u>78,137</u>	<u>758,137</u>
Total	<u>\$ 2,646,980</u>	<u>\$ 1,219,764</u>	<u>\$ 3,866,744</u>

**NOTE 6: OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

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

**AKRON METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**  
**(CONTINUED)**

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

**B. Special Termination Benefits**

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

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

The Authority employees that met the eligibility requirements for retirement had to submit the Election to Participate application between the election period of September 16, 2006 through November 3, 2006. Fifteen employees elected to participate in the Plan. During fiscal year 2007, eight (8) employees retired and received their benefit. The remaining seven (7) employees have designated that they will retire no later than October 31, 2007. As of June 30, 2007, the Plan liability is \$156,574 and will be paid out of the programs in which the respective employees are paid.

NOTE 7: **DEFINED BENEFIT PENSION PLANS**

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

**AKRON METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**  
**(CONTINUED)**

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

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of both the traditional pension and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-5601, or by calling (614) 222-6705 or 1-800-222-7377.

For the period ended December 31, 2006, the members of all three plans were required to contribute 9.0 percent of their annual covered salaries; the percent of contributions changed to 9.5 percent effective January 1, 2007. The Authority's contribution rate for pension benefits was 9.2 percent of covered payroll through December 31, 2006; effective January 1, 2007, the percent increased to 8.85 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, 2007, 2006, and 2005, were \$1,089,097, \$1,148,335, and \$1,141,739, respectively; 92.38 percent has been contributed for 2007 and 100 percent for 2006 and 2005. Contributions to the member-directed plan for 2007 were \$6,552 made by the Authority and \$9,391 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 2006 local employer contribution rate was 13.70 percent of covered payroll; 4.50 percent of covered payroll was the portion that was used to fund health care. Effective January 1, 2007, the Authority's contribution rate was 13.85 percent of covered payroll; 5.00 percent of covered payroll was the portion that was used to fund health care.

**AKRON METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**  
**(CONTINUED)**

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

**Ohio Public Employees Retirement System** (Continued)

Benefits are advance-funded using the individual entry age actuarial cost method. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 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 costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .50 percent to 6.00 percent for the next nine years. In subsequent years (10 and beyond), health care costs were assumed to increase at 4 percent (the projected wage inflation rate).

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

At December 31, 2006, the number of active contributing participants in the traditional and combined plans was 369,214. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804. Actual employer contributions for 2007 which were used to fund postemployment benefits were \$572,688. The actual contribution and the actuarially required contribution amounts are the same. OPERS' net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 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.

**AKRON METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**  
**(CONTINUED)**

**NOTE 9: INSURANCE COVERAGE**

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

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

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Coverage Limits</u>
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 \$316,458 and \$377,877, respectively, for the year ended June 30, 2007.

**NOTE 11: LITIGATION**

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

**AKRON METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**  
**(CONTINUED)**

**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 transfer of capital assets from the Public Housing Capital Fund Program to the Low Rent Public Housing programs, due to the completion of capital grants. Another significant adjustment was due to the Central Office activity being separated from the Business Activities program and placed into Other Federal programs. The significant adjustment to the Component Units was due to the recording of the Eastland Woods, LLC member's contributions during the fiscal year.

**NOTE 13: INTERPROGRAM TRANSACTIONS**

Interprogram balance at June 30, 2007, consists of the following receivables and payables:

	<u>Due From</u>	<u>Due To</u>
Business Activities	\$ 260,062	\$ 331,856
N/C S/R Section 8 Program	948	7,370
Shelter Plus Care	379	2,948
Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	403	3,132
Section 8 Housing Choice Vouchers Program	22,913	178,171
Low Rent Public Housing Program	1,210,183	186,613
Capital Fund Program	0	7,862
Hope VI	0	776,936
<b>Total</b>	<b><u>\$ 1,494,888</u></b>	<b><u>\$ 1,494,888</u></b>

These interprogram transactions 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, 2007, the Authority had the following significant contractual commitments:

<u>Project</u>	<u>Amount</u>
Hope VI - Edgewood and Cascade Village Demolition	\$ 657,376
Hope VI - Edgewood Architectural and Engineering Fees	702,977
Scattered Sites Rehabilitation	1,823,000
Scattered Sites Lead Abatement	355,000
Scattered Sites Architectural and Engineering Fees	<u>1,107,887</u>
<b>Total Construction Commitments</b>	<b><u>\$ 4,646,240</u></b>

**AKRON METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**  
**(CONTINUED)**

**NOTE 15: INVESTED IN CAPITAL ASSETS**

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

	<u>Primary Government</u>	<u>Component Units</u>
Capital Assets, Net of Accumulated Depreciation	\$ 163,781,514	\$25,052,734
Debt Related to Capital Assets	<u>(16,433,695)</u>	<u>(2,646,980)</u>
Subtotal	147,347,819	22,405,754
Note Payable to Primary Government Related to Capital Asset Addition	<u>0</u>	<u>(13,753,734)</u>
<b>Total Invested in Capital Assets</b>	<b><u>\$ 147,347,819</u></b>	<b><u>\$ 8,652,020</u></b>

**NOTE 16: CONDENSED FINANCIAL STATEMENT INFORMATION - COMPONENT UNITS**

	<u>Wilbeth Arlington</u>	<u>Eastland Woods</u>	<u>Total</u>
<b><u>Balance Sheet</u></b>			
Current Assets	\$ 1,127,919	\$ 1,435,390	\$ 2,563,309
Capital Assets	10,978,060	14,074,674	25,052,734
Current Liabilities	(14,409,724)	(7,725,723)	(22,135,447)
Non-Current Liabilities	(189,410)	(2,185,000)	(2,374,410)
Net Assets	2,493,155	(5,599,341)	(3,106,186)
<b><u>Revenues, Expenses, and Changes in Equity</u></b>			
Operating Revenue	2,244,947	1,046,730	3,291,677
Operating Expenses	1,949,534	1,005,160	2,954,694
Net Operating Income (Loss)	295,413	41,570	336,983
Net Non-Operating Revenue over Expenses	(884,264)	(140,905)	(1,025,169)
Excess of Revenue over Expenses	(588,851)	(99,335)	(688,186)

**NOTE 17: SUBSEQUENT EVENTS**

On July 1, 2007, the Authority entered into a loan agreement with the Ohio Housing Finance Agency (OHFA). OHFA provided the loan through the issuance of \$15,605,000 in Capital Fund Revenue Bonds, Series 2007A. The bonds were issued with an interest rate ranging from 3.90 percent to 4.67 percent and will mature on April 1, 2027. The loan will be used to finance the cost of certain capital improvements to the Authority's Public Housing developments. The debt service payments will be made from the Capital Fund program.

**AKRON METROPOLITAN HOUSING AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

<b>Federal Grantor/ Pass Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b><u>From U.S. Department of HUD</u></b>		
<b><u>Direct Programs</u></b>		
<i>PHA Owned Housing:</i>		
Public Housing Annual Contributions	14.850a	\$15,744,543
Revitalization of Severely Distressed Public Housing	14.866	5,855,727
Public Housing - Capital Fund Program	14.872	11,197,620
Shelter Plus Care	14.238	345,666
Resident Opportunity and Supportive Services	14.870	<u>206,359</u>
<i>Total PHA Owned Housing</i>		<u>33,349,915</u>
<i>Section 8:</i>		
<u>Project Cluster</u>		
Lower Income Housing Assistance Program - Section 8 - New Construction	14.182	4,270,079
Low Income Housing Assistance Program - Moderate Rehabilitation	14.856	<u>446,735</u>
Total Project Cluster		4,716,814
Housing Choice Vouchers	14.871	<u>28,238,147</u>
<i>Total Section 8</i>		<u>32,954,961</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<u><u>\$ 66,304,876</u></u>

**AKRON METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

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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, 2007**

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
	<b>ASSETS</b>						
111	Cash - Unrestricted	\$1,164,998	\$1,851,402	\$1,884	\$42,963	\$12,465	\$0
113	Cash - Other Restricted	\$1,141,181	\$0	\$0	\$492,200	\$0	\$0
114	Cash - Tenant Security Deposits	\$65,501	\$0	\$0	\$297,810	\$0	\$0
100	<b>Total Cash</b>	<b>\$2,371,680</b>	<b>\$1,851,402</b>	<b>\$1,884</b>	<b>\$832,973</b>	<b>\$12,465</b>	<b>\$0</b>
122	Accounts Receivable - HUD Other Projects	\$0	\$0	\$0	\$0	\$661	\$1,135,664
124	Accounts Receivable - Other Government	\$0	\$0	\$0	\$0	\$0	\$0
125	Accounts Receivable - Miscellaneous	\$222,114	\$350	\$0	\$122,293	\$0	\$0
126	Accounts Receivable - Tenants - Dwelling Rents	\$5,313	\$0	\$0	\$209,975	\$0	\$0
126.1	Allowance for Doubtful Accounts - Dwelling Rents	(\$387)	\$0	\$0	(\$8,535)	\$0	\$0
126.2	Allowance for Doubtful Accounts - Other	(\$1)	\$0	\$0	\$0	\$0	\$0
127	Notes, Loans, & Mortgages Receivable - Current	\$6,100	\$0	\$0	\$0	\$0	\$0
129	Accrued Interest Receivable	\$396,678	\$27,841	\$0	\$95,266	\$0	\$0
120	<b>Total Receivables, net of allowances for doubtful accounts</b>	<b>\$629,817</b>	<b>\$28,191</b>	<b>\$0</b>	<b>\$418,999</b>	<b>\$661</b>	<b>\$1,135,664</b>
131	Investments - Unrestricted	\$4,173,548	\$1,494,188	\$0	\$5,940,332	\$0	\$0
142	Prepaid Expenses and Other Assets	\$71,488	\$0	\$0	\$453,454	\$0	\$0
143	Inventories	\$3,601	\$0	\$0	\$220,681	\$0	\$0
143.1	Allowance for Obsolete Inventories	(\$1)	\$0	\$0	(\$12,050)	\$0	\$0
144	Interprogram Due From	\$20,385,350	\$948	\$379	\$0	\$403	\$0
150	<b>Total Current Assets</b>	<b>\$27,635,483</b>	<b>\$3,374,729</b>	<b>\$2,263</b>	<b>\$7,854,389</b>	<b>\$13,529</b>	<b>\$1,135,664</b>
161	Land	\$8,050,886	\$0	\$0	\$17,168,128	\$0	\$582,047
162	Buildings	\$24,823,386	\$0	\$0	\$231,928,381	\$0	\$0
163	Furniture, Equipment & Machinery - Dwellings	\$1	\$0	\$0	\$2,434,556	\$0	\$0
164	Furniture, Equipment & Machinery - Administration	\$1,425,145	\$2,171	\$0	\$358,123	\$30,541	\$75,906
166	Accumulated Depreciation	(\$6,447,293)	(\$2,171)	\$0	(\$149,028,152)	(\$30,541)	(\$8,363)
167	Construction In Progress	\$0	\$0	\$0	\$0	\$0	\$11,013,972
160	<b>Total Fixed Assets, Net of Accumulated Depreciation</b>	<b>\$27,852,125</b>	<b>\$0</b>	<b>\$0</b>	<b>\$102,861,036</b>	<b>\$0</b>	<b>\$11,663,562</b>
171	Notes, Loans, & Mortgages Receivable - Non Current	\$2,320,343	\$0	\$0	\$0	\$0	\$0
180	<b>Total Non-Current Assets</b>	<b>\$30,172,468</b>	<b>\$0</b>	<b>\$0</b>	<b>\$102,861,036</b>	<b>\$0</b>	<b>\$11,663,562</b>
190	<b>TOTAL ASSETS</b>	<b>\$57,807,951</b>	<b>\$3,374,729</b>	<b>\$2,263</b>	<b>\$110,715,425</b>	<b>\$13,529</b>	<b>\$12,799,226</b>

**AKRON METROPOLITAN HOUSING AUTHORITY**  
**SUPPLEMENTAL FINANCIAL DATA SCHEDULE**  
**STATEMENT OF NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

Line Item No.	Account Description	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	Component Units	Other Federal Program 1	Total
	<b>ASSETS</b>						
111	Cash - Unrestricted	\$0	\$5,158,219	\$244,960	\$457,924	\$688,816	\$9,623,631
113	Cash - Other Restricted	\$0	\$0	\$0	\$1,196,395	\$0	\$2,829,776
114	Cash - Tenant Security Deposits	\$0	\$0	\$0	\$79,409	\$0	\$442,720
100	<b>Total Cash</b>	\$0	\$5,158,219	\$244,960	\$1,733,728	\$688,816	\$12,896,127
122	Accounts Receivable - HUD Other Projects	\$55,151	\$0	\$491,752	\$0	\$0	\$1,683,228
124	Accounts Receivable - Other Government	\$0	\$0	\$0	\$0	\$125,212	\$125,212
125	Accounts Receivable - Miscellaneous	\$0	\$40,075	\$0	\$219,904	\$0	\$604,736
126	Accounts Receivable - Tenants - Dwelling Rents	\$0	\$192,854	\$0	\$159,475	\$0	\$567,617
126.1	Allowance for Doubtful Accounts - Dwelling Rents	\$0	\$0	\$0	(\$37,500)	(\$1)	(\$46,423)
126.2	Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	(\$1)	\$0	(\$2)
127	Notes, Loans, & Mortgages Receivable - Current	\$0	\$0	\$0	\$0	\$0	\$6,100
129	Accrued Interest Receivable	\$0	\$27,841	\$0	\$0	\$0	\$547,626
120	<b>Total Receivables, net of allowances for doubtful accounts</b>	\$55,151	\$260,770	\$491,752	\$341,878	\$125,211	\$3,488,094
131	Investments - Unrestricted	\$0	\$1,494,188	\$0	\$0	\$0	\$13,102,256
142	Prepaid Expenses and Other Assets	\$0	\$0	\$151	\$466,015	\$2,000	\$993,108
143	Inventories	\$0	\$0	\$0	\$16,493	\$235,323	\$476,098
143.1	Allowance for Obsolete Inventories	\$0	\$0	\$0	(\$1)	(\$2,950)	(\$15,002)
144	Interprogram Due From	\$0	\$22,913	\$0	\$5,196	\$1,260,081	\$21,675,270
150	<b>Total Current Assets</b>	\$55,151	\$6,936,090	\$736,863	\$2,563,309	\$2,308,481	\$52,615,951
161	Land	\$0	\$0	\$0	\$1,755,000	\$14,154	\$27,570,215
162	Buildings	\$0	\$0	\$0	\$29,868,871	\$1,796,895	\$288,417,533
163	Furniture, Equipment & Machinery - Dwellings	\$0	\$0	\$0	\$321,455	\$0	\$2,756,012
164	Furniture, Equipment & Machinery - Administration	\$15,161	\$618,781	\$0	\$94,579	\$2,869,079	\$5,489,486
166	Accumulated Depreciation	(\$9,863)	(\$589,895)	\$0	(\$6,987,171)	(\$2,536,653)	(\$165,640,102)
167	Construction In Progress	\$0	\$0	\$19,227,132	\$0	\$0	\$30,241,104
160	<b>Total Fixed Assets, Net of Accumulated Depreciation</b>	\$5,298	\$28,886	\$19,227,132	\$25,052,734	\$2,143,475	\$188,834,248
171	Notes, Loans, & Mortgages Receivable - Non Current	\$0	\$0	\$0	\$0	\$0	\$2,320,343
180	<b>Total Non-Current Assets</b>	\$5,298	\$28,886	\$19,227,132	\$25,052,734	\$2,143,475	\$191,154,591
190	<b>TOTAL ASSETS</b>	\$60,449	\$6,964,976	\$19,963,995	\$27,616,043	\$4,451,956	\$243,770,542

**AKRON METROPOLITAN HOUSING AUTHORITY  
SUPPLEMENTAL FINANCIAL DATA SCHEDULE  
STATEMENT OF NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2007**

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
	<b>LIABILITIES</b>						
312	Accounts Payable <= 90 Days	\$170,036	\$1,013	\$406	\$1,125,035	\$430	\$329,136
321	Accrued Wage/Payroll Taxes Payable	\$214,153	\$4,660	\$1,864	\$540,515	\$1,981	\$18,202
322	Accrued Compensated Absences - Current Portion	\$109,021	\$416	\$166	\$145,963	\$177	\$5,838
325	Accrued Interest Payable	\$0	\$0	\$0	\$0	\$0	\$0
331	Accounts Payable - HUD PHA Programs	\$0	\$102,875	\$0	\$0	\$9,993	\$0
332	Accounts Payable - PHA Projects	\$0	\$0	\$0	\$0	\$0	\$0
341	Tenant Security Deposits	\$65,501	\$0	\$0	\$297,897	\$0	\$0
342	Deferred Revenues	\$0	\$0	\$0	\$0	\$0	\$0
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	\$641,589	\$0	\$0	\$671,611	\$0	\$0
345	Other Current Liabilities	\$50,095	\$0	\$0	\$4,980	\$0	\$0
346	Accrued Liabilities - Other	\$21,621	\$26	\$10	\$955,494	\$11	\$5,552
347	Interprogram Due To	\$331,925	\$7,370	\$2,948	\$0	\$3,132	\$776,936
310	<b>Total Current Liabilities</b>	<b>\$1,603,941</b>	<b>\$116,360</b>	<b>\$5,394</b>	<b>\$3,741,495</b>	<b>\$15,724</b>	<b>\$1,135,664</b>
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds	\$6,829,053	\$0	\$0	\$8,291,442	\$0	\$0
354	Accrued Compensated Absences - Non Current	\$229,269	\$4,152	\$1,661	\$840,515	\$1,765	\$0
353	Noncurrent Liabilities - Other	\$947,246	\$0	\$0	\$133,999	\$0	\$0
350	<b>Total Noncurrent Liabilities</b>	<b>\$8,005,568</b>	<b>\$4,152</b>	<b>\$1,661</b>	<b>\$9,265,956</b>	<b>\$1,765</b>	<b>\$0</b>
300	<b>TOTAL LIABILITIES</b>	<b>\$9,609,509</b>	<b>\$120,512</b>	<b>\$7,055</b>	<b>\$13,007,451</b>	<b>\$17,489</b>	<b>\$1,135,664</b>
508	Total Contributed Capital	\$0	\$0	\$0	\$0	\$0	\$0
508.1	Invested in Capital Assets, Net of Related Debt	\$20,381,483	\$0	\$0	\$93,897,983	\$0	\$11,663,562
511	<b>Total Reserved Fund Balance</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
511.1	Restricted Net Assets	\$0	\$0	\$0	\$0	\$0	\$0
512.1	Unrestricted Net Assets	\$27,816,959	\$3,254,217	(\$4,792)	\$3,809,991	(\$3,960)	\$0
513	<b>Total Equity/Net Assets</b>	<b>\$48,198,442</b>	<b>\$3,254,217</b>	<b>(\$4,792)</b>	<b>\$97,707,974</b>	<b>(\$3,960)</b>	<b>\$11,663,562</b>
600	<b>TOTAL LIABILITIES AND EQUITY/NET ASSETS</b>	<b>\$57,807,951</b>	<b>\$3,374,729</b>	<b>\$2,263</b>	<b>\$110,715,425</b>	<b>\$13,529</b>	<b>\$12,799,226</b>

**AKRON METROPOLITAN HOUSING AUTHORITY**  
**SUPPLEMENTAL FINANCIAL DATA SCHEDULE**  
**STATEMENT OF NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

Line Item No.	Account Description	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	Component Units	Other Federal Program 1	Total
	<b>LIABILITIES</b>						
312	Accounts Payable <= 90 Days	\$45,802	\$24,519	\$683,802	\$41,840	\$130,714	\$2,552,733
321	Accrued Wage/Payroll Taxes Payable	\$7,622	\$112,660	\$8,480	\$13,213	\$185,069	\$1,108,419
322	Accrued Compensated Absences - Current Portion	\$0	\$10,048	\$0	\$1,577	\$25,795	\$299,001
325	Accrued Interest Payable	\$0	\$0	\$0	\$3,859	\$0	\$3,859
331	Accounts Payable - HUD PHA Programs	\$0	\$0	\$0	\$0	\$0	\$112,868
332	Accounts Payable - PHA Projects	\$0	\$0	\$28,388	\$0	\$0	\$28,388
341	Tenant Security Deposits	\$0	\$0	\$0	\$79,424	\$0	\$442,822
342	Deferred Revenues	\$0	\$0	\$0	\$512	\$0	\$512
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	\$0	\$0	\$0	\$286,772	\$0	\$1,599,972
345	Other Current Liabilities	\$0	\$365,309	\$0	\$1,099,993	\$120,087	\$1,640,464
346	Accrued Liabilities - Other	\$1,727	\$625	\$8,301	\$433,100	\$114,850	\$1,541,317
347	Interprogram Due To	\$0	\$178,171	\$7,892	\$20,175,157	\$191,739	\$21,675,270
310	<b>Total Current Liabilities</b>	\$55,151	\$691,332	\$736,863	\$22,135,447	\$768,254	\$31,005,625
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds	\$0	\$0	\$0	\$2,360,208	\$0	\$17,480,703
354	Accrued Compensated Absences - Non Current	\$0	\$100,372	\$0	\$14,202	\$170,903	\$1,362,839
353	Noncurrent Liabilities - Other	\$0	\$0	\$0	\$0	\$0	\$1,081,245
350	<b>Total Noncurrent Liabilities</b>	\$0	\$100,372	\$0	\$2,374,410	\$170,903	\$19,924,787
300	<b>TOTAL LIABILITIES</b>	\$55,151	\$791,704	\$736,863	\$24,509,857	\$939,157	\$50,930,412
508	Total Contributed Capital	\$0	\$0	\$0	\$0	\$0	\$0
508.1	Invested in Capital Assets, Net of Related Debt	\$5,298	\$28,886	\$19,227,132	\$8,652,020	\$2,143,475	\$155,999,839
511	<b>Total Reserved Fund Balance</b>	\$0	\$0	\$0	\$0	\$0	\$0
511.1	Restricted Net Assets	\$0	\$0	\$0	\$0	\$0	\$0
512.1	Unrestricted Net Assets	\$0	\$6,144,386	\$0	(\$5,545,834)	\$1,369,324	\$36,840,291
513	<b>Total Equity/Net Assets</b>	\$5,298	\$6,173,272	\$19,227,132	\$3,106,186	\$3,512,799	\$192,840,130
600	<b>TOTAL LIABILITIES AND EQUITY/NET ASSETS</b>	\$60,449	\$6,964,976	\$19,963,995	\$27,616,043	\$4,451,956	\$243,770,542

**AKRON METROPOLITAN HOUSING AUTHORITY**  
**SUPPLEMENTAL FINANCIAL DATA SCHEDULE**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

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
	<b>REVENUE</b>						
703	Net Tenant Rental Revenue	\$1,304,122	\$0	\$0	\$6,027,477	\$0	\$0
704	Tenant Revenue - Other	\$24,552	\$0	\$0	\$76,126	\$0	\$0
705	<b>Total Tenant Revenue</b>	<b>\$1,328,674</b>	<b>\$0</b>	<b>\$0</b>	<b>\$6,103,603</b>	<b>\$0</b>	<b>\$0</b>
706	HUD PHA Operating Grants	\$0	\$4,270,079	\$345,666	\$15,744,543	\$446,735	\$1,515,972
706.1	Capital Grants	\$0	\$0	\$0	\$0	\$0	\$4,339,755
711	Investment Income - Unrestricted	\$272,223	\$167,211	\$0	\$315,530	\$3,058	\$0
712	Mortgage Interest Income	\$220,126	\$0	\$0	\$0	\$0	\$0
714	Fraud Recovery	\$0	\$0	\$0	\$0	\$1,177	\$0
715	Other Revenue	\$2,964,966	\$1	\$8	\$1,142,533	\$8	\$0
716	Gain/Loss on Sale of Fixed Assets	\$877,938	\$0	\$0	\$0	\$39	\$0
700	<b>TOTAL REVENUE</b>	<b>\$5,663,927</b>	<b>\$4,437,291</b>	<b>\$345,674</b>	<b>\$23,306,209</b>	<b>\$451,017</b>	<b>\$5,855,727</b>
	<b>EXPENSES</b>						
911	Administrative Salaries	\$790,495	\$42,695	\$17,246	\$1,743,693	\$18,325	\$219,706
912	Auditing Fees	\$5,939	\$169	\$78	\$22,874	\$83	\$0
913	Outside Management Fees	\$0	\$9,382	\$90	\$0	\$96	\$65,038
914	Compensated Absences	\$249,852	\$402	\$161	\$105,483	\$170	\$5,838
915	Employee Benefit Contributions - Administrative	\$299,023	\$22,041	\$9,201	\$882,133	\$9,776	\$93,124
916	Other Operating - Administrative	\$397,214	\$15,871	\$6,994	\$3,883,844	\$7,492	\$272,387
921	Tenant Services - Salaries	\$8,404	\$0	\$110	\$273,719	\$117	\$86,243
922	Relocation Costs	\$0	\$0	\$0	\$0	\$0	\$140,749
923	Employee Benefit Contributions - Tenant Services	\$33,409	\$0	\$58	\$138,671	\$62	\$52,783
924	Tenant Services - Other	\$964	\$0	\$231	\$15,497	\$246	\$580,104
931	Water	\$37,085	\$0	\$0	\$495,305	\$0	\$0
932	Electricity	\$174,498	\$0	\$0	\$1,273,667	\$0	\$0
933	Gas	\$89,594	\$0	\$0	\$1,186,572	\$0	\$0
938	Other Utilities Expense	\$49,690	\$0	\$0	\$659,871	\$0	\$0
941	Ordinary Maintenance and Operations - Labor	\$698,721	\$13	\$5	\$3,991,750	\$5	\$0
942	Ordinary Maintenance and Operations - Materials and Other	\$160,958	\$22	\$147	\$833,542	\$156	\$0
943	Ordinary Maintenance and Operations - Contract Costs	\$386,525	\$81	\$188	\$1,666,137	\$1,504	\$0
945	Employee Benefit Contributions - Ordinary Maintenance	\$260,833	\$6	\$3	\$2,046,312	\$3	\$0
951	Protective Services - Labor	\$49,003	\$41	\$362	\$586,417	\$385	\$0
952	Protective Services - Other Contract Costs	\$5,765	\$108	\$60	\$130,596	\$63	\$0
953	Protective Services - Other	\$616	\$15	\$8	\$4,012	\$9	\$0
955	Employee Benefit Contributions - Protective Services	\$19,739	\$21	\$191	\$282,832	\$203	\$0
961	Insurance Premiums	\$76,118	\$1,113	\$940	\$1,002,222	\$998	\$0
962	Other General Expenses	\$333	\$0	\$0	\$1,713	\$0	\$0
963	Payments in Lieu of Taxes	\$8,187	\$0	\$0	\$308,271	\$0	\$0
964	Bad Debt - Tenant Rents	\$17,707	\$0	\$0	\$192,472	\$0	\$0
966	Bad Debt - Other	\$0	\$0	\$0	\$0	(\$165)	\$0
967	Interest Expense	\$327,771	\$0	\$0	\$254,668	\$0	\$0
969	<b>Total Operating Expenses</b>	<b>\$4,148,443</b>	<b>\$91,980</b>	<b>\$36,073</b>	<b>\$21,982,273</b>	<b>\$39,528</b>	<b>\$1,515,972</b>

**AKRON METROPOLITAN HOUSING AUTHORITY**  
**SUPPLEMENTAL FINANCIAL DATA SCHEDULE**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

Line Item No.	Account Description	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	Component Units	Other Federal Program I	Total
	<b>REVENUE</b>						
703	Net Tenant Rental Revenue	\$0	\$0	\$0	\$3,250,699	\$0	\$10,582,298
704	Tenant Revenue - Other	\$0	\$0	\$0	\$35,875	\$0	\$136,553
705	<b>Total Tenant Revenue</b>	\$0	\$0	\$0	\$3,286,574	\$0	\$10,718,851
706	HUD PHA Operating Grants	\$206,359	\$28,238,147	\$2,218,111	\$0	\$0	\$52,985,612
706.1	Capital Grants	\$0	\$0	\$8,979,509	\$0	\$0	\$13,319,264
711	Investment Income - Unrestricted	\$0	\$327,724	\$0	\$35,021	\$0	\$1,120,767
712	Mortgage Interest Income	\$0	\$0	\$0	\$0	\$0	\$220,126
714	Fraud Recovery	\$0	\$154,614	\$0	\$0	\$0	\$155,791
715	Other Revenue	\$0	\$0	\$0	\$5,103	\$4,172,829	\$8,285,448
716	Gain/Loss on Sale of Fixed Assets	\$0	\$1,232	\$0	\$0	\$0	\$879,209
700	<b>TOTAL REVENUE</b>	\$206,359	\$28,721,717	\$11,197,620	\$3,326,698	\$4,172,829	\$87,685,068
	<b>EXPENSES</b>						
911	Administrative Salaries	\$7,933	\$1,042,396	\$330,326	\$191,561	\$1,391,293	\$5,795,669
912	Auditing Fees	\$0	\$4,756	\$0	\$40,718	\$5,903	\$80,520
913	Outside Management Fees	\$0	\$5,456	\$0	\$145,476	\$0	\$225,538
914	Compensated Absences	\$0	\$9,700	\$0	\$15,779	\$6,873	\$394,258
915	Employee Benefit Contributions - Administrative	\$2,514	\$538,485	\$171,528	\$55,324	\$504,396	\$2,587,545
916	Other Operating - Administrative	\$14,060	\$433,047	\$1,153,869	\$161,728	\$1,004,743	\$7,351,249
921	Tenant Services - Salaries	\$98,685	\$134,368	\$0	\$0	\$56,018	\$657,664
922	Relocation Costs	\$0	\$0	\$12,907	\$0	\$0	\$153,656
923	Employee Benefit Contributions - Tenant Services	\$51,317	\$68,772	\$0	\$0	\$27,011	\$372,083
924	Tenant Services - Other	\$31,850	\$14,084	\$144,438	\$0	\$614	\$788,028
931	Water	\$0	\$0	\$0	\$110,776	\$782	\$643,948
932	Electricity	\$0	\$0	\$0	\$38,687	\$20,897	\$1,507,749
933	Gas	\$0	\$0	\$0	\$34,790	\$15,493	\$1,326,449
938	Other Utilities Expense	\$0	\$0	\$0	\$78,932	\$515	\$789,008
941	Ordinary Maintenance and Operations - Labor	\$0	\$308	\$0	\$248,715	\$9,939	\$4,949,456
942	Ordinary Maintenance and Operations - Materials and Other	\$0	\$8,879	\$0	\$99,700	\$75,098	\$1,178,502
943	Ordinary Maintenance and Operations - Contract Costs	\$0	\$62,138	\$0	\$371,502	\$45,983	\$2,534,058
945	Employee Benefit Contributions - Ordinary Maintenance	\$0	\$158	\$0	\$97,248	\$3,798	\$2,408,361
951	Protective Services - Labor	\$0	\$21,876	\$378,737	\$65,692	(\$5,877)	\$1,096,636
952	Protective Services - Other Contract Costs	\$0	\$3,610	\$0	\$722	\$2,818	\$143,742
953	Protective Services - Other	\$0	\$492	\$0	\$0	\$0	\$5,152
955	Employee Benefit Contributions - Protective Services	\$0	\$11,197	\$26,306	\$24,693	(\$5,014)	\$360,168
961	Insurance Premiums	\$0	\$60,156	\$0	\$95,002	\$58,626	\$1,295,175
962	Other General Expenses	\$0	\$0	\$0	\$39,384	\$265	\$41,695
963	Payments in Lieu of Taxes	\$0	\$0	\$0	\$369,690	\$0	\$686,148
964	Bad Debt - Tenant Rents	\$0	\$0	\$0	\$69,570	\$8,388	\$288,137
966	Bad Debt - Other	\$0	(\$7,425)	\$0	\$0	\$0	(\$7,590)
967	Interest Expense	\$0	\$0	\$0	\$1,060,190	\$31,400	\$1,674,029
969	<b>Total Operating Expenses</b>	\$206,359	\$2,412,453	\$2,218,111	\$3,415,879	\$3,259,962	\$39,327,033

**AKRON METROPOLITAN HOUSING AUTHORITY**  
**SUPPLEMENTAL FINANCIAL DATA SCHEDULE**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

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
970	Excess Operating Revenue over Operating Expenses	\$1,515,484	\$4,345,311	\$309,601	\$1,323,936	\$411,489	\$4,339,755
972	Casualty Losses - Non-Capitalized	\$43	\$0	\$0	\$167,860	\$0	\$0
973	Housing Assistance Payments	\$0	\$3,977,393	\$320,061	\$0	\$392,047	\$0
974	Depreciation Expense	\$502,091	\$0	\$0	\$9,254,859	\$774	\$4,684
900	<b>TOTAL EXPENSES</b>	<b>\$4,650,577</b>	<b>\$4,069,373</b>	<b>\$356,134</b>	<b>\$31,404,992</b>	<b>\$432,349</b>	<b>\$1,520,656</b>
1010	Total Other Financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0
1000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$1,013,350	\$367,918	(\$10,460)	(\$8,098,783)	\$18,668	\$4,335,071
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0	\$0	\$0	\$0	\$0
1103	Beginning Equity	\$46,969,495	\$2,965,971	\$5,972	\$91,535,576	(\$102,629)	\$7,328,491
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$215,597	(\$79,672)	(\$304)	\$14,271,181	\$80,001	\$0
1120	Unit Months Available	2,616	9,420	1,282	51,984	1,248	0
1121	Number of Unit Months Leased	2,416	9,354	850	50,431	922	0
1117	Administrative Fee Equity	\$0	\$0	\$0	\$0	\$0	\$0
1118	Housing Assistance Payments Equity	\$0	\$0	\$0	\$0	\$0	\$0

**AKRON METROPOLITAN HOUSING AUTHORITY**  
**SUPPLEMENTAL FINANCIAL DATA SCHEDULE**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

Line Item No.	Account Description	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	Component Units	Other Federal Program 1	Total
970	Excess Operating Revenue over Operating Expenses	\$0	\$26,309,264	\$8,979,509	(\$89,181)	\$912,867	\$48,358,035
972	Casualty Losses - Non-Capitalized	\$0	\$0	\$0	(\$7,125)	(\$1,952)	\$158,826
973	Housing Assistance Payments	\$0	\$24,064,444	\$0	\$0	\$0	\$28,753,945
974	Depreciation Expense	\$8,138	\$9,582	\$0	\$606,130	\$164,204	\$10,550,462
900	<b>TOTAL EXPENSES</b>	\$214,497	\$26,486,479	\$2,218,111	\$4,014,884	\$3,422,214	\$78,790,266
1010	Total Other Financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0
1000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(\$8,138)	\$2,235,238	\$8,979,509	(\$688,186)	\$750,615	\$8,894,802
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0	\$0	\$0	\$0	\$0
1103	Beginning Equity	\$15,918	\$3,956,418	\$27,728,125	\$1,896,250	\$0	\$182,299,587
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	(\$2,482)	(\$18,384)	(\$17,480,502)	\$1,898,122	\$2,762,184	\$1,645,741
1120	Unit Months Available	0	51,628	0	5,136	0	123,314
1121	Number of Unit Months Leased	0	51,261	0	5,032	0	120,266
1117	Administrative Fee Equity	\$0	(\$531,436)	\$0	\$0	\$0	(\$531,436)
1118	Housing Assistance Payments Equity	\$0	\$6,704,708	\$0	\$0	\$0	\$6,704,708

**AKRON METROPOLITAN HOUSING AUTHORITY  
STATEMENT OF MODERNIZATION COST - COMPLETED  
FOR THE TWELVE MONTHS ENDED JUNE 30, 2007**

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

	<u>Capital Grant</u> <u>OH12P007-501-03</u>
<u>Project OH</u>	
Funds Approved	\$ 8,201,725
Funds Expended	<u>8,201,725</u>
Excess (Deficiency) of Funds Approved	<u>\$ 0</u>
Funds Advanced	\$ 8,201,725
Funds Expenses	<u>8,201,725</u>
Excess (Deficiency) of Funds Advanced	<u>\$ 0</u>

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.
5. That the time in which such liens could be filed has expired.

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

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

Board of Trustees  
Akron Metropolitan Housing Authority  
Akron, Ohio

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the Akron Metropolitan Housing Authority, Ohio (the Authority), as of and for the year ended June 30, 2007, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated January 7, 2008. 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, 2007, and total operating revenues constituting 5 percent of total operating revenues for the year then ended. Those statements were audited by other auditors and the other auditors have reported to you on Wilbeth-Arlington Homes Ltd. Partnership's and Eastland Woods' legal compliance and internal control over financial reporting. Accordingly, this report does not address the legal compliance and internal control over financial reporting of Wilbeth-Arlington Homes Ltd. Partnership and Eastland Woods, LLC.

**Internal Control Over Financial Reporting**

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

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

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

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

#### **Compliance and Other Matters**

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

We noted certain matters that we reported to the management of the Authority in a separate letter dated January 7, 2008.

This report is intended solely for the information and use of the Board of Trustees, management, and Federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

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

January 7, 2008

**JAMES G. ZUPKA, C.P.A., INC.**  
*Certified Public Accountants*  
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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees  
Akron Metropolitan Housing Authority  
Akron, Ohio

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

**Compliance**

We have audited the compliance of the Akron Metropolitan Housing Authority, Ohio, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Akron Metropolitan Housing Authority, Ohio's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Akron Metropolitan Housing Authority, Ohio's management. Our responsibility is to express an opinion on Akron Metropolitan Housing Authority, Ohio's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Akron Metropolitan Housing Authority, Ohio's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Akron Metropolitan Housing Authority, Ohio's compliance with those requirements.

In our opinion, Akron Metropolitan Housing Authority, Ohio complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

### **Internal Control Over Compliance**

The management of the Akron Metropolitan Housing Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Akron Metropolitan Housing Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Akron Metropolitan Housing Authority's internal control over compliance.

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

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

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

This report is intended solely for the information and use of management, the Board of Trustees, and Federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

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

January 7, 2008

**AKRON METROPOLITAN HOUSING AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 & .505  
JUNE 30, 2007**

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

2007(i)	Type of Financial Statement Opinion	Unqualified
2007(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2007(ii)	Were there any other significant deficiencies in internal control reported at the financial statements level (GAGAS)?	No
2007(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2007(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
2007(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
2007(v)	Type of Major Programs' Compliance Opinion	Unqualified
2007(vi)	Are there any reportable findings under .510?	No
2007(vii)	Major Programs (list):  Section 8 New Construction Program - CFDA #14.182 Section 8 Moderate Rehab Program - CFDA #14.856 Section 8 Housing Choice Vouchers Program - CFDA #14.871	
2007(viii)	Dollar Threshold: Type A\B Programs	Type A: >\$1,989,146 Type B: > all others
2007(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, 2007**

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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  
APRIL 15, 2008**