AKRON METROPOLITAN HOUSING AUTHORITY

AUDIT REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

James G. Zupka, CPA, Inc.

Certified Public Accountants

Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Akron Metropolitan Housing Authority, Summit County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2009 through June 30, 2010. 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.

Dave Yost

Dave Yost
Auditor of State

February 22, 2011

This Page is Intentionally Left Blank.

AKRON METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

TABLE OF CONTENTS

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

Member American Institute of Certified Public Accountants (216) 475 - 6136 Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Akron Metropolitan Housing Authority
Akron, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the accompanying 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, 2010, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Akron Metropolitan Housing Authority, Ohio's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Eastland Woods, LLC, Wilbeth Arlington Homes Ltd. Partnership, Akron Edgewood Homes, LLC, and Edgewood Village, LLC, which represents 100 percent of the assets and 100 percent of the revenues of Akron Metropolitan Housing Authority, Ohio's discretely presented component units. 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 these component units is based solely on the report of such other auditors.

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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the aggregate discretely presented component units of the Akron Metropolitan Housing Authority, Ohio, as of June 30, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2010, on our consideration of the Akron Metropolitan Housing Authority, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis information on pages 3 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Akron Metropolitan Housing Authority, Ohio's financial statements as a whole. The Schedule of Completed Grants/Certificates is presented for purposes of additional analysis as required by the U.S. Department of Housing and Urban Development and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non- Profit Organizations,* and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The Authority has not presented the Financial Data Schedules (FDS) utilized by the U.S. Department of Housing and Urban Development (HUD) for additional analysis, although not required to be part of the basic financial statements. The FDS are not available as HUD has not completed its review as of the date of this report.

James G. Zupka, CPA, Inc.

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

December 29, 2010

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

The data presented in the following pages should be read in conjunction with the audit's consolidated financial statements on pages 12 to 14 of this report.

Financial Highlights - Primary Government

- The Authority's net assets increased by $4,832,177 (2.2 percent) during fiscal year 2010. Net assets were $225,979,073 and $221,146,956 for 2010 and 2009, respectively.

- Revenue activity decreased by $7,526,139 (8.5 percent) during 2010 and was $80,663,758 and $88,189,897 for 2010 and 2009, respectively.

- The total expenses of all Authority programs increased by $3,190,747 (4.4 percent) during 2010. Total expenses were $75,831,641 and $72,640,894 for 2010 and 2009, respectively.

Using This Annual Report

The following depicts the Authority's annual report

MD & A
Management Discussion and Analysis

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

Notes to the Financial Statements
Pages 15 to 32

Authority-wide Financial Statements

The Authority-wide financial statements (see pages 12 to 14) are designed to provide the reader with a corporate-like overview of a consolidation for the entire Authority. The component units of the Authority have been included in the financial statements and this MD&A because of their significance to the Authority's operations.

The statements include the following:

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

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

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

> Invested in Capital Assets, Net of Related Debt: This component of net assets consists of all capital assets, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
>
> Restricted Net Assets: This component of net assets consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.
>
> Unrestricted Net Assets: Consists of net assets that do not meet the definition of "Invested in Capital Assets, Net of Related Debt", or "Restricted Net Assets".

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

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

Fund Financial Statements

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

THE AUTHORITY'S PROGRAMS

Conventional Public Housing
The Conventional Public Housing Program represents the rented units (approximately 4,200) to low-income households and is operated under an Annual Contribution Contract (ACC) with HUD. Rent is based upon 30 percent of household income and HUD provides an operating subsidy.

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

Capital Fund Program (CFP)
The Capital Fund Program is the current source of funding for physical and management improvements of the conventional public housing units.

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

Component Units
Component units represent non-HUD resources developed from a variety of activities, including the rental of 328 units at Wilbeth Arlington Homes, which is also under the HUD Section 8 Program, Eastland Woods with 100 units, and Edgewood Homes with 56 tax credit units.

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

Section 8 New and Substantial Rehab Program
Under this program, the Authority is Contract Administration for five (5) Section 8 Project-Based low-income housing apartment properties. The Authority subsidizes the family's rent through a Housing Assistance Payment (HAP) made to the owner/landlord.

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

Hope VI Revitalization Grant
The Authority was awarded a $19.25 million grant in 2003 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 16 units at Edgewood Homes, LLC. Replacements will consist of 178 new single family houses and 48 apartments as rental 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 Public Housing Program.

Statement of Net Assets

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

Table 1 - Statement of Net Assets - Primary Government

	FY 2010	FY 2009
Assets		
Current Assets	$ 85,453,225	$ 94,893,476
Other Non-Current Assets	2,314,040	1,533,108
Capital Assets, Net of Accumulated Depreciation	178,709,162	170,217,013
Total Assets	$ 266,476,427	$ 266,643,597
Liabilities and Net Assets		
Liabilities		
Current Liabilities	$ 10,771,092	$ 8,291,906
Non-Current Liabilities	29,726,262	37,204,735
Total Liabilities	40,497,354	45,496,641
Net Assets		
Invested in Capital Assets, Net of Related Debt	162,348,725	157,696,607
Restricted Net Assets	3,284,731	4,858,250
Unrestricted Net Assets	60,345,617	58,592,099
Total Net Assets	225,979,073	221,146,956
Total Liabilities and Net Assets	$ 266,476,427	$ 266,643,597

Major Factors Affecting the Statement of Net Assets

In December 2008, the Authority sold the 170 unit Norton Homes property to the Barberton City School District for $11,500,000. Net proceeds in excess of $9,800,000 was invested in short-term securities. Additionally, the net income earned from the other programs was invested in short-term investments. No properties were sold in the 2010 fiscal year. Current assets decreased in 2010 as cash was used to pay off the Edgewood Homes bonds.

Capital assets increased due to the completion of the Edgewood Homes Phase I in the Hope VI Program and the transferring to Public Housing. The total increase for this property was approximately $8,650,000. There were also increases of $7,928,520 in Construction-in-Progress, which is the annual cost associated with the Capital Program. In addition, the Authority received ARRA funds which were used for capital additions.

Non-current liabilities decreased by $7,478,473. This decrease is due largely to the bond debt paid off for the Edgewood Homes Phase I Project.

Statement of Revenues and Expenses

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

Table 2 - Statement of Revenues and Expenses - Primary Government

	FY 2010	FY 2009	Change
Revenues			
Tenant Revenue - Rents/Other	$ 8,838,093	$ 8,523,333	$ 314,760
Operating Subsidy and Capital Grants	65,190,262	58,752,802	6,437,460
Capital Contributions	758,139	5,481,957	(4,723,818)
Investment Income	1,132,673	1,140,141	(7,468)
Gain/Loss on Sale of Capital Assets	0	9,280,748	(9,280,748)
Other Revenues	4,744,591	5,010,916	(266,325)
Total Revenues	80,663,758	88,189,897	(7,526,139)
Expenses			
Operating Expenses			
Administrative	12,768,661	11,421,493	1,347,168
Tenant Services	1,465,489	2,056,453	(590,964)
Utilities	3,885,657	3,907,065	(21,408)
Maintenance/Security	13,361,077	12,218,764	1,142,313
Other General Expenses	2,014,524	2,502,166	(487,642)
Interest Expense	724,203	696,359	27,844
Total Operating Expenses	34,219,611	32,802,300	1,417,311
Other Expenses			
Housing Assistance	30,549,740	29,212,999	1,336,741
Depreciation Expense	11,062,290	10,625,595	436,695
Total Other Expenses	41,612,030	39,838,594	1,773,436
Total Expenses	75,831,641	72,640,894	3,190,747
Net Income (Deficit)	$ 4,832,117	$ 15,549,003	$(10,716,886)

Major Factors Affecting the Statement of Revenues and Expenses

Total revenue decreased by $7,574,281. In 2009, the Hope VI grant totaled $3,023,969 for the remaining construction of the Edgewood Homes Phase I. The amount the Housing Choice Voucher Program received from HUD increased by $4,052,226 in 2010. However, due to the sale of Norton Homes in 2009, there was a gain in the sale of capital assets of $9,280,748 and capital contributions received for Edgewood Homes were $5,484,957. There were no property sales in 2010.

Total operating expenses increased by $1,417,311. Administrative costs increased by $1,347,368 as a result of increased salary and benefit costs, including 6 retirements. Maintenance and Security expenses increased by $1,142,313. This increase is due largely to the 2010 increases to contracted services and annual increases due to employee pay raises. Tenant services and other general expenses had significant decreases due to cost containment measures.

Other general expenses decreased by $487,642. HAP expenses increased by $1,336,741 or 4.5 percent. Depreciation expense increased by $436,695, due to asset additions that were made during the year.

Table 3 -Revenue and Expenses by Program for the Fiscal Year Ending June 30, 2010 (excluding capital contributions)

	Revenue	Expenses
Conventional Public Housing (LIPH) and CFP	$ 31,927,781	$ 31,466,385
Central Office Cost Center	4,370,477	5,344,035
Section 8 Housing Choice Voucher Program	30,019,511	31,247,630
Section 8 Mod Rehab Program-VA Supporting Housing Program	321,092	206,568
Section 8 New and Substantial Rehab Program	2,244,649	2,079,357
HOPE VI	3,023,969	411,650
Business Activities	4,463,527	4,196,688
Resident Opportunity and Supportive Services	430,989	435,430
Shelter Plus Care	397,916	443,898
American Reinvestment and Recovery Act	2,705,708	0
Totals	$ 79,905,619	$ 75,831,641

Note: ARRA revenue was used for capital asset additions and not classified as an expense.

Capital Assets

During fiscal year 2010, the change in capital assets amounted to $8,492,149. The following table represents the changes in the asset accounts by category as follows:

Table 4-Capital Assets at Year End (Net of Depreciation)
for the Fiscal Years Ended June 30, 2010 and 2009

	2010	2000	Change
Land	$ 25,537,648	$ 25,485,361	$ 52,287
Buildings	266,041,854	254,833,518	11,208,336
Equipment	6,750,972	7,209,028	(458,056)
Accumulated Depreciation	(167,059,592)	(156,820,654)	(10,238,938)
Construction-in-Progress	47,438,280	39,509,760	7,928,520
Totals	$178,709,162	$170,217,013	$ 8,492,149

- Buildings increased by $11,208,336, due to the addition of Edgewood Homes Phase IV and other major renovations completed at the public housing developments.

- Construction-in-progress increased by $7,928,520. This increase represents the annual costs associated with the planned capital improvements through the Capital Fund Program, as well as ARRA funded capital improvements.

Debt

During fiscal year 2010, $6,890,625 in bonds of the Edgewood I Hope VI Project were repaid.

Table 5 - Outstanding Debt at Year End

	2010	2009
Outstanding Debt	$ 26,416,691	$ 35,503,631
Less: Current Portion	(1,756,047)	(2,006,146)
Long-Term Debt	$ 24,660,644	$ 33,497,485

Unrestricted Net Assets

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

Table 6 - Change in Unrestricted Net Assets

Unrestricted Net Assets at June 30, 2009	$ 58,592,099
Change in Net Assets	4,832,117
Adjustments:	
Depreciation (1)	11,062,290
Adjusted Results from Operations	74,486,506
Debt and Capital Expenditures	(1,382,990)
Capital Grants and Contributions	(14,331,418)
Transfer from Restricted	1,573,519
Unrestricted Net Assets at June 30, 2010	$ 60,345,617

(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 2010 Budgets

The preparation of the fiscal year 2010 budget was prepared with several significant economic and regulatory factors anticipated.

- Funding for the Public Housing Program by the U.S. Department of Housing and Urban Development over the past several years has had a proration between 82 percent and 103 percent. During fiscal year 2010, the proration was 88 percent, which remained stable from the prior year.

- The Authority has completed its fourth year under HUD's Asset Management and Project Based Accounting. With the successful conversion, subsidy losses were stopped at 5 percent, with an additional 2.7 million of subsidy realized since the program began.

- The Authority continues to receive Capital Funding for the capital needs of Public Housing. During fiscal year 2010, budgets for these improvements were $7,714,000.

- Hope VI funding has also generated nearly $3,024,000 in 2010 capital additions to the Edgewood Homes Project. In 2011, $7,190,000 in capital additions should also be realized as additional phases will be started.

With funding uncertainty in the Public Housing Program, it has become vital to analyze the annual budget and determine where cuts may be necessary. However, with any reduction, the Authority remains committed to its residents and maintaining high housing standards.

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

Respectfully submitted,

Anthony W. O'Leary

Anthony W. O'Leary
Executive Director

AKRON METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
PROPRIETARY FUND TYPE
JUNE 30, 2010

	Primary Government	Component Units
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 16,491,980	$ 583,910
Investments - Unrestricted	24,524,251	0
Restricted Cash and Cash Equivalents	6,837,314	1,711,933
Investments - Restricted	8,760,158	0
Receivable, Net	4,259,978	197,558
Inventories, Net	452,638	21,897
Prepaid Expenses and Other Assets	975,994	401,514
Due from Component Unit	23,150,912	0
Total Current Assets	85,453,225	2,916,812
Noncurrent Assets		
Capital Assets, Not Being Depreciated	72,975,928	6,838,820
Capital Assets, Net of Depreciation	105,733,234	28,954,124
Other Noncurrent Assets	2,314,040	0
Total Noncurrent Assets	181,023,202	35,792,944
TOTAL ASSETS	$ 266,476,427	$ 38,709,756
LIABILITIES		
Current Liabilities		
Accounts Payable	$ 4,753,712	$ 1,722,167
Accrued Liabilities	1,659,646	179,629
Intergovernmental Payable	13,187	0
Tenant Security Deposits	362,410	85,096
Bonds, Notes, and Loans Payable	1,756,047	38,913
Other Current Liabilities	2,226,090	555,186
Due to Primary Government	0	23,150,912
Total Current Liabilities	10,771,092	25,731,903
Non-Current Liabilities		
Bonds, Notes, and Loans Payable	24,660,644	5,646,284
Accrued Compensated Absences, Non-Current	1,775,053	0
Non-Current Liabilities - Other	3,290,565	271,789
Total Non-Current Liabilities	29,726,262	5,918,073
TOTAL LIABILITIES	$ 40,497,354	$ 31,649,976
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	$ 162,348,725	$ 6,956,835
Restricted Net Assets	3,284,731	0
Unrestricted Net Assets	60,345,617	102,945
TOTAL NET ASSETS	$ 225,979,073	$ 7,059,780

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, 2010

	Primary Government	Component Units
Operating Revenue		
Tenant Revenue	$ 8,838,093	$ 3,872,540
Government Operating Grants	53,825,755	0
Other Revenue	4,744,591	23,098
Total Operating Revenue	67,408,439	3,895,638
Operating Expenses		
Administrative	12,768,661	780,615
Tenant Services	1,465,489	0
Utilities	3,885,657	308,198
Maintenance	11,790,886	1,169,118
Protective Services	1,570,191	118,029
General	1,996,971	741,101
Housing Assistance Payment	30,549,740	0
Other Operating Expenses	17,553	147,998
Depreciation	11,062,290	1,452,329
Total Operating Expenses	75,107,438	4,717,388
Operating Income (Loss)	(7,698,999)	(821,750)
Non-Operating Revenues (Expenses)		
Interest and Investment Revenue	1,132,673	3,454
Interest Expense	(724,203)	(1,243,498)
Total Non-Operating Revenues (Expenses)	408,470	(1,240,044)
Income (Loss) Before Contributions and Transfers	(7,290,529)	(2,061,794)
Capital Revenue		
Capital Grants	11,364,507	0
Capital Contributions	758,139	4,151,989
Total Capital Revenue	12,122,646	4.151,989
Change in Net Assets	4,832,117	2,090,195
Net Assets, Beginning of Year	221,146,956	4,969,585
Total Net Assets, End of Year	$225,979,073	$ 7,059,780

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, 2010

	Primary Government	Component Units
Cash Flows from Operating Activities		
Cash Received from HUD	$ 51,211,509	$ 0
Cash Received from Tenants and Other	8,654,834	3,808,833
Cash Received from Other Revenue	8,279,906	23,098
Cash Payments for Housing Assistance Payments	(30,549,740)	0
Cash Payments for Administrative	(12,357,681)	(780,615)
Cash Payments for Ordinary Maintenance	(11,791,604)	(1,169,118)
Cash Payments for Other Operating Expenses	(8,066,502)	(892,836)
Net Cash Provided (Used) by Operating Activities	5,380,722	989,362
Cash Flows from Capital and Related Financing Activities		
Debt Principal and Interest	(10,544,970)	(5,711,570)
Acquisition and Construction of Capital Assets	(19,554,439)	(5,142,656)
Proceeds from Capital Grants and Contributions	14,331,418	4,151,989
Proceeds from Debt Issuance	733,827	3,663,721
From Primary Component Loan Payments	1,529,502	(1,529,502)
Net Cash Provided (Used) by Capital and Other Related Financing Activities	(13,504,662)	(4,568,018)
Cash Flows from Investing Activities		
Redemption (Purchase) of Investments	10,303,837	4,359,375
Investment Income	1,132,673	3,454
Net Cash Provided (Used) by Investing Activities	11,436,510	4,362,829
Change in Cash	3,312,570	784,173
Cash and Cash Equivalents, Beginning of Year	20,016,724	1,511,670
Cash and Cash Equivalents, End of Year	$ 23,329,294	$ 2,295,843
Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities		
Operating Loss	$ (9,907,771)	$ (821,750)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	11,062,290	1,452,329
Increase (Decrease) in Operating Assets and Liabilities:		
Accounts Receivable - HUD	(418,637)	0
Accounts Receivable - Tenant and Other	1,326,474	(61,642)
Notes Receivable	(780,932)	0
Inventory	(718)	(1,112)
Prepaids and Other Assets	12,363	121,956
Accounts Payable	1,759,651	534,589
Intergovernmental	13,163	0
Accrued Payroll and Compensated Absences	410,980	0
Other Liabilities	823,603	265,965
Other Non-Current Liabilities	1,080,256	(500,973)
Total Adjustments	15,288,493	1,811,112
Net Cash Provided (Used) by Operating Activities	$ 5,380,722	$ 989,362

See accompanying notes to the basic financial statements.

NOTE 1: DEFINITION OF THE ENTITY

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

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

Discretely Presented Component Units

Eastland Woods, LLC, was founded in 2004 for the purpose to acquire and rehabilitation a 100-unit affordable rental housing project in Akron, Ohio. Wilbeth Arlington Homes Ltd. Partnership was organized for the purpose of constructing, purchasing, rehabilitating, and operating low-income multifamily housing. Arlington Homes, Inc. is the general partner of Wilbeth Arlington Homes Ltd. Partnership and is controlled by the Authority. Akron Edgewood Homes, LLC was formed in 2007 to acquire a 79-unit affordable rental housing project in Akron, Ohio. Edgewood Village, LLC was formed in 2009 to acquire a 48-unit affordable rental housing project in Akron, Ohio.

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

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

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

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

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 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 dwelling units. As with the HAP above, payments are received by the Authority from HUD for the difference between the contract rent amount and the amount the tenant is able to pay.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

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

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

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

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

B. Measurement Focus and Basis of Accounting

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

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

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

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

C. **Cash and Investments**

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

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

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

E. **Compensated Absences**

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

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

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

E. **Compensated Absences** (Continued)

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

F. **Interprogram Balances**

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

G. **Recognition of Revenues and Expenses**

Contributions and subsidies received from HUD are generally recognized as revenues in the Annual Contributions Contract year, except for HAP payments received under the Non-Aided Program which are recognized as dwelling rental revenue when earned. Tenant rentals are recognized as revenues in the month of occupancy. Contributions under the Capital Fund Program (CFP) are recognized as revenues in the period in which expenses related to CFP projects were incurred. Rentals and grants received in advance of the period in which they are recognized are recorded as deferred revenue.

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

H. **Indirect Costs**

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

I. **Inventory**

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

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

J. **Budgetary Accounting**

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

K. **Use of Estimates**

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

NOTE 3: **DEPOSITS AND INVESTMENTS**

A. **Primary Government**

Cash on Hand
At June 30, 2010, the Authority had $2,275 in undeposited cash on hand, which is included on the balance sheet of the Authority as part of "Equity in Pooled Cash and Cash Equivalents".

Deposits
At fiscal year end, the carrying amount of the Authority's deposits was $21,855,427 (including $346,762 of non-negotiable certificates of deposit), and the bank balance was $23,221,729. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of June 30, 2010, $1,396,449 of the Authority's bank balance was covered by Federal Depository Insurance. The remainder was collateralized by securities pledged in the name of the Authority.

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

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, money market accounts backed by U.S. Treasury/Agency securities, and private debt securities at June 30, 2010.

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 five years. Repurchase agreements do not exceed 30 days. As of June 30, 2010, the Authority's investment portfolio did not include repurchase agreements.

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

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

Cash, cash equivalents, and investments included in the Authority's cash position at June 30, 2010, are as follows:

	Fair Market Value	Credit Rating *	Investment Maturities (in Years) Less than 1	1-3	4-5
Investment Type:					
Money Market Mutual Funds	$ 474,116	AAA	$ 474,116	$ 0	$ 0
Various Held by Trustee Banks **	10,104,396	N/A	10,104,396	0	0
U.S. Agencies	24,177,489	AAA	1,936,594	20,973,770	1,267,125
Total Investments	34,756,001		$ 12,515,106	$ 20,973,770	$ 1,267,125
Total Carrying Amount of Deposits and Cash on Hand	21,857,702				
Total Cash and Investments	$ 56,613,703				

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

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

A. **Primary Government** (Continued)

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

	Cash and Cash Equivalents	Investments	Total
GASB Statement No. 9	$23,329,294	$ 33,284,409	$56,613,703
Petty Cash	(2,275)	0	(2,275)
Investments:			
Money Market Mutual Funds	(474,116)	474,116	0
Various Held by Trustee Banks	(1,344,238)	1,344,238	0
Certificates of Deposit	346,762	(346,762)	0
GASB Statement No. 3	$21,855,427	$34,756,001	$56,611,428

B. **Restricted Cash and Investments**

The Authority has restricted cash and investments at June 30, 2010 as follows:

Unspent Debt Proceeds	$ 10,104,396
Unspent HAP Funding Provided the Housing Choice Voucher Program	3,116,635
Tenant Security Deposits	314,861
Other Purposes	2,061,580
Total Restricted Cash and Investments of the Primary Government	$ 15,597,472

NOTE 4: CAPITAL ASSETS

A summary of capital assets at June 30, 2010 by class is as follows:

Primary Government

	Balance at 07/01/2009	Additions	Deletions	Transfers	Balance at 06/30/2010
Capital Assets Not Being Depreciated					
Land	$ 25,485,361	$ 52,287	$ 0	$ 0	$ 25,537,648
Construction in Progress	39,509,760	7,928,520	0	0	47,438,280
Total Capital Assets Not Being Depreciated	64,995,121	7,980,807	0	0	72,975,928
Capital Assets Being Depreciated					
Buildings and Building Improvements	254,833,518	11,208,336	0	0	266,041,854
Furniture, Equipment, and Machinery-					
Dwelling	5,049,797	365,296	0	721,575	6,136,668
Administrative	2,159,231	0	(823,352)	(721,575)	614,304
Total Capital Assets Being Depreciated	262,042,546	11,573,632	(823,352)	0	272,792,826
Less Accumulated Depreciation	(156,820,654)	(11,062,290)	823,352	0	(167,059,592)
Total Capital Assets Being Depreciated, Net	105,221,892	511,342	0	0	105,733,234
Total Capital Assets, Primary Government, Net	$ 170,217,013	$ 8,492,149	$ 0	$ 0	$ 178,709,162

Component Units

	Balance at 07/01/2009	Additions	Deletions	Transfers	Balance at 06/30/2010
Capital Assets Not Being Depreciated					
Land	$ 1,809,133	$ 0	$ 0	$ 0	$ 1,809,133
Construction in Progress	0	5,029,687	0	0	5,029,687
Total Capital Assets Not Being Depreciated	1,809,133	5,029,687	0	0	6,838,820
Capital Assets Being Depreciated					
Buildings and Building Improvements	38,749,813	3,859	0	0	38,753,672
Furniture, Equipment, and Machinery-					
Dwelling	416,433	94,376	(86,011)	0	424,798
Administrative	99,051	14,734	0	0	113,785
Total Capital Assets Being Depreciated	39,265,297	112,969	(86,011)	0	39,292,255
Less Accumulated Depreciation	(8,971,813)	(1,452,329)	86,011	0	(10,338,131)
Total Capital Assets Being Depreciated, Net	30,293,484	(1,339,360)	0	0	28,954,124
Total Capital Assets, Component Units, Net	$ 32,102,617	$ 3,690,327	$ 0	$ 0	$ 35,792,944

NOTE 5: LONG-TERM OBLIGATIONS

Changes in the Authority's long-term obligations during fiscal year 2010 are as follows:

	Balance at 06/30/2009	Additions	Deletions	Balance at 06/30/2010	Due Within One Year
General Long-Term Obligations					
Primary Government					
Midtown Note, 4/1/2005, 4.58%, $1,293,552	$ 825,224	$ 0	$ (825,224)	$ 0	$ 0
Midtown Refinance, 4/1/2010, 4.40%, $733,827	0	733,827	(21,959)	711,868	135,187
Central Office Mortgage, 4/1/1998, Variable, $7,000,000	4,930,946	0	(260,946)	4,670,000	265,000
Non-Aided Mortgages, 7/1/1999, 4.99%, $2,910,225	411,739	0	(327,337)	84,402	84,402
Energy Conservation Note, 8/12/2004, 4.40%, $4,809,191	3,540,695	0	(560,086)	2,980,609	361,289
Energy Conservation Note, 9/20/2005, 3.79%, $4,897,502	4,052,009	0	(361,237)	3,690,772	375,169
Capital Fund Financing Program, 9/28/2007, 3.90%, $15,605,000	14,852,393	0	(573,353)	14,279,040	535,000
Edgewood Apartments, 11/1/2008, Port Authority,	6,890,625	0	(6,890,625)	0	0
	35,503,631	733,827	(9,820,767)	26,416,691	1,756,047
Compensated Absences	1,738,001	331,744	(138,640)	1,931,105	156,052
Total Primary Government	$ 37,241,632	$ 1,065,571	$ (9,959,407)	$28,347,796	$ 1,912,099
Component Units					
Eastland Woods - Mortgage	$ 2,130,173	$ 0	$ (108,697)	$ 2,021,476	$ 38,913
Akron Edgewood Homes, LLC - Port Authority	4,359,375	0	(4,359,375)	0	0
Akron Edgewood - Phase IV	0	3,663,721	0	3,663,721	0
Total Component Units	$ 6,489,548	$ 3,663,721	$ (4,468,072)	$ 5,685,197	$ 38,913

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

On August 12, 2004, the Authority gave the authorization to proceed with Phase I of HUD's Energy Incentive Program, financed by a $4,809,191 tax-exempt municipal 12 year least at an interest rate of 4.44 percent. Principal and interest payments of $43,141 were 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. The lease was refinanced with PNC Bank at an interest rate of 4.40 percent on March 12, 2010, and the monthly payment is currently $40,528.

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, which was due to First Merit Bank, N.A., and was payable in monthly installments of $13,456 from April 1, 2005 to April 1, 2015, was refinanced on April 1, 2010. Interest is currently payable monthly at a rate of 4.40 percent and the payment is $13,644 monthly from April 1, 2010 to March 1, 2015. The mortgage will be repaid from the Non-Aided program.

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

On July 17, 2007, the Authority obtained Series 2007A Capital Fund Revenue Bonds payable to Ohio Housing Finance Agency at an interest rate ranging from 3.90 percent to 4.67 percent. The principal amount of the bond issue is $40,532,000 and $15,605,000 of the principal amount is Akron's share. Payments are due semi-annually from October 2007 to April 2027. The bonds will be repaid from the Capital Fund Program and were issued to make energy improvements to several of the sites. Premium on the bonds of $422,393 was added to the debt in fiscal year 2009 and is being amortized over the life of the bonds.

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

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

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

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

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

The following is a summary of the Authority's future debt service requirements for mortgages payable as of June 30, 2010:

For the Year Ended June 30	Principal	Interest	Total Payments
2011	$ 1,756,047	$ 1,151,078	$ 2,907,125
2012	1,764,649	1,078,423	2,843,072
2013	1,843,115	1,003,187	2,846,302
2014	1,928,221	924,585	2,852,806
2015	1,987,696	839,305	2,827,001
2016-2020	9,763,013	2,768,740	12,531,753
2021-2025	4,980,600	1,338,000	6,318,600
2026-2027	2,393,350	176,250	2,569,600
Total	$26,416,691	$ 9,279,568	$35,696,259

The Authority's component units' future debt service requirements for mortgages payable as of June 30, 2010, was not available.

NOTE 6: **OTHER EMPLOYEE BENEFITS**

Compensated Absences

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

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

NOTE 7: **DEFINED BENEFIT PENSION PLANS**

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

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

The Ohio Revised Code provides statutory authority for member and employer contributions. Effective January 1, 2009, the members of all three plans were required to contribute 10.0 percent of their annual covered salaries. The Authority's contribution rate for 2010 and 2009 was 14.0 percent of covered payroll.

The Authority's required contributions for pension obligations to all the plans for the years ended June 30, 2010, 2009, and 2008 were $1,299,255, $1,714,966, and $1,508,415, respectively; 100 percent has been contributed for 2010, 2009, and 2008. Included as part of the above in the year ended June 30, 2010, were contributions to the Member-Directed Plan equal to $27,381.52 and contributions to the Combined Plan equal to $22,096. Plan member contributions to the Member-Directed Plan and Combined Plan for the same period were $19,558 and $15,783, respectively.

NOTE 8: POST-EMPLOYMENT BENEFITS

A. Plan Description

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the Traditional Pension Plan - a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan - a defined contribution plan; and the Combined Plan - a cost-sharing, multiple-employer defined benefit pension plan that has the elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension Plan and the Combined Plan. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension and Combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 1-800-222-7377.

B. Funding Policy

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-employment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-employment health care benefits.

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

B. **Funding Policy** (Continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010 and 2009, the Authority contributed at a rate of 14.00 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00 percent of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post-Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. For 2010 and 2009, the employer contributions allocated to health care was 5.5 percent of covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Actual Authority contributions for the year ended June 30, 2010, which were used to fund post-employment benefits were $510,422.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

NOTE 9: INSURANCE COVERAGE

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

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

Type of Coverage	Deductible	Coverage Limits
Property, Personal Property	$ 10,000	$150,000,000
General Liability	25,000	5,000,000/ occurrence
Automobile - Physical Damage	500	ACV
- Liability	500	300,000/occurrence
Public Officials	0	4,000,000
Crime	10,000	1,000,000

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

NOTE 10: PAYMENTS IN LIEU OF TAXES

The Authority has cooperation agreements with certain municipalities under which it makes payments in lieu of real estate taxes for various public services. The Authority's expense recognized for payments in lieu of taxes totaled $713,041 for the year ended June 30, 2010.

NOTE 11: LITIGATION

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

NOTE 12: CONSTRUCTION COMMITMENTS

As of June 30, 2010, the Authority had the following significant contractual commitments:

Project	Amount
Dorothy Jackson Renovation	$ 2,190,000
Saferstein Towers II Renovation	6,566,804
Martin P. Lauer Renovation	3,456,598
Edgewood Apartments Phase IV	570,808
Total Construction Commitments	**$12,784,210**

NOTE 13: CAPITAL CONTRIBUTIONS

Capital contributions of $758,139 for the primary government and $4,151,989 for the component unit represent funds received from the investors in Akron Edgewood Homes, LLC. The contributions are related to the Edgewood Apartment Project Phase IV and is allocated between the Authority's public housing program and the component units.

NOTE 14: INVESTED IN CAPITAL ASSETS

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

	Primary Government	Component Units
Capital Assets, Net of Accumulated Depreciation	$ 178,709,162	$35,792,944
Debt Related to Capital Assets	(26,416,691)	(5,685,197)
Subtotal	152,292,471	30,107,747
Cash Available from Debt-Issuance to Fund Capital Assets	10,056,254	0
Note Payable to Primary Government Related to Capital Asset Addition	0	(23,150,912)
Total Invested in Capital Assets	$ 162,348,725	$ 6,956,835

NOTE 15: RESTRICTED NET ASSETS

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

Total Restricted Net Assets	$3,284,731

NOTE 16: CONDENSED FINANCIAL STATEMENT INFORMATION - COMPONENT UNITS

	Eastland Woods, LLC	Wilbeth Arlington Homes Ltd. Partnership	Akron Edgewood Homes, LLC	Edgewood Village, LLC	Total
Balance Sheet					
Current Assets	$ 1,116,567	$ 960,733	$ 521,455	$ 318,057	$ 2,916,812
Capital Assets	12,755,889	9,991,240	8,016,128	5,029,687	35,792,944
Current Liabilities	(7,495,891)	(15,482,579)	(1,807,239)	(946,194)	(25,731,903)
Non-Current Liabilities	(2,010,019)	0	(185,048)	(3,723,006)	(5,918,073)
Net Assets	(4,366,546)	4,530,606	(6,545,296)	(678,544)	(7,059,780)
Revenues, Expenses, and Changes in Equity					
Operating Revenue	1,098,875	2,599,756	197,007	0	3,895,638
Operating Expenses	1,279,683	2,814,968	620,600	2,137	4,717,388
Net Operating Income (Loss)	(180,808)	(215,212)	(423,593)	(2,137)	(821,750)
Net Non-Operating Revenue Over Expenses	(146,036)	(1,060,183)	4,118,164	0	2,911,945
Excess of Revenue over Expenses	(326,844)	(1,275,395)	3,694,571	(2,137)	2,090,195

NOTE 17: SUBSEQUENT EVENTS

On October 20, 2010, the U.S. Department of Housing and Urban Development approved Phase III of the Energy Service Agreement between the Authority and Ameresco, Inc. Six asset management projects will undergo energy improvements totaling $4,826,586, which will be financed through a 4.14 percent loan from Bank of America. This phase of improvements is projected to provide the Authority with an additional $2,744,615 in HUD add-on subsidy over the 12-year term of the contract.

AKRON METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Federal Grantor/ ***Pass Through Grantor/*** Program Title	**Federal CFDA Number**	**Expenditures**
U.S. Department of Housing and Urban Development		
Direct Programs		
Low Rent Public Housing Program	14.850	$ 17,607,770
Demolition and Revitalization of Severely Distressed Public Housing	14.866	3,023,969
CFP Cluster		
Capital Fund Program	14.872	8,516,250
ARRA - Public Housing Capital Fund Stimulus (Formula) Recovery Act Funded	14.885	2,705,708
Total CFP Cluster		11,221,958
Section 8		
Section 8 Housing Choice Voucher Program	14.871	29,978,128
Veterans Affairs Supportive Housing	14.871	123,860
Total CFDA #14.871		30,101,988
Section 8 Project Cluster		
Section 8 New Construction	14.182	2,208,772
Section 8 Moderate Rehabilitation	14.856	196,905
Total Section 8 Project Cluster		2,405,677
Shelter Plus Care	14.238	397,911
Resident Opportunity and Supportive Services	14.870	430,989
Total Section 8		33,336,565
Total U.S. Department of Housing and Urban Development		65,190,262
TOTAL EXPENDITURES OF FEDERAL AWARDS		$ 65,190,262

This schedule is prepared on the accrual basis of accounting.

NOTE 1: **REPORTING ENTITY**

The supplemental Schedule of Expenditures of Federal Awards includes the expenditures of all of the funds and departments of the Authority.

NOTE 2: **BASIS OF ACCOUNTING**

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

Annual Contributions Contract C-959

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

OH12ROO7502-03	
Funds Approved	$ 20,966
Funds Expended	20,966
Excess (Deficiency) of Funds Approved	$ 0
Funds Advanced	$ 20,966
Funds Expended	20,966
Excess (Deficiency) of Funds Advanced	$ 0
OH12ROO7502-04	
Funds Approved	$ 24,281
Funds Expended	24,281
Excess (Deficiency) of Funds Approved	$ 0
Funds Advanced	$ 24,281
Funds Expended	24,281
Excess (Deficiency) of Funds Advanced	$ 0
OH12ROO7502-05	
Funds Approved	$ 184,791
Funds Expended	184,791
Excess (Deficiency) of Funds Approved	$ 0
Funds Advanced	$ 184,791
Funds Expended	184,791
Excess (Deficiency) of Funds Advanced	$ 0
OH12POO7501-05	
Funds Approved	$ 9,099,176
Funds Expended	9,099,176
Excess (Deficiency) of Funds Approved	$ 0
Funds Advanced	$ 9,099,176
Funds Expended	9,099,176
Excess (Deficiency) of Funds Advanced	$ 0

(Continued)

Annual Contributions Contract C-959 (Continued)

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

OH12POO7501-06	
Funds Approved	$ 8,050,197
Funds Expended	8,050,197
Excess (Deficiency) of Funds Approved	$ 0
Funds Advanced	$ 8,050,197
Funds Expended	8,050,197
Excess (Deficiency) of Funds Advanced	$ 0
OH12POO7502-06	
Funds Approved	$ 681,102
Funds Expended	681,102
Excess (Deficiency) of Funds Approved	$ 0
Funds Advanced	$ 681,102
Funds Expended	681,102
Excess (Deficiency) of Funds Advanced	$ 0

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

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

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

AKRON METROPOLITAN HOUSING AUTHORITY
STATEMENT OF ROSS GRANT COST - COMPLETED
FOR THE TWELVE MONTHS ENDED JUNE 30, 2010

Annual Contributions Contract C-959 (Continued)

1. The total amount of grant costs of the ROSS Program grants are shown below:

	ROSS Grant OH007RE077A005
Project OH	
Funds Approved	$ 500,000
Funds Expended	500,000
Excess (Deficiency) of Funds Approved	$ 0
Funds Advanced	$ 500,000
Funds Expended	500,000
Excess (Deficiency) of Funds Advanced	$ 0

2. All work in connection with the ROSS Program has been completed.

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

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

Member American Institute of Certified Public Accountants (216) 475 - 6136 Ohio Society of Certified Public Accountants

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

Board of Trustees
Akron Metropolitan Housing Authority
Akron, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the financial statements of the business-type activities and the discretely presented component units of the Akron Metropolitan Housing Authority (the Authority), Ohio, as of and for the year ended June 30, 2010, which collectively comprise the Akron Metropolitan Housing Authority, Ohio's basic financial statements and have issued our report thereon dated December 29, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. We did not audit the financial statements of Eastland Woods, LLC, Wilbeth-Arlington Homes Ltd. Partnership, Akron Edgewood Homes, LLC, and Edgewood Village, LLC, which represents 100 percent of the assets and 100 percent of the revenues of the Akron Metropolitan Housing Authority, Ohio's discretely presented component units. Those statements were audited by other auditors and the other auditors have reported to you on Eastwood Woods, LLC, Wilbeth-Arlington Homes Ltd. Partnership, Akron Edgewood Homes, LLC, and Edgewood Village, LLC's legal compliance and internal control over financial reporting. Accordingly, this report does not address the legal compliance and internal control over financial reporting of Eastwood Woods, LLC, Wilbeth-Arlington Homes Ltd. Partnership, Akron Edgewood Homes, LLC, and Edgewood Village, LLC.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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. However, we identified a certain deficiency in internal control over financial reporting described in the accompanying Schedule of Findings and Questioned Costs that we considered to be a significant deficiency in internal control over financial reporting. See **Finding 2010-001**. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

We noted certain matters that we reported to the management of the Akron Metropolitan Housing Authority, Ohio, in a separate letter dated December 29, 2010.

Akron Metropolitan Housing Authority, Ohio's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Akron Metropolitan Housing Authority, Ohio's response and, accordingly, we express no opinion on it.

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

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

December 29, 2010

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

Member American Institute of Certified Public Accountants (216) 475 - 6136 Ohio Society of Certified Public Accountants

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
Akron Metropolitan Housing Authority
Akron, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

Compliance

We have audited the Akron Metropolitan Housing Authority, Ohio's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Akron Metropolitan Housing Authority, Ohio's major federal programs for the year ended June 30, 2010. 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 the 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. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Akron Metropolitan Housing Authority, Ohio's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Akron Metropolitan Housing Authority, Ohio's compliance with those requirements.

In our opinion, the Akron Metropolitan Housing Authority, Ohio complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of the Akron Metropolitan Housing Authority, Ohio, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Akron Metropolitan Housing Authority, Ohio's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Akron Metropolitan Housing Authority, Ohio's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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 Directors, others within the entity, 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.

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

December 29, 2010

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

2010(i)	Type of Financial Statement Opinion	Unqualified
2010(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2010(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
2010(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2010(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2010(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
2010(v)	Type of Major Programs' Compliance Opinion	Unqualified
2010(vi)	Are there any reportable findings under .510?	No
2010(vii)	Major Programs (list): CFP Cluster: Capital Fund Program - CFDA #14.872 Public Housing Capital Fund Stimulus (Formula) Recovery Act Funded - ARRA - CFDA #14.885 Section 8 Housing Choice Voucher Program - CFDA #14.871 Section 8 Project Cluster: Section 8 New Construction - CFDA #14.182 Section 8 Moderate Rehabilitation - CFDA #14.856	
2010(viii)	Dollar Threshold: Type A\B Programs	Type A: >$ 1,955,708 Type B: > all others
2010(ix)	Low Risk Auditee?	Yes

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

Finding 2010-001: Significant Deficiency in Internal Control - Preparation of Financial Statements

Condition
Financial reports prepared and provided for our review did not reflect complete and accurate financial data, required several audit adjustments, and required considerable reconciliation as part of the audit process.

Criteria
A proper system of internal control would ensure that the accounting system would provide for financial statements to be prepared reflecting the capture of complete and accurate financial data and would include reconciliations of the general ledger accounts.

Cause
This condition is the result of the lack of an effective financial reporting system.

Effect
This deficiency resulted in the preparation of financial statements that did not reflect complete and accurate financial data, did not reflect the elimination of certain intercompany balances and activity, and statements that required considerable adjustments during the audit process.

Recommendation
We recommend that an effective system of internal controls be implemented to ensure that financial reports are prepared that reflect complete and accurate accounting data, and reflect the elimination of intercompany balances and activity.

Auditee Response
The Authority opposes the findings and suggests the content is more appropriate for a management comment.

The Authority's former Finance Director retired March 31, 2010, and was previously the sole reporter for HUD's Financial Data Schedule (FDS) to which the auditor relies in performing the audit. It was the first time the new Finance Director, along with two staff accountants, compiled and reported the data for the FDS. The 60-day time limit to submit this volume of information, coupled with the staff transition, created an unusual circumstance. Since then, additional training has been done and more is planned in 2011 for all Finance Department staff.

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

Finding 2010-001: Significant Deficiency in Internal Control - Preparation of Financial Statements (Continued)

Auditee Response (Continued)
Also, the financial accounting software used for the fiscal year 2010 financials is a 12-year-old system that is not conducive to the reporting required under HUD's recently imposed Asset Management Project-based model. The Authority is currently in the process of converting to a new software package that should eliminate errors from intercompany transactions and that will map its accounts to the proper FDS line items, thereby reducing the number of adjustments required during the audit process.

As this is a one-time and unusual set of circumstances that is already being addressed, we again think this finding should be converted to a management comment/recommendation.

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

None.

AKRON METROPOLITAN HOUSING AUTHORITY
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010

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

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
MARCH 8, 2011

88 East Broad Street, Fifth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www.auditor.state.oh.us