

***AKRON METROPOLITAN HOUSING AUTHORITY
SUMMIT COUNTY, OHIO***

AUDIT REPORT

For the Year Ended June 30, 2013





Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Akron Metropolitan Housing Authority, Summit County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2012 through June 30, 2013. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

March 14, 2014

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AKRON METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

Charles E. Harris & Associates, Inc.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Akron Metropolitan Housing Authority
Summit County
100 West Cedar Street
Akron, OH 44307

Regional Inspector General of Audit
Department of Housing and Urban
Development

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and its discretely presented component units of the Akron Metropolitan Housing Authority, Summit County, Ohio (the Authority), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We did not audit the financial statements of Eastland Woods, LLC, Wilbeth-Arlington Homes, Limited Partnership, Akron Edgewood Homes, LLC, Edgewood Village, LLC, Edgewood Village South, LLC, Marian Hall Building, LLC and Building for Tomorrow, all of the Authority's seven discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Akron Metropolitan Housing Authority, is based solely on the report of other auditors. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Authority's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the discretely presented component units of the Akron Metropolitan Housing Authority, Summit County, Ohio, as of June 30, 2013, and the changes in financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the Authority's basic financial statements taken as a whole. The Statements of ROSS Grant Costs-Completed, Public Development Costs-Completed and Modernization Costs-Completed (Statements) on pages 39-45 are presented for additional analysis as required by the U.S. Department of Housing and Urban Development and are not a required part of the financial statements. The Schedule of Federal Awards Expenditures (Schedule) presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the financial statements.

The Statements and Schedule are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these Statements and Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the Statements and Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, these Statements and Schedule are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2014, on our consideration of the Authority'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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
January 15, 2014

AKRON METROPOLITAN HOUSING AUTHORITY
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

The Akron Metropolitan Housing Authority's (the "Authority") Management 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 - Primary Government

- The Authority's net position decreased by \$7,470,263 (3.0 percent) during fiscal year 2013. Net position was \$245,539,599 and \$253,009,862 for 2013 and 2012, respectively.
- Total operating and non-operating revenue activity decreased by \$19,402,910 (20.1 percent) during 2013 and was \$77,018,796 and \$96,421,706 for 2013 and 2012, respectively.
- Total operating and non-operating expenses of all Authority programs decreased by \$205,716 (.2 percent) during 2013. Total expenses were \$84,489,059 and \$84,694,775 for 2013 and 2012, 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 Position
Statement of Revenues, Expenses, and Changes in Fund Net Position
Statement of Cash Flows

Notes to the Financial Statements
Pages 16 to 36

AKRON METROPOLITAN HOUSING AUTHORITY
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

Government-wide Financial Statements

The Government-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 Position: 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 Position" (formerly known as equity or net assets). 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 position 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 Position: This statement, similar to an income statement, includes Operating Revenues, such as grant revenue and rental income; Operating Expenses, such as administrative, utilities, maintenance, and depreciation; and Non-Operating Revenue and Expenses, such as investment income and interest expense.

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

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

Unrestricted: This component of net position consists of net assets that do not meet the definition of "Net Investment in Capital Assets" or "Restricted".

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

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

AKRON METROPOLITAN HOUSING AUTHORITY
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

Fund Financial Statements

Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. The Authority consists of exclusively enterprise funds utilizing the full accrual basis of accounting. This method is similar to the accounting methods used by the private sector. Since the Authority consists of only one fund, there are no individual fund level financial statements.

THE AUTHORITY'S PROGRAMS

Central Office Cost Center

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 fees for services (i.e., skilled trades) and management, bookkeeping, and asset management fees charged to the individual projects in the Low-Income Housing Program, as well as fees charged to the Housing Choice Voucher Program and other programs.

Low-Income Public Housing

The Low-Income Public Housing (LIPH) Program consists of approximately 4,300 units leased to qualified low-income households, the elderly and persons with disabilities. The Authority operates under an Annual Contributions Contract (ACC) with HUD. Rent is based upon 30 percent of household income and HUD provides an annual operating subsidy.

Capital Fund Program (CFP)

The Capital Fund Program is the source for funding the physical and management improvements of the low-income public housing units.

Public Housing Family Self-Sufficiency (FSS) Program

This program enables families living in low-income public housing to increase their earned income and reduce their dependency on public assistance and rental subsidies. Under the FSS program, low-income families are provided opportunities for education, job training, counseling and other forms of social service assistance so they can obtain skills necessary to achieve self-sufficiency. HUD funding is provided for the salary of FSS coordinators. This program has a requirement of an escrow account for its participants and provides one-year funding.

AKRON METROPOLITAN HOUSING AUTHORITY
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

Resident Opportunity and Self-Sufficiency (ROSS) Service Coordinators Program

Under this program, the Authority receives grant funds from HUD for the purpose of providing a service coordinator to coordinate supportive services and other activities designed to help public housing residents attain economic and housing self-sufficiency. This program provides three-year funding and includes administrative expenses and training as eligible uses of funds.

Housing Choice Voucher Program

Under the Housing Choice Voucher (HCV) Program, the Authority administers contracts with independent landlords who own rental property. The Authority subsidizes the family's rent through a Housing Assistance Payment (HAP) made to the landlord. This program is administered under a Consolidated Annual Contributions Contract (CACC) with HUD. HUD provides funding to enable the Authority to structure the tenant leases that sets the rent at 30 percent of household income. The Authority operates with a baseline of 4,915 vouchers.

HCV Family Self-Sufficiency (FSS) Program

As with the FSS program for low-income public housing residents, HUD funding is received for program coordinators who assist residents in the HCV program with achieving self-sufficiency.

Veterans Affairs Supportive Housing (VASH)

The HUD VASH program combines HCV rental assistance for homeless veterans with case management and clinical services provided by the Department of Veterans Affairs. The Authority's program consists of 60 vouchers.

Moderate Rehabilitation Program

Under this program, project-based rental assistance is provided to low-income families. The program was repealed in 1991 and no new projects are authorized for development. Assistance is limited to properties previously rehabilitated pursuant to a HAP contract between an owner and a public housing agency. The Authority's existing program consists of 14 units.

Shelter Plus Care

The Authority receives HUD funding for the purpose of housing low-income individuals recovering from drug addiction, those who have contracted the AIDS virus, and individuals who have been homeless for an excessive amount of time.

Section 8 New and Substantial Rehab Program

Under this program, the Authority is the Contract Administrator for four (4) privately owned low-income housing apartment properties that receive HUD funding under the Section 8 Project-Based Rental Assistance Program. The Authority subsidizes the family's rent through a Housing Assistance Payment (HAP) made to the owner/landlord.

AKRON METROPOLITAN HOUSING AUTHORITY
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

Local Housing Authority (LHA)/Other Business Activities

Under this program, the Authority has approximately 200 units that are owned by the Local Housing Authority (LHA) and are under the HUD Section 8 Project-Based Rental Assistance Program. Housing Assistance Payments (HAP) are received from HUD to offset the difference between the contract rents and the tenants' rental payments.

Component Units

The Authority has several discretely presented component units as a result of tax credit financing activities. Two multifamily projects funded under the HUD Section 8 Project-Based Rental Assistance Program include the rental of 328 units at Wilbeth-Arlington Homes and 100 units at Eastland Woods. In addition, a mixed finance project at Edgewood Village composed of four phases and entities contains 128 public housing units and 98 tax credit units. In addition, a non-profit affiliate was created with a focus on early childhood education services for the Authority's residents.

Statement of Net Position

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

Table 1 - Statement of Net Position - Primary Government

	FY 2013	FY 2012	Change
<u>Assets</u>			
Current Assets	\$ 49,291,996	\$ 51,624,504	\$ (2,332,508)
Other Non-Current Assets	58,135,799	59,415,200	(1,279,401)
Capital Assets, Net of Accumulated Depr.	168,801,913	176,089,644	(7,287,731)
Total Assets	\$ 276,229,708	\$ 287,129,348	\$ (10,899,640)
<u>Liabilities and Net Position</u>			
<u>Liabilities</u>			
Current Liabilities	\$ 5,257,370	\$ 6,905,829	\$ (1,648,459)
Non-Current Liabilities	25,432,739	27,213,657	(1,780,918)
Total Liabilities	30,690,109	34,119,486	(3,429,377)
<u>Net Position</u>			
Net Investment in Capital Assets	143,376,188	149,634,355	(6,258,167)
Restricted	15,435,199	17,194,038	(1,758,839)
Unrestricted	86,728,212	86,181,469	546,743
Total Net Position	245,539,599	253,009,862	(7,470,263)
Total Liabilities and Net Position	\$ 276,229,708	\$ 287,129,348	\$ (10,899,640)

AKRON METROPOLITAN HOUSING AUTHORITY
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

Major Factors Affecting the Statement of Net Position

Current assets decreased over \$2.33 million from the prior year primarily because of a reduction in cash in the low-income public housing and Section 8 programs. Other non-current assets decreased approximately \$1.28 million due to a reduction in notes receivable from component units (Marian Hall Building, LLC) and others (elimination of Oak Creek and Cedar Street Associates loans). Capital assets, net of accumulated depreciation decreased \$7.29 million as well as due to depreciation exceeding additions.

Total liabilities decreased \$3.43 million from the prior year. Of this total, other current liabilities decreased \$1.34 million due to capital-related costs paid in 2013. Other decreases included a \$2.08 reduction in non-current liabilities resulting from payments on debt. Also, there were decreases of \$.33 million in deferred revenue and \$.12 million in accounts payable.

Statement of Revenues and Expenses

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

Table 2 - Statement of Revenues and Expenses - Primary Government

	FY 2013	FY 2012	Change
<u>Revenues</u>			
Tenant Revenue	\$ 9,468,774	\$ 8,874,586	\$ 594,188
Operating Subsidy and Capital Grants	58,437,349	73,531,648	(15,094,299)
Investment Income	2,118,164	2,133,940	(15,776)
Other Revenues	6,994,509	9,682,340	(2,687,831)
Total Revenues	77,018,796	94,222,514	(17,203,718)
<u>Expenses</u>			
<u>Operating Expenses</u>			
Administrative	12,263,281	15,239,945	(2,976,664)
Tenant Services	3,769,772	3,232,447	537,325
Utilities	3,757,812	3,840,008	(82,196)
Maintenance/Security	14,616,118	14,311,887	304,231
Other General Expenses	5,617,068	2,644,703	2,972,365
Total Operating Expenses	40,024,051	39,268,990	755,061
<u>Other Expenses (Revenue)</u>			
Interest Expense	1,163,771	1,540,360	(376,589)
Casualty Loss/(Gain)	202,418	(13,061)	215,479
Extraordinary Maintenance	14,363	5,731	8,632
Loss/(Gain) on Sale of Capital Assets	441,217	(18,394)	459,611
Special Item - Contribution	-	(2,167,737)	2,167,737
Housing Assistance Payments	30,484,279	30,326,594	157,685
Depreciation Expense	12,158,960	13,553,100	(1,394,140)
Total Other Expenses	44,465,008	43,226,593	1,238,415
Total Expenses	84,489,059	82,495,583	1,993,476
Changes in Net Position	\$(7,470,263)	\$ 11,726,931	\$ (19,197,194)

AKRON METROPOLITAN HOUSING AUTHORITY
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

The change in net position from FY 2012 to FY 2013 resulted in a \$19,197,194 decrease based on the following factors.

Total operating and non-operating revenues decreased by \$19,402,910. Over half of this amount (\$10,421,897) is attributed to HOPE VI and ARRA funds received in the prior year. In addition, AMHA received \$3,152,572 less in low-income public housing operating subsidy due to a decline in proration and \$1,826,332 less in capital funds. Also, the Section 8 Housing Choice Voucher Program revenue decreased \$1.15 million from the prior year due to lower proration percentages in HAP and administrative fees.

Total operating and non-operating expenses decreased by \$205,716. Total operating expenses increased \$755,061, with other general expenses having the largest increase due to writing down notes receivable. Total other expenses decreased \$960,777 primarily due to the special item/contribution under business activities in the previous year that reduced expenses.

The following table reflects revenue and expenses by program.

Table 3 - Revenue and Expenses by Program

	Revenue	Expenses
Low-Income Public Housing (LIPH) and CFP	\$ 35,462,749	\$ 41,925,233
Central Office Cost Center	2,215,049	1,050,570
Section 8 Housing Choice Voucher Program (includes VASH)	29,625,604	31,273,370
Section 8 Moderate Rehab Program	77,987	77,987
Section 8 New Construction and Substantial Rehab Program	2,189,046	2,129,764
HOPE VI	-	233
LHA Business Activities	5,720,515	6,420,625
Resident Opportunity and Supportive Services	345,855	346,129
Shelter Plus Care	554,592	554,592
American Reinvestment and Recovery Act	131,689	-
Resident Support Services/Early Childhood Initiatives (State/Local)	695,710	710,556
Totals	\$ 77,018,796	\$ 84,489,059

Capital Assets

During fiscal year 2013, the change in capital assets amounted to a net decrease of \$7,287,732, with accumulated depreciation exceeding additions. The following table represents the changes in the asset accounts by category as follows:

AKRON METROPOLITAN HOUSING AUTHORITY
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

Table 4 - Capital Assets at Year End (Net of Depreciation)

	FY 2013	FY 2012	Change
Land	\$ 26,097,955	\$ 26,097,955	\$ -
Buildings	302,874,829	297,948,093	4,926,736
Equipment	5,572,779	5,965,396	(392,617)
Accumulated Depreciation	(198,602,773)	(186,681,433)	(11,921,340)
Construction-in-Progress	32,859,123	32,759,634	99,489
Totals	<u>\$ 168,801,913</u>	<u>\$ 176,089,645</u>	<u>\$ (7,287,732)</u>

Debt

During fiscal year 2013, approximately \$2 million of principal was repaid on all debt. The following table compares outstanding debt for the current and previous fiscal years.

Table 5 - Outstanding Debt at Year End

	FY 2013	FY 2012
Outstanding Debt	\$ 25,425,725	\$ 27,408,394
Less: Current Portion	(2,052,243)	(1,948,030)
Long-Term Debt	<u>\$ 23,373,482</u>	<u>\$ 25,460,364</u>

Unrestricted Net Position

The following table shows the changes in unrestricted net position for the fiscal year ended June 30, 2013:

Unrestricted Net Position at June 30, 2012	\$ 86,181,469
Change in Net Position	(7,470,263)
Adjustments:	
Depreciation (1)	<u>12,158,960</u>
Adjusted Results from Operations	4,688,697
Debt Expenditures	(2,811,520)
Capital Grants and Contributions	5,448,340
Adjustment to Operations	<u>(6,778,774)</u>
Unrestricted Net Position at June 30, 2013	<u>\$ 86,728,212</u>

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

AKRON METROPOLITAN HOUSING AUTHORITY
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

Economic Factors and 2013 Budgets

The preparation of the fiscal year 2013 budget was difficult due to uncertainty with several significant economic and regulatory factors including the Federal government budget sequestration. The loss of Federal funds has contributed to a decline in AMHA's net position in 2013 and is not expected to reverse in 2014.

Funding for the Low-Income Public Housing Program by the U.S. Department of Housing and Urban Development over the past several years has had a proration rate between 82 percent and 103 percent. A downward spiral began after 2011 when proration was at 103 percent. During the first half of fiscal year 2013, the proration percentage was 95 percent and that rate dropped to approximately 82% for the second half of the fiscal year.

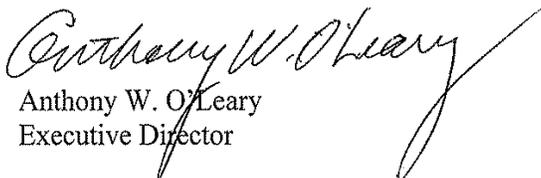
The Authority continues to receive HUD funding for the capital needs of public housing but at declining amounts over the past five years. Our Capital Fund Program was authorized \$9,045,567 for improvements under the Federal government's 2008 budget, and in 2013 only \$6,570,562 was authorized.

The administrative fees for running the Section 8 Housing Choice Voucher Program have not been adequate for many years, but sank to an all-time low in 2013 when the proration rate dropped to 69 percent.

With shrinking funding and funding uncertainty in all HUD programs, it has become vital to analyze the annual budget and determine where cuts are necessary. However, with any reduction, the Authority remains committed to its residents and maintaining high housing standards. As in all organizations, there is a limit in absorbing cuts in funding and being able to sustain high levels of service. Funding predictability and timely action on federal appropriations are also important.

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 POSITION
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2013

	Primary Government	Component Units
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 12,963,689	\$ 2,028,450
Investments - Unrestricted	14,211,661	-
Restricted Cash and Cash Equivalents	6,328,311	3,930,597
Investments - Restricted	12,081,150	-
Receivables, Net	2,908,986	234,853
Inventories, Net	409,958	16,758
Prepaid Expenses and Other Assets	388,241	1,205,551
Total Current Assets	49,291,996	7,416,209
<u>Noncurrent Assets</u>		
Capital Assets, Not Being Depreciated	58,957,078	1,009,800
Capital Assets, Net of Depreciation	109,844,835	65,664,115
Notes Receivable from Component Units and Other	57,805,786	-
Other Noncurrent Assets	330,013	1,196,221
Total Noncurrent Assets	226,937,712	67,870,136
TOTAL ASSETS	\$ 276,229,708	\$ 75,286,345
<u>LIABILITIES</u>		
<u>Current Liabilities</u>		
Accounts Payable	906,219	1,487,089
Accrued Liabilities	993,467	4,635,498
Tenant Security Deposits	328,364	161,830
Unearned Revenue	314,460	1,066,178
Bonds, Notes, and Loans Payable	2,052,243	71,518
Other Current Liabilities	662,617	-
Total Current Liabilities	5,257,370	7,422,113
<u>Non-Current Liabilities</u>		
Bonds, Notes, and Loans Payable	23,373,482	2,617,232
Accrued Compensated Absences, Non-Current	1,850,823	-
Notes Payable to Primary Government	-	53,962,223
Non-Current Liabilities - Other	208,434	-
Total Non-Current Liabilities	25,432,739	56,579,455
TOTAL LIABILITIES	\$ 30,690,109	\$ 64,001,568
<u>NET POSITION</u>		
Net Investment in Capital Assets	143,376,188	10,022,942
Restricted	15,435,199	1,500
Unrestricted	86,728,212	1,260,335
TOTAL NET POSITION	\$ 245,539,599	\$ 11,284,777

AKRON METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2013

	Primary Government	Component Units
<u>Operating Revenue:</u>		
Tenant Revenue	\$ 9,468,774	\$ 4,816,578
Government Operating Grants	52,989,009	-
Other Revenue	6,994,509	964,134
Total Operating Revenue	69,452,292	5,780,712
<u>Operating Expenses:</u>		
Administrative	12,263,281	1,418,405
Tenant Services	3,769,772	18,488
Utilities	3,757,812	485,814
Maintenance	12,587,783	1,634,062
Protective Services	2,028,335	-
General	4,676,137	803,088
Housing Assistance Payment	30,484,279	-
Insurance	940,931	208,411
Depreciation	12,158,960	2,939,330
Total Operating Expenses	82,667,290	7,507,598
Operating Income (Loss)	(13,214,998)	(1,726,886)
<u>Non-Operating Revenues(Expenses):</u>		
Interest and Investment Revenue	2,118,164	14,927
Casualty Gain/(Loss)	(202,418)	-
Extraordinary Maintenance	(14,363)	-
Interest Expense and Amortization Cost	(1,163,771)	(1,740,806)
Gain (Loss) on Sale of Capital Assets	(441,217)	-
Total Non-Operating Revenues (Expenses)	296,395	(1,725,879)
Income(Loss) Before Capital Contributions	(12,918,603)	(3,452,765)
<u>Capital Revenue</u>		
Capital Grants	5,448,340	-
Total Capital Revenue	5,448,340	-
Change in Net Position	(7,470,263)	(3,452,765)
Net Position, Beginning of year, Restated Note 19	253,009,862	14,737,542
Total Net Position, End of year	\$ 245,539,599	\$ 11,284,777

**AKRON METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2013**

	Primary Government	Component Units
<u>Cash Flows from Operating Activities</u>		
Cash Received from HUD	\$ 52,989,009	\$ -
Cash Received from Tenants and Other	8,604,326	4,913,111
Cash Received from Other Revenue	6,994,509	1,091,151
Cash Payments for Housing Assistance Payment	(30,484,279)	-
Cash Payments for Administrative	(12,237,918)	(459,025)
Cash Payments for Ordinary Maintenance	(13,483,138)	(1,718,677)
Cash Payments for Other Operating Expenses	(16,250,022)	(2,369,797)
Net Cash Provided (Used) by Operating Activities	(3,867,513)	1,456,763
<u>Cash Flows from Capital and Related Financing Activities</u>		
Debt Principal and Interest	(2,811,520)	(564,539)
Cash from Asset Sales	11,314	-
Acquisition and Construction of Capital Assets	(4,997,872)	-
Payment of Development Fee	-	(85,243)
Payment of TCAP Loan	-	(4,000,000)
Notes to/From Primary Government	-	10,217,439
Proceeds from Capital Grants and Contributions	5,448,340	-
Collection of Member Receivables	-	5,573,276
Net Cash Provided (Used) by Capital and Other Related Financing Activities	(2,349,738)	11,140,933
<u>Cash Flows from Noncapital Financing Activities</u>		
Casualty loss - Noncapitalized	111,879	-
Net Cash Provided (Used) by Noncapital Financing Activities	111,879	-
<u>Cash Flows from Investing Activities</u>		
Expenditures on Rental Property	-	(11,594,362)
Deferred Loan Fees	-	(542,636)
Notes Receivable	2,288,564	-
Redemption (Purchase) of Investments - Net	3,628,907	-
Investment Income	400,646	14,927
Net Cash Provided (Used) by Investing Activities	6,318,117	(12,122,071)
Change in Cash	212,745	475,625
Cash and Cash Equivalents, Beginning of Year	19,079,255	5,483,422
Cash and Cash Equivalents, End of Year	\$ 19,292,000	\$ 5,959,047
<u>Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities</u>		
Operating Loss	\$ (13,214,998)	\$ (1,726,886)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	12,158,960	3,018,354
(Gain) Loss on disposal of Assets		10,751
CRP Forgiven	-	(23,816)
Increase/Decrease in Operating Assets and Liabilities		
Accounts Receivable - Tenant and Other	(864,448)	(156,213)
Inventory	42,324	-
Prepays and Other Assets	(261,530)	(8,565)
Accounts Payable	(118,449)	312,875
Accrued Payroll and Compensated Absences	25,363	3,312
Unearned Revenue	(333,019)	(42,340)
Other Liabilities	(1,338,565)	69,291
Other Non-Current Liabilities	36,849	-
Total Adjustments	9,347,485	3,183,649
Net Cash Provided (Used) by Operating Activities	\$ (3,867,513)	\$ 1,456,763

AKRON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

The following six component units were formed to participate in the Low-Income Housing Tax Credit (LIHTC) Program under Section 42 of the Internal Revenue Code.

1. Wilbeth-Arlington Homes Limited Partnership was formed in 1996 for the purchase, rehabilitation and operation of a 328-unit, multi-family complex. AMHA indirectly controls the sole general partner (Arlington Housing Partners, Inc.) of the partnership through 79% ownership. Tenants are assisted with their rent through a HUD Section 8 Housing Assistance Payment (HAP) Contract.
2. In 2004, Eastland Woods, LLC was formed to acquire, rehabilitate and operate 100 affordable rental homes. AMHA controls the sole general partner (Eastland TECB FP Corporation) through 79% ownership. Tenants are assisted with their rent through a HUD Section 8 HAP Contract.
3. Akron Edgewood Homes, LLC was formed in 2007 to acquire, construct, and lease 80 units of affordable housing in 35 buildings. AMHA controls the general partner (Akron Edgewood Management Corporation). Of the 80 units, 49 units are considered low-rent and receive operating subsidy that is passed through AMHA under its Annual Contributions Contract with HUD.

**AKRON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

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

4. In 2008, Edgewood Village, LLC was formed to acquire, construct and lease 48 units of affordable rental housing in 29 buildings. The general partner, Edgewood Village South Management Corporation, is controlled by AMHA. Of the 48 units, 23 units are considered low-rent and receive operating subsidy that is passed through AMHA under its Annual Contributions Contract with HUD.
5. Edgewood Village South, LLC was formed in 2010 to acquire, construct and lease 50 units of affordable rental housing in 19 buildings. AMHA controls its general partner, Edgewood Village South Management Corporation. Of the 50 units, 20 are low-rent and receive operating subsidy that is passed through AMHA's Annual Contributions Contract.
6. Marian Hall Building, LLC was formed in 2011 to acquire, construct, and lease an affordable 48-unit, mid-rise apartment building. AMHA controls the general partner, Edgewood Village V Management Corporation. Of the 48 units, 36 units are low-rent and receive operating subsidy that is passed through AMHA's Annual Contributions Contract with HUD. In addition, the 12 remaining units are under a Project-Based Voucher HAP Contract with HUD.

In addition, a seventh component unit--Building for Tomorrow--was established in 2010 as a non-profit, 501(c)(3) tax exempt organization. The mission of the organization is to provide social services, education services, and financial assistance to low-income residents in AMHA's housing developments and/or participants in certain federal, state, or local voucher programs.

These seven entities are reported in the component unit column of the financial statements on pages 13 through 15. The financial statements for the component units are for the year ending December 31, 2012 with the exception of Building for Tomorrow, which is for fiscal year ending June 30, 2012.

The Authority operates under the following contracts:

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

Low-Income Public Housing Program - Under this program, the Authority owns and manages approximately 4,300 public housing units for eligible low-income families, the elderly, and persons with disabilities. The Authority operates the program with rents received from tenants and subsidies received from HUD.

Public Housing Capital Fund Program - Under this program, the Authority receives assistance for modernization and development of public housing. A portion of these funds is also used for management improvement activities and assisting with operations of the sites and administration of the capital fund program.

**AKRON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

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

Public Housing Family Self-Sufficiency (FSS) Program – This program enables families living in low-income public housing to increase their earned income and reduce their dependency on public assistance and rental subsidies. Under the FSS program, low-income families are provided opportunities for education, job training, counseling and other forms of social service assistance so they can obtain skills necessary to achieve self-sufficiency. HUD funding is provided for the salary of FSS coordinators. This program has a requirement of an escrow account for its participants and provides one-year funding.

Resident Opportunity and Self-Sufficiency (ROSS) Service Coordinators Program - Under this program, the Authority receives grant funds from HUD for the purpose of providing a service coordinator to coordinate supportive services and other activities designed to help public housing residents attain economic and housing self-sufficiency. This program provides three-year funding and includes administrative expenses and training as eligible uses of funds.

B. **ACC C-10003** – The following programs are operated under the contract:

Housing Choice Voucher (HCV) Program - Under this HUD Section 8 Program, the Authority contracts with private landlords and subsidizes the rental of 4,915 authorized units. HCV 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.

HCV Family Self-Sufficiency (FSS) Program – As with the FSS program for low-income public housing residents, HUD funding is received for program coordinators who assist residents in the HCV program with achieving self-sufficiency.

Veterans Affair Supportive Housing (VASH) – The HUD VASH program combines HCV rental assistance for homeless veterans with case management and clinical services provided by the Department of Veterans Affairs. The Authority's program consists of 60 vouchers.

Moderate Rehabilitation Program – Under this program, project-based rental assistance is provided to low-income families. The program was repealed in 1991 and no new projects are authorized for development. Assistance is limited to properties previously rehabilitated pursuant to a HAP contract between an owner and a public housing agency. The Authority's existing program consists of 14 units.

Shelter Plus Care Program - This program is funded in five-year increments through a Community Development Block Grant. The Authority receives funds

AKRON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)

for the purpose of providing housing (131 units) 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. ***Housing Assistance Payment Contracts*** - Under this HUD Section 8 Program, the Authority receives rental subsidies for approximately 200 dwelling units. Project-based rental assistance 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.

Pursuant to GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance, contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, the Authority follows GASB guidance as applicable to enterprise funds.

The Authority's basic financial statements consist of a statement of net position, a statement of revenues, expenses, and changes in net position, 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 position, 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 deferred inflows of resources and all liabilities and deferred outflows of resources associated with the operation of the Authority are included on the statement of net position. The statement of changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of

AKRON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)

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

cash flows provides information about how the Authority finances and meets the cash flow needs of its enterprise activity.

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

C. **Cash and Investments**

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

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

Land, structures, and equipment are capitalized at cost. Structures and equipment are depreciated over the estimated useful lives of the assets using the straight-line method. Buildings are depreciated over 40 years and equipment is depreciated over 3 to 5 years. The Authority's capitalization policy is \$5,000.

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, 2013
(CONTINUED)

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

The entire compensated absence liability is reported as a fund liability. The current portion of compensated absence liability is included in current 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 position 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 Project Based Rental Assistance which are recognized as dwelling rental revenue when earned. Tenant rents 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 unearned 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. The expenses are recorded based upon consumption.

J. **Budgetary Accounting**

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

AKRON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)

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

K. Use of Estimates

The preparation of the 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, 2013, the Authority had \$2,000 in undeposited cash on hand, which is included on the Statement of Net Position as part of “Equity in Pooled Cash and Cash Equivalents”.

Deposits

At fiscal year end, the carrying amount of the Authority’s deposits was \$19,291,996 (including \$348,449 of non-negotiable certificates of deposit), and the bank balance was \$21,787,207. Based on criteria described in GASB Statement No. 40, Deposits and Investments Risk Disclosures, as of June 30, 2013, none of the Authority’s bank balance was exposed to custodial credit risk.

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 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, 2013.

AKRON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)

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

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy (as established by HUD's Cash Management policy) limits operating reserves to be invested with maturities of not longer than three years. Repurchase agreements cannot exceed 30 days. To date, no investments have been purchased with a maturity greater than five years. Repurchase agreements do not exceed 30 days. As of June 30, 2013, 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, 2013, are as follows:

	Fair Value	Credit Rating*	Investment Maturities (in Years)		
			Less Than One Year	1 -3 Years	4 - 5 Years
Money Market	\$ 6,917,703	AAA	\$ 6,917,703	\$ -	\$ -
Trustee Banks**	6,747,854	N/A	3,005,417	3,495,814	246,623
U.S. Government Agencies	12,625,258	AAA	931,802	2,977,725	8,715,731
	<u>26,290,815</u>		<u>\$ 10,854,922</u>	<u>\$ 6,473,539</u>	<u>\$ 8,962,354</u>
Total Carrying Amount of Deposits and Cash on Hand	<u>19,293,996</u>				
Total Cash and Investments	<u>\$ 45,584,811</u>				

* 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.

AKRON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)

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

B. Restricted Cash and Investments

The Authority has restricted cash and investments at June 30, 2013 as follows:

Proceeds from Norton Homes Sale	\$ 8,719,317
Unspent HAP Funding Provided for the Housing Choice Voucher Prog.	2,115,997
Tenant Security Deposits	328,364
Other Purposes	<u>7,245,783</u>
Total Restricted Cash and Investments of the Primary Government	<u>\$18,409,461</u>

AKRON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)

NOTE 4: CAPITAL ASSETS

A summary of capital assets at June 30, 2013 by class is as follows:

Primary Government				
	Balance 7/1/2012	Additions	Deletions	Balance 6/30/2013
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 26,097,955	\$ -	\$ -	\$ 26,097,955
Construction In Progress	32,759,634	5,015,167	(4,915,678)	32,859,123
<i>Total Capital Assets Not Being Depreciated</i>	<u>58,857,589</u>	<u>5,015,167</u>	<u>(4,915,678)</u>	<u>58,957,078</u>
<i>Capital Assets Being Depreciated</i>				
Buildings and Building Improvements	297,948,093	5,058,217	(131,481)	302,874,829
Furniture, Equipment, Machinery-Dwelling	3,782,290	47,636	(365,313)	3,464,613
Administrative	2,183,106	-	(74,940)	2,108,166
<i>Total Capital Assets Being Depreciated</i>	<u>303,913,489</u>	<u>5,105,853</u>	<u>(571,734)</u>	<u>308,447,608</u>
Less: Accumulated Depreciation	(186,681,433)	(12,365,154)	443,814	(198,602,773)
Total Capital Assets Being Depreciated, Net	<u>117,232,056</u>	<u>(7,259,301)</u>	<u>(127,920)</u>	<u>109,844,835</u>
Total Capital Assets, Primary Government, Net	<u>\$ 176,089,645</u>	<u>\$ (2,244,134)</u>	<u>\$ (5,043,598)</u>	<u>\$ 168,801,913</u>
Component Units				
	Balance 1/1/2012	Additions	Deletions	Balance 12/31/2012
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 1,009,800	\$ -	\$ -	\$ 1,009,800
Construction in Progress	7,501,413	-	(7,501,413)	-
<i>Total Capital Assets Not Being Depreciated</i>	<u>8,511,213</u>	<u>-</u>	<u>(7,501,413)</u>	<u>1,009,800</u>
<i>Capital Assets Being Depreciated</i>				
Buildings and Building Improvements	63,278,063	18,409,160	-	81,687,223
Furniture, Equipment, Machinery-Dwelling	910,094	799,744	(63,672)	1,646,166
<i>Total Capital Assets Being Depreciated</i>	<u>64,188,157</u>	<u>19,208,904</u>	<u>(63,672)</u>	<u>83,333,389</u>
Less: Accumulated Depreciation	(14,783,433)	(2,939,092)	53,250	(17,669,275)
Total Capital Assets Being Depreciated, Net	<u>49,404,724</u>	<u>16,269,812</u>	<u>(10,422)</u>	<u>65,664,114</u>
Total Capital Assets, Component Units, Net	<u>\$ 57,915,937</u>	<u>\$ 16,269,812</u>	<u>\$ (7,511,835)</u>	<u>\$ 66,673,914</u>

Beginning capital assets in the component units were increased by \$7,501,413 due to unrecorded construction in progress in the prior year.

AKRON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)

NOTE 5: LONG-TERM OBLIGATIONS

Changes in the Authority's long-term obligations during fiscal year 2013 are as follows:

	Balance 6/30/2012	Additions	Deletions	Balance 6/30/2013	Due Within One Year
General Long-Term Obligations					
<i>Primary Government</i>					
Midtown Note 4.58%	\$ 435,460	\$ -	\$ (147,557)	\$ 287,903	\$ 154,168
Central Office Variable Rate Bonds	4,130,000	-	(290,000)	3,840,000	305,000
Energy Conservation Note 4.40%	2,241,660	-	(394,774)	1,846,886	412,663
Energy Conservation Note 3.79%	2,941,743	-	(420,442)	2,521,301	420,270
Capital Fund Financing Program Variable	12,825,005	-	(585,004)	12,240,001	615,000
Premium on Bond	316,795	-	(21,120)	295,675	-
Total General Long-Term Obligations	22,890,663	-	(1,858,897)	21,031,766	1,907,101
Capital Lease					
Phase III Bank of America	4,517,731	-	(123,772)	4,393,959	145,142
Compensated Absences	1,860,834	595,730	(279,126)	2,177,438	326,615
Total Primary Government	\$ 29,269,228	\$ 595,730	\$ (2,261,795)	\$ 27,603,163	\$ 2,378,858
Component Units					
Eastland Woods, LLC, 6.5%	\$ 2,263,452	\$ -	\$ (66,702)	\$ 2,196,750	\$ 71,518
Edgewood Village, LLC, 0%	4,000,000	-	(4,000,000)	-	-
Edgewood Village, LLC, 2%	492,000	-	-	492,000	-
Total Component Units	\$ 6,755,452	\$ -	\$ (4,066,702)	\$ 2,688,750	\$ 71,518

On April 1, 1998, the Authority issued \$7,000,000 of variable rate demand bonds. The proceeds were used for the construction and furnishing of the Authority's central office building and are being repaid from non-federal funds. The rate varies weekly, and the last reported rate for the period ending June 30, 2013 was .24 percent.

AKRON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)

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

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

On November 1, 2004, Eastland Woods, LLC obtained a mortgage loan in the amount of \$2,424,200 to acquire and rehabilitate a 100 unit affordable rental housing project in Akron, Ohio. The loan is payable in monthly installments of \$15,323 from December 1, 2004 to November 1, 2034 at an interest rate of 6.5 percent.

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 4.58 percent and the payment is \$13,644 monthly from April 1, 2010 to March 1, 2015. The mortgage is repaid from non-federal funds.

On September 20, 2005, the Board gave the Authority 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 note at an interest rate of 3.79 percent. Principal and interest payments of \$42,381 are paid monthly to the financing bank, PNC. Phase II of this program provided for the design, installation, and financing of energy conservation measures to reduce natural gas consumption throughout the low-income public housing properties.

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 are repaid from the Capital Fund Program and were issued to make capital 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.

**AKRON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

NOTE 5: LONG-TERM OBLIGATIONS (Continued)

Edgewood Village, LLC obtained a \$4,000,000 construction bridge loan secured by a mortgage from the Ohio Housing Finance Agency to fund construction of the Edgewood Village Phase 4 Project. This project debt was paid in full and released from mortgage in April 2012. In addition, a note payable is due to Edgewood Village Development Corporation on a \$492,000 construction loan secured by a mortgage from the Ohio Housing Finance Agency to fund construction of the Edgewood Village Phase 4 Project. This project debt is at an interest rate of 2% compounded semi-annually. Principal and interest are payable from cash flow and due December 10, 2049.

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 long-term debt as of June 30, 2013:

Fiscal Year	Principal	Interest	Total
2014	\$ 1,907,101	\$ 918,974	\$ 2,826,075
2015	1,966,576	832,697	2,799,273
2016	1,919,221	747,158	2,666,379
2017	2,012,135	660,207	2,672,342
2018	3,849,557	482,017	4,331,574
2019-2023	4,656,501	1,653,766	6,310,267
2024-2027	4,425,000	567,750	4,992,750
Totals	<u>\$ 20,736,091</u>	<u>\$ 5,862,569</u>	<u>\$ 26,598,660</u>

The Authority’s component units’ future debt service requirements for mortgages payable as of June 30, 2013 is 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.

AKRON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)

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.

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 or by using the OPERS website at www.opers.org.

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 2013 and 2012 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, 2013, 2012, and 2011 were \$1,322,084, \$1,469,334 and \$1,280,742, respectively; 85% percent has been contributed for 2013 and 100% for 2012 and 2011.

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.

AKRON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)

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

A. **Plan Description** (Continued)

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.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013, the Authority contributed at a rate of 14.0 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0 percent of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

**AKRON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

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

B. **Funding Policy** (Continued)

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. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0 percent (6.05 percent in Combined Plan) from January 1, 2011 through December 31, 2012, and 1.0 percent from January 1, 2013 through June 30, 2013.

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, 2013, 2012 and 2011, which were used to fund post-employment benefits were \$528,823, \$587,734 and \$606,667, respectively.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

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 and 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
Automobile	500	ACV
Public Officials	-	4,000,000
Crime	10,000	1,000,000

AKRON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)

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 \$454,343 for the year ended June 30, 2013.

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, 2013, the Authority had the following significant contractual commitments:

<u>Project</u>	<u>Amount</u>
Summit Lake Family Opportunity Center	\$ 3,200,471
Colonial Hills Renovation	2,204,820
Ameresco Needs Assessment	<u>187,800</u>
Total Construction Commitments	<u>\$5,593,091</u>

NOTE 13: CAPITAL CONTRIBUTIONS

Capital contributions of \$5,448,340 represent the portion of grants that are used for capital improvements under the Authority's public housing program.

NOTE 14: 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 Accum. Depr.	\$168,801,913	\$66,673,915
Debt Related to Capital Assets	<u>(25,425,725)</u>	<u>(4,663,294)</u>
Subtotal	143,376,188	62,010,621
Note Payable to Primary Government		
Related to Capital Asset Additions	<u>0</u>	<u>(51,987,679)</u>
Total Invested in Capital Assets	<u>\$143,376,188</u>	<u>\$10,022,942</u>

AKRON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)

NOTE 15: **RESTRICTED NET POSITION**

The Housing Choice Voucher Program and the VA Supportive Housing Program requires the equity portion attributable to the excess housing assistance payments be reflected as restricted net position. The corresponding funds are reflected in the cash and investment accounts. In addition, proceeds from the sale of the Norton Homes public housing project are also restricted in usage and are shown as restricted investments and net position.

HCV Program	\$ 2,115,997
Public Housing Bond Pool	3,361,835
Component Unit Restricted	1,238,050
Norton Homes Sale Proceeds	<u>8,719,317</u>
Total Restricted Net Position	<u>\$15,435,199</u>

AKRON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)

NOTE 16: CONDENSED FINANCIAL STATEMENT INFORMATION - COMPONENT UNITS

	Akron Edgewood Homes, LLC	Eastland Woods, LLC	Edgewood Village, LLC	Edgewood Village South, LLC
<u>Balance Sheet</u>				
Current Assets	\$ 1,463,991	\$ 1,385,979	\$ 747,821	\$ 435,927
Capital Assets	18,366,769	11,905,850	9,978,514	8,981,255
Other Non-Current Assets	226,732	150,064	255,858	235,958
Current Liabilities	(1,543,990)	(876,111)	(1,816,745)	(1,273,343)
Non-Current Liabilities	(11,489,282)	(8,740,903)	(4,101,512)	(6,588,418)
Net Position	7,024,220	3,824,879	5,063,936	1,791,379

<u>Revenue, Expenses, and Changes in Equity</u>				
Revenues	913,935	1,259,248	434,471	21,931
Expenses	1,465,639	1,725,171	859,691	158,689
Excess of Revenue over Expenses	(551,704)	(465,923)	(425,220)	(136,758)

	Marian Hall Building, LLC	Wilbeth Arlington Homes Ltd. Partnership	Building for Tomorrow	Total
<u>Balance Sheet</u>				
Current Assets	\$ 990,683	\$ 2,236,302	\$ 155,506	\$ 7,416,209
Capital Assets	9,539,299	7,902,228	-	66,673,915
Other Non-Current Assets	289,740	37,869	-	1,196,221
Current Liabilities	(1,313,346)	(450,068)	(148,510)	(7,422,113)
Non-Current Liabilities	(8,333,711)	(17,325,629)	-	(56,579,455)
Net Position	1,172,665	(7,599,298)	6,996	11,284,777

<u>Revenue, Expenses, and Changes in Equity</u>				
Revenues	188,998	2,819,346	157,710	5,795,639
Expenses	538,388	4,350,112	150,714	9,248,404
Excess of Revenue over Expenses	(349,390)	(1,530,766)	6,996	(3,452,765)

AKRON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)

NOTE 17: CAPITAL LEASES

In 2011, the Authority entered into a capitalized lease agreement for the acquisition of various building improvements/equipment. The terms of each agreement provide options to purchase the items. The leases meet the criteria of capital leases as one which transfers all benefits and risks of ownership to the lessee.

Capital assets acquired by lease have been capitalized as equipment in the amount of \$4,676,586 equal to the present value of the future minimum lease payments at the time of acquisition. Principal payments in the current fiscal year totaled \$123,772.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments at year-end.

<u>Fiscal</u> <u>Year</u>	<u>Lease</u> <u>Payments</u>
2014	\$ 325,656
2015	347,810
2016	352,920
2017	369,972
2018	802,104
2019-2021	<u>3,162,285</u>
Total minimum lease payments	5,360,747
Less: amount representing interest	<u>(966,788)</u>
Total	<u>\$ 4,393,959</u>

NOTE 18: IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

For 2013, the Authority has implemented GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* and GASB Statement No. 63, *Financial Reporting, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*.

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or non-governmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a “facility”) in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the Authority.

AKRON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)

NOTE 18: **IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS (Continued)**

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the FASB and AICPA pronouncement which does not conflict with or contradict GASB pronouncements. The implementation of this Statement did not result in any change in the Authority's financial statements.

GASB Statement No. 63 provides financial reporting and guidance for deferred outflows of resources and deferred inflows of resources which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. The implementation of GASB Statement No. 63 changed the presentation of the Authority's financial statement to incorporate the concept of net position.

NOTE 19: **PRIOR PERIOD ADJUSTMENTS**

A change in the calculation of equity contribution related to notes receivable from component units caused a prior year adjustment of \$986,393. Also, unrecorded construction in progress in two component units' prior year financial statements caused a prior period adjustment of \$7,501,413.

**AKRON METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>		
<u>Direct Programs</u>		
Low-Income Public Housing Program	14.850	\$ 16,657,323
Residential Opportunity and Self-Sufficiency (ROSS) Service Coordinators	14.870	218,473
Public and Indian Housing Family Self-Sufficiency Program under ROSS	14.877	127,376
<u>CFP Cluster</u>		
Capital Fund Program	14.872	8,578,928
ARRA - Public Housing Competitive Capital Fund Stimulus (Formula) Recovery Act Funded	14.884	131,689
Total CFP Cluster		<u>8,710,617</u>
<u>Section 8</u>		
Section 8 Housing Choice Voucher Program	14.871	29,522,426
<u>Section 8 Project Cluster</u>		
Section 8 New Construction	14.182	2,173,240
Section 8 Moderate Rehabilitation	14.856	77,987
Total Section 8 Project Cluster		<u>2,251,227</u>
Shelter Plus Care	14.238	554,592
Total Section 8		<u>32,328,245</u>
Total U.S. Department of Housing and Urban Development		<u>58,042,034</u>
TOTAL FEDERAL AWARDS EXPENDITURES		<u><u>\$ 58,042,034</u></u>

See accompanying notes to the schedule of federal awards expenditures

AKRON METROPOLITAN HOUSING AUTHORITY
NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1: **REPORTING ENTITY**

The Schedule of Federal Awards Expenditures includes the federal expenditures of all of the funds and departments of the Authority. The expenditure of non-federal funds are not included on this schedule.

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
STATEMENT OF ROSS GRANT COST - COMPLETED
FOR THE TWELVE MONTHS ENDED JUNE 30, 2013**

Annual Contributions Contract C-959

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

OH007RNN024A005

Funds Approved	\$ 251,041
Funds Expended	<u>251,041</u>
Excess (Deficiency) of Funds Approved	<u><u>\$ 0</u></u>

2. All work in connection with the ROSS Program has been completed.
3. The entire actual grant cost or liabilities incurred by the Authority have been fully paid.

Annual Contributions Contract C-959

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

OH007REF061A007

Funds Approved	\$ 500,000
Funds Expended	<u>500,000</u>
Excess (Deficiency) of Funds Approved	<u><u>\$ 0</u></u>

2. All work in connection with the ROSS Program has been completed.
3. The entire actual grant cost or liabilities incurred by the Authority have been fully paid.

Annual Contributions Contract C-959

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

OH007RFS149A009

Funds Approved	\$ 127,730
Funds Expended	<u>127,730</u>
Excess (Deficiency) of Funds Approved	<u><u>\$ 0</u></u>

2. All work in connection with the ROSS Program has been completed.
3. The entire actual grant cost or liabilities incurred by the Authority have been fully paid.

**AKRON METROPOLITAN HOUSING AUTHORITY
STATEMENT OF ROSS GRANT COST - COMPLETED
FOR THE TWELVE MONTHS ENDED JUNE 30, 2013
(CONTINUED)**

Annual Contributions Contract C-959

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

OH007RFS166A010

Funds Approved	\$ 131,431
Funds Expended	<u>131,431</u>
Excess (Deficiency) of Funds Approved	<u><u>\$ 0</u></u>

2. All work in connection with the ROSS Program has been completed.
3. The entire actual grant cost or liabilities incurred by the Authority have been fully paid.

Annual Contributions Contract C-959

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

OH007RFS137A008

Funds Approved	\$ 124,010
Funds Expended	<u>124,010</u>
Excess (Deficiency) of Funds Approved	<u><u>\$ 0</u></u>

2. All work in connection with the ROSS Program has been completed.
3. The entire actual grant cost or liabilities incurred by the Authority have been fully paid.

**AKRON METROPOLITAN HOUSING AUTHORITY
STATEMENT OF PUBLIC HOUSING DEVELOPMENT GRANT COST -
COMPLETED
FOR THE TWELVE MONTHS ENDED JUNE 30, 2013**

Annual Contributions Contract C-959

1. The total amount of grant costs of the Public Housing Development grants are shown below:

OH12P007-064

Funds Approved	\$ 1,456,000
Funds Expended	<u>1,456,000</u>
Excess (Deficiency) of Funds Approved	<u><u>\$ 0</u></u>

2. All work in connection with the Public Housing Development has been completed.
3. The entire actual grant cost or liabilities incurred by the Authority have been fully paid.
4. There are no discharged mechanics, laborers, contractors, or material-mens lien against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work.

**AKRON METROPOLITAN HOUSING AUTHORITY
STATEMENT OF MODERNIZATION COST - COMPLETED
FOR THE TWELVE MONTHS ENDED JUNE 30, 2013**

Annual Contributions Contract C-959

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

OH12R007-50206

Funds Approved	\$ 179,170
Funds Expended	<u>179,170</u>
Excess (Deficiency) of Funds Approved	<u>\$ 0</u>
Funds Advanced	\$ 179,170
Funds Expended	<u>179,170</u>
Excess (Deficiency) of Funds Advanced	<u>\$ 0</u>

2. All modernization work in connection with the Capital Fund Program has been completed.
3. The entire actual grant cost or liabilities incurred by the Authority have been fully paid.
4. There are no discharged mechanics, laborers, contractors, or material-mens lien 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.

Annual Contributions Contract C-959

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

OH12R007-50207

Funds Approved	\$ 146,680
Funds Expended	<u>146,680</u>
Excess (Deficiency) of Funds Approved	<u>\$ 0</u>
Funds Advanced	\$ 146,680
Funds Expended	<u>146,680</u>
Excess (Deficiency) of Funds Advanced	<u>\$ 0</u>

2. All modernization work in connection with the Capital Fund Program has been completed.
3. The entire actual grant cost or liabilities incurred by the Authority have been fully paid.
4. There are no discharged mechanics, laborers, contractors, or material-mens lien against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work.

**AKRON METROPOLITAN HOUSING AUTHORITY
STATEMENT OF MODERNIZATION COST - COMPLETED
FOR THE TWELVE MONTHS ENDED JUNE 30, 2013
(CONTINUED)**

Annual Contributions Contract C-959

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

OH12P007-50107

Funds Approved	\$ 8,483,282
Funds Expended	<u>8,483,282</u>
Excess (Deficiency) of Funds Approved	<u>\$ 0</u>
Funds Advanced	\$ 8,483,282
Funds Expended	<u>8,483,282</u>
Excess (Deficiency) of Funds Advanced	<u>\$ 0</u>

2. All modernization work in connection with the Capital Fund Program has been completed.
3. The entire actual grant cost or liabilities incurred by the Authority have been fully paid.
4. There are no discharged mechanics, laborers, contractors, or material-mens lien 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.

Annual Contributions Contract C-959

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

OH12P007-50108

Funds Approved	\$ 9,045,567
Funds Expended	<u>9,045,567</u>
Excess (Deficiency) of Funds Approved	<u>\$ 0</u>
Funds Advanced	\$ 9,045,567
Funds Expended	<u>9,045,567</u>
Excess (Deficiency) of Funds Advanced	<u>\$ 0</u>

2. All modernization work in connection with the Capital Fund Program has been completed.
3. The entire actual grant cost or liabilities incurred by the Authority have been fully paid.
4. There are no discharged mechanics, laborers, contractors, or material-mens lien against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work.

**AKRON METROPOLITAN HOUSING AUTHORITY
STATEMENT OF MODERNIZATION COST - COMPLETED
FOR THE TWELVE MONTHS ENDED JUNE 30, 2013
(CONTINUED)**

Annual Contributions Contract C-959

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

OH12P007-050109

Funds Approved	\$ 8,743,331
Funds Expended	<u>8,743,331</u>
Excess (Deficiency) of Funds Approved	<u>\$ 0</u>
Funds Advanced	\$ 8,743,331
Funds Expended	<u>8,743,331</u>
Excess (Deficiency) of Funds Advanced	<u>\$ 0</u>

2. All modernization work in connection with the Capital Fund Program has been completed.
3. The entire actual grant cost or liabilities incurred by the Authority have been fully paid.
4. There are no discharged mechanics, laborers, contractors, or material-mens lien 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.

Annual Contributions Contract C-959

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

OH12S007-50109

Funds Approved	\$ 11,744,330
Funds Expended	<u>11,744,330</u>
Excess (Deficiency) of Funds Approved	<u>\$ 0</u>
Funds Advanced	\$ 11,744,330
Funds Expended	<u>11,744,330</u>
Excess (Deficiency) of Funds Advanced	<u>\$ 0</u>

2. All modernization work in connection with the Capital Fund Program has been completed.
3. The entire actual grant cost or liabilities incurred by the Authority have been fully paid.
4. There are no discharged mechanics, laborers, contractors, or material-mens lien against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work.

**AKRON METROPOLITAN HOUSING AUTHORITY
STATEMENT OF MODERNIZATION COST - COMPLETED
FOR THE TWELVE MONTHS ENDED JUNE 30, 2013
(CONTINUED)**

Annual Contributions Contract C-959

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

OH0070000609E – CFRC GRANT

Funds Approved	\$ 5,062,162
Funds Expended	<u>5,062,162</u>
Excess (Deficiency) of Funds Approved	<u>\$ 0</u>
Funds Advanced	\$ 5,062,162
Funds Expended	<u>5,062,162</u>
Excess (Deficiency) of Funds Advanced	<u>\$ 0</u>

2. All modernization work in connection with the Capital Fund Program has been completed.
3. The entire actual grant cost or liabilities incurred by the Authority have been fully paid.
4. There are no discharged mechanics, laborers, contractors, or material-mens lien 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.

Annual Contributions Contract C-959

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

OH00780000109E – ARRA CFRC GRANT

Funds Approved	\$ 4,098,169
Funds Expended	<u>4,098,169</u>
Excess (Deficiency) of Funds Approved	<u>\$ 0</u>
Funds Advanced	\$ 4,098,169
Funds Expended	<u>4,098,169</u>
Excess (Deficiency) of Funds Advanced	<u>\$ 0</u>

2. All modernization work in connection with the Capital Fund Program has been completed.
3. The entire actual grant cost or liabilities incurred by the Authority have been fully paid.
4. There are no discharged mechanics, laborers, contractors, or material-mens lien 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.

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

Charles E. Harris & Associates, Inc.
Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Akron Metropolitan Housing Authority
Summit County
100 West Cedar Street
Akron, OH 43616

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the business-type activities and its discretely presented component units of the Akron Metropolitan Housing Authority, Summit County, (the Authority) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated January 15, 2014. Our report refers to other auditors who audited the financial statements of the Eastland Woods, LLC, Wilbeth-Arlington Homes, Limited Partnership, Akron Edgewood Homes, LLC, Edgewood Village, LLC, Edgewood Village South, LLC, Marian Hall Building, LLC and Building for Tomorrow as described in our report on the Authority's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that those auditors separately reported.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Authority's internal control. Accordingly, we have not opined on it.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Authority's financial statements. *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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.
January 15, 2014

Rockefeller Building
614 W Superior Ave Ste 1242
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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Akron Metropolitan Housing Authority
Summit County
100 West Cedar Street
Akron, OH 44307

To the Board of Directors:

Report on Compliance for Each Major Federal Program

We have audited the Akron Metropolitan Housing Authority's (the Authority) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Authority's major federal programs for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the Authority's major federal programs.

Management's Responsibility

The Authority's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the Authority's compliance for the Authority's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Authority's major programs. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on the Major Federal Programs

In our opinion, the Akron Metropolitan Housing Authority complied in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal programs for the year ended June 30, 2013.

Report on Internal Control over Compliance

The Authority's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Authority's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal programs' compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Authority'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, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *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 federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



CHARLES E. HARRIS & ASSOCIATES, INC.
January 15, 2014

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505**

**AKRON METROPOLITAN HOUSING AUTHORITY
SUMMIT COUNTY
JUNE 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unmodified
(d)(1)(ii)	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any significant deficiencies reported at the financial statement level statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any significant deficiencies reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Program's Compliance Opinion</i>	Unmodified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510</i>	No
(d)(1)(vii)	<i>Major Programs:</i>	Housing Choice Voucher Program, CFDA #14.871 <u>Section 8 Project Cluster</u> New Construction, CFDA #14.182 Moderate Rehabilitation, CFDA#14.856
(d)(1)(viii)	<i>Dollar Threshold: Type A\B Programs</i>	Type A: > \$1,741,261 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

**AKRON METROPOLITAN HOUSING AUTHORITY
SUMMIT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2013**

The prior audit report, for the year ending June 30, 2012, reported no material citations or recommendations.



Dave Yost • 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
MARCH 27, 2014**