AKRON METROPOLITAN HOUSING AUTHORITY
SUMMIT COUNTY, OHIO

AUDIT REPORT

For the Year Ended June 30, 2011

Charles E. Harris & Associates, Inc.
Certified Public Accountants and Government Consultants

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, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Akron Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

Dave Yost

Dave Yost
Auditor of State

May 23, 2012

This page intentionally left blank.

AKRON METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

TABLE OF CONTENTS

	PAGE
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-12
Basic Financial Statements:	
Statement of Net Assets - Proprietary Fund Type	13
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Fund Type	14
Statement of Cash Flows - Proprietary Fund Type	15
Notes to the Basic Financial Statements	16-34
Schedule of Expenditures of Federal Awards	35
Notes to Supplemental Schedule of Expenditures of Federal Awards	36
Statement of ROSS Grant – Completed	37
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*	38-39
Independent Accountants' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	40-41
Schedule of Findings	42
Schedule of Prior Audit Findings	43

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

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

INDEPENDENT AUDITORS' REPORT

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

Regional Inspector General of Audit
Department of Housing and Urban Development

We have audited the accompanying financial statements of the business-type activities and the discretely presented component units of the Akron Metropolitan Housing Authority, Summit County, Ohio (the Authority) for the year ended June 30, 2011, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Eastland Woods, LLC, Wilbeth Arlington Homes, Ltd. Partnership, Akron Edgewood Homes LLC, and Edgewood Village, LLC, which represent 100 percent of the assets and 100 percent of the revenues of the Authority's discretely presented component units. Those statements were audited by other auditors whose unqualified report has been furnished to us, and our opinion, insofar as it related to the amounts included for these component units is based solely on the report of such other auditors.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective 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, 2011, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2012 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, grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

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

Charles E. Harris & Associates

Charles E. Harris & Associates, Inc.
February 22, 2012

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

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

Financial Highlights - Primary Government

- The Authority's net assets increased by $11,342,661 (4.9 percent) during fiscal year 2011. Net assets were $242,153,820 and $230,811,159 for 2011 and 2010, respectively, including the restatement of prior year net assets.

- Revenue activity increased by $13,086,938 (16.2 percent) during 2011 and was $93,750,696 and $80,663,758 for 2011 and 2010, respectively.

- The total expenses of all Authority programs increased by $6,576,394 (8.6 percent) during 2011. Total expenses were $82,408,035 and $75,831,641 for 2011 and 2010, respectively.

Using This Annual Report

The following depicts the Authority's annual report:

MD & A
Management Discussion and Analysis

Basic Financial Statements (pages 13 to 15)
Statement of Net Assets
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Statement of Cash Flows

Notes to the Financial Statements
Pages 16 to 34

Authority-wide Financial Statements

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

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

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

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

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

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

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

Fund Financial Statements

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

THE AUTHORITY'S PROGRAMS

Low-Income Public Housing

The Low-Income Public Housing (LIPH) Program represents the rented units (approximately 4,300) to low-income households and is operated under an Annual Contributions Contract (ACC) with HUD. Rent is based upon 30 percent of household income and HUD provides an operating subsidy.

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

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.

HOPE VI Revitalization Grant

The Authority was awarded a $19.25 million grant in 2003 to assist in the replacement of the 124-unit Elizabeth Park Homes Development. The replacement housing consists of 269 new single-family homes and townhouses. During fiscal year 2006, an additional HOPE VI grant was awarded to the Authority in the amount of $20 million for the replacement of the 116 units at Edgewood Homes. Replacements will consist of 178 new single-family townhouses and a 4-story, 48-unit building that will house senior and/or disabled residents.

American Recovery and Reinvestment Act (ARRA) Grant

During fiscal year 2009, the Authority was awarded an $11,744,330 ARRA formula grant to provide additional assistance in addressing the capital needs of public housing. During fiscal year 2010, HUD awarded the Authority two competitive grants under ARRA: $4,098,169 to assist in financing the construction of a 48-unit mid-rise in Edgewood Village for housing elderly and/or disabled residents and $5,062,162 for a major renovation of the Allen Dickson senior high-rise apartment building. All construction will be completed in 2012.

Housing Choice Voucher Program

Under the Housing Choice Voucher 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.

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.

Elderly/Disabled Service Coordinator Grant

HUD funds service coordinator positions as an add-on subsidy through its operating fund for the purpose of providing support to elderly and/or disabled residents of the LIPH program. The objective is to help this resident population continue to live in place, independently, without having to move to more expensive assisted care environments.

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.

Shelter Plus Care

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

Resident Opportunities and Self-Sufficiency (ROSS) - Family-Self Sufficiency (FSS) Grant

The Authority receives a separate HUD grant to fund the hiring of program coordinators who assess the needs of LIPH residents and coordinate available resources in the community to meet those needs. The FSS coordinator links residents with training opportunities, job placement organizations, and local employers. Residents enter into a contract of participation which outlines their responsibilities towards completion of training and employment objectives.

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 multi-phase project at Edgewood Village will result in 128 public housing units and 98 tax credit units upon its completion in 2012.

Statement of Net Assets

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

Table 1 - Statement of Net Assets - Primary Government

	FY 2011	Restated FY 2010
Assets		
Current Assets	$ 57,046,028	$ 62,302,313
Other Non-Current Assets	46,589,846	26,579,146
Capital Assets, Net of Accumulated Depreciation	174,524,266	182,427,054
Total Assets	$ 278,160,140	$ 271,308,513
Liabilities and Net Assets		
Liabilities		
Current Liabilities	$ 7,104,130	$ 10,771,092
Non-Current Liabilities	28,902,190	29,726,262
Total Liabilities	36,006,320	40,497,354
Net Assets		
Invested in Capital Assets, Net of Related Debt	151,840,787	166,066,617
Restricted Net Assets	21,809,283	13,087,444
Unrestricted Net Assets	68,503,750	51,657,098
Total Net Assets	242,153,820	230,811,159
Total Liabilities and Net Assets	$ 278,160,140	$ 271,308,513

Major Factors Affecting the Statement of Net Assets

Both cash (current asset) and accounts payable (current liability) decreased approximately $3.5 million from the prior year due to efforts by the Authority to reduce the amount outstanding at year end. Other non-current assets as well as unrestricted net assets increased nearly $18 million and represents loans receivable relating to Cascade Village and Edgewood Village. Capital assets decreased by nearly $8 million due to the increase in accumulated depreciation.

Restricted net assets increased approximately $9 million to properly account for sales proceeds from a prior year. Net assets invested in capital was revalued in 2011 and represents the new capital asset values.

Statement of Revenues and Expenses

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

Table 2 - Statement of Revenues and Expenses - Primary Government

	FY 2011	FY 2010	Change
Revenues			
Tenant Revenue	$ 8,179,935	$ 8,838,093	$ (658,158)
Operating Subsidy and Capital Grants	76,800,043	65,190,262	11,609,781
Capital Contributions	-	758,139	(758,139)
Investment Income	2,337,529	1,132,673	1,204,856
Other Revenues	6,433,189	4,744,591	1,688,598
Total Revenues	93,750,696	80,663,758	13,086,938
Expenses			
Operating Expenses			
Administrative	18,698,965	12,768,661	5,930,304
Tenant Services	1,982,562	1,465,489	517,073
Utilities	4,002,768	3,885,657	117,111
Maintenance/Security	12,389,992	13,361,077	(971,085)
Other General Expenses	2,689,091	2,014,524	674,567
Total Operating Expenses	39,763,378	33,495,408	6,267,970
Other Expenses			
Interest Expense	625,404	724,203	(98,799)
Loss on Sale of Capital Assets	1,008,661	-	1,008,661
Housing Assistance	30,739,386	30,549,740	189,646
Depreciation Expense	10,271,206	11,062,290	(791,084)
Total Other Expenses	42,644,657	42,336,233	308,424
Total Expenses	82,408,035	75,831,641	6,576,394
Net Income (Deficit)	$11,342,661	$ 4,832,117	$ 6,510,544

Major Factors Affecting the Statement of Revenues and Expenses

Total revenue increased by $13,086,938. In 2011, the HOPE VI grant totaled $3,016,585 for the construction of Edgewood Village Phases 3 and 5. ARRA grant funds totaled $11,080,759 for new construction at Edgewood Village Phase 5 and renovations at several of the Authority's high-rises.

Investment income increased by $1.2 million due to booking interest accruals from loans to component units. The $1,008,661 loss on sale of capital assets relates to demolition of the Midtown building. Other revenues increased by $1,688,598 due to drawing additional operating transfers of $763,000 and administrative fees of $956,000 from the capital budget.

Total operating expenses increased by $6.2 million. Administrative costs increased by $2.7 million for capital and $2.4 million for ARRA. Tenant services increased by $500,000 for state and local funded Early Childhood Initiatives and for HOPE VI. Maintenance and security expenses decreased by $971,000 as a result of less contractual services and staff costs.

Other general operating expenses increased by $700,000; however, insurance in the fiscal year 2010 financials was understated at approximately $10,000. Housing assistance payments under the Section 8 Housing Choice Voucher Program remained stable. Depreciation expense decreased by $791,000; buildings are fully depreciated and a revaluation of the Authority's overall capital assets was performed in 2011.

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	$ 32,977,578	$ 33,524,908
Central Office Cost Center	4,285,832	4,148,826
Section 8 Housing Choice Voucher Program (includes VASH)	32,273,192	31,584,479
Section 8 Moderate Rehab Program	70,244	73,375
Section 8 New Construction and Substantial Rehab Program	2,312,646	2,183,944
HOPE VI	3,016,585	601,491
LHA Business Activities	6,290,483	5,973,991
Resident Opportunity and Supportive Services	408,329	411,765
Shelter Plus Care	531,181	513,824
American Reinvestment and Recovery Act	11,080,759	2,887,565
Resident Support Services/Early Childhood Initiatives (State/Local)	503,867	503,867
Totals	$ 93,750,696	$ 82,408,035

The balance of ARRA revenue was used for capital asset additions and not classified as an expense.

Capital Assets

During fiscal year 2011, the change in capital assets amounted to $7.9 million. The following table represents the changes in the asset accounts by category as follows:

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

	2011	Restated 2010	Change
Land	$ 26,433,090	$ 25,943,078	$ 490,012
Buildings	264,766,208	268,133,851	(3,367,643)
Equipment	6,307,872	6,750,972	(443,100)
Accumulated Depreciation	(174,308,732)	(165,839,127)	(8,469,605)
Construction-in-Progress	51,325,828	47,438,280	3,887,548
Totals	$174,524,266	$182,427,054	$ (7,902,788)

Capital assets decreased from the prior year due to depreciation on existing assets.

Debt

During fiscal year 2011, $4,676,586 of new debt was issued for funding additional energy improvements at several of the Authority’s low-income public housing developments, and approximately $1.8 million of principal was repaid. The following table compares outstanding debt for the current and previous fiscal years.

Table 5 - Outstanding Debt at Year End

	2011	2010
Outstanding Debt	$ 29,192,336	$ 26,416,691
Less: Current Portion	(1,842,939)	(1,756,047)
Long-Term Debt	$ 27,349,397	$ 24,660,644

Unrestricted Net Assets

The following table shows the changes in unrestricted net assets for the fiscal year ended June 30, 2011.

Table 6 - Change in Unrestricted Net Assets

Unrestricted Net Assets at June 30, 2010		$ 51,657,098
Change in Net Assets	11,342,661	
Adjustments:		
Depreciation (1)	10,271,206	
Adjusted Results from Operations		21,613,867
Debt and Capital Expenditures		(2,160,241)
Capital Grants and Contributions		(16,790,494)
Transfer to Restricted		(9,139,506)
Adjustments to operations		23,323,026
Unrestricted Net Assets at June 30, 2011		$ 68,503,750

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

Economic Factors and 2011 Budgets

The preparation of the fiscal year 2011 budget was prepared while several significant economic and regulatory factors were uncertain; however, the Authority fared well.

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 between 82 percent and 97 percent. During the second half of fiscal year 2011, proration was at 103 percent.

The Authority completed its fifth year under HUD's Asset Management and Project-Based Accounting model. With the successful conversion, subsidy losses were stopped at 5 percent, with an additional $3.5 million of cumulative subsidy realized.

The Authority continues to receive HUD funding for the capital needs of public housing. During fiscal year 2011, the budget for these improvements was $6,906,000. ARRA funds generated $8,193,000 in capital additions, and HOPE VI funding also generated nearly $3,016,000 in capital additions to the Edgewood Village project. In 2012, $4,174,000 in capital additions should also be realized as construction continues on the two remaining phases.

With funding uncertainty in all HUD programs, it has become vital to analyze the annual budget and determine where cuts may be necessary. However, with any reduction, the Authority remains committed to its residents and maintaining high housing standards. 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 ASSETS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2011

	Primary Government	Component Units
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 14,553,560	$ 847,127
Investments - Unrestricted	15,778,006	-
Restricted Cash and Cash Equivalents	5,332,184	2,310,895
Investments - Restricted	16,477,089	-
Receivables, Net	4,143,694	165,570
Inventories, Net	423,484	17,036
Prepaid Expenses and Other Assets	338,011	820,256
Total Current Assets	57,046,028	4,160,884
Noncurrent Assets		
Capital Assets, Not Being Depreciated	77,758,918	1,009,800
Capital Assets, Net of Depreciation	96,765,348	51,920,710
Notes Receivable from Component Units and Other	46,246,349	-
Other Noncurrent Assets	343,497	794,699
Total Noncurrent Assets	221,114,112	53,725,209
TOTAL ASSETS	$ 278,160,140	$ 57,886,093
LIABILITIES		
Current Liabilities		
Accounts Payable	1,533,967	1,500,670
Accrued Liabilities	1,293,072	2,686,961
Tenant Security Deposits	299,694	122,276
Deferred Revenue	606,747	1,151,211
Bonds, Notes, and Loans Payable	1,842,939	61,984
Other Current Liabilites	1,527,711	-
Total Current Liabilities	7,104,130	5,523,102
Non-Current Liabilites		
Bonds, Notes, and Loans Payable	27,349,397	6,456,030
Accrued Compensated Absences, Non-Current	1,504,344	-
Notes Payable to Primary Government	-	36,776,694
Non-Current Liabilities - Other	48,449	-
Total Non-Current Liabilites	28,902,190	43,232,724
TOTAL LIABILITES	$ 36,006,320	$ 48,755,826
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	151,840,787	9,635,802
Restricted Net Assets	21,809,283	-
Unrestricted Net Assets	68,503,750	(505,535)
TOTAL NET ASSETS	$ 242,153,820	$ 9,130,267

AKRON METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2011

	Primary Government	Component Units
Operating Revenue:		
Tenant Revenue	$ 8,179,935	$ 4,335,563
Government Operating Grants	60,009,549	-
Other Revenue	6,433,189	294,636
Total Operating Revenue	74,622,673	4,630,199
Operating Expenses		
Administrative	18,698,965	1,083,899
Tenant Services	1,982,562	-
Utilities	4,002,768	366,285
Maintenance	11,177,581	1,104,536
Protective Services	1,212,411	-
General	1,685,773	711,204
Housing Assistance Payment	30,739,386	-
Insurance	1,003,318	176,709
Depreciation	10,271,206	2,211,663
Total Operating Expenses	80,773,970	5,654,296
Operating Income (Loss)	(6,151,297)	(1,024,097)
Non-Operating Revenues(Expenses)		
Interest and Investment Revenue	2,337,529	5,670
Interest Expense	(625,404)	(1,522,041)
Gain or Loss on Sale of Capital Assets	(1,008,661)	-
Total Non-Operating Revenues (Expenses)	703,464	(1,516,371)
Income(Loss) Before Capital Contributions	(5,447,833)	(2,540,468)
Capital Revenue		
Capital Grants	16,790,494	-
Total Capital Revenue	16,790,494	-
Change in Net Assets	11,342,661	(2,540,468)
Net Assets, Beginning of year, Restated	230,811,159	11,670,735
Total Net Assets, End of year	$ 242,153,820	$ 9,130,267

AKRON METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2011

	Primary Government	Component Units
Cash Flows from Operating Activities		
Cash Received from HUD	$ 57,451,110	$ -
Cash Received from Tenants and Other	8,475,163	4,221,665
Cash Received from Other Revenue	4,862,130	253,937
Cash Payments for Housing Assistance Payment	(30,739,386)	-
Cas Payments for Administrative	(18,858,749)	(2,220,664)
Cash Payments for Ordinary Maintenance	(11,147,916)	(1,526,502)
Cash Payments for Other Operating Expenses	(13,289,590)	-
Net Cash Provided (Used) by Operating Acitivities	(3,247,238)	728,436
Cash Flows from Capital and Related Financing Activities		
Debt Principal and Interest	(2,708,421)	(945,393)
Cash from Asset Sales	1,969	-
Acquisition and Construction of Capital Assets	(15,960,325)	(6,424,556)
Expenditures on Rental Property	-	(865,551)
Payment of Development Fee	-	(255,217)
Proceeds of Tax Credit Exchange Funds	-	1,164,369
Deferred Loan Fees	-	(307,631)
Deposits/Withdrawals to/from Mortgage and Escrow	-	(149,333)
Proceeds from Capital Grants and Contributions	18,628,667	-
Proceeds from Debt Issuance	4,675,586	6,275,412
From Primary Component Loan Payments	(1,045,016)	1,045,016
Net Cash Provided (Used) by Capital and Other Related Financing Activities	3,592,460	(462,884)
Cash Flows from Investing Activities		
Notes Receivable	(7,155,615)	-
Redemption (Purchase) of Investments	1,029,314	-
Investment Income	2,337,529	5,670
Net Cash Provided (Used) by Investing Activities	(3,788,772)	5,670
Change in Cash	(3,443,550)	271,222
Cash and Cash Equivalents, Beginning of Year	23,329,294	575,905
Cash and Cash Equivalents, End of Year	$ 19,885,744	$ 847,127
Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities		
Operating Loss	$ (6,151,297)	$ (1,024,097)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	10,271,206	2,407,137
Gain/(Loss) on disposal of assets	(884,400)	5,436
Increase (Decrease) in Operating Assets and Liabilites		
Accounts Receivable - HUD	(1,821,273)	-
Accounts Receivable - Tenant and Other	1,937,557	(97,246)
Cash Reserves Funded by Operations	-	(236,459)
Inventory	29,665	-
Prepaids and Other Assets	637,983	7,203
Other Assets	-	(33,531)
Accounts Payable	(3,219,745)	(751,610)
Intergovernmental	(13,187)	-
Accured Payroll and Compensated Absences	(637,283)	-
Deferred Revenue	606,747	-
Other Liabilities	(761,095)	451,603
Other Non-Current Liabilites	(3,242,116)	-
Total Adjustments	2,904,059	1,752,533
Net Cash Provided (Used) by Operating Activities	$ (3,247,238)	$ 728,436

NOTE 1: **DEFINITION OF THE ENTITY**

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

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

Discretely Presented Component Units

Eastland Woods, LLC, was founded in 2004 for the purpose of acquiring and rehabilitating a 100-unit affordable rental housing project in Akron, Ohio. Wilbeth Arlington Homes Ltd. Partnership was organized for the purpose of purchasing, rehabilitating, and operating low-income multifamily housing. Arlington Homes, Inc. is the general partner of Wilbeth Arlington Homes Ltd. Partnership and is controlled by the Authority. Akron Edgewood Homes, LLC was formed in 2007 to construct an 80-unit affordable rental housing project in Akron, Ohio. Edgewood Village, LLC was formed in 2009 to construct a 48-unit affordable rental housing project in Akron, Ohio.

These four entities are reported in the component unit column of the financial statements on pages 13 through 15. The financial statements for all four component units are for the year ending December 31, 2010.

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

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

Low Rent Housing Program - Under this program, which is sponsored by HUD, the Authority manages approximately 4,300 public housing units which are owned by the Authority. The Authority operates the program with the rent of rentals received from tenants and contributions and subsidies received from HUD under contractual agreement.

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

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

B. **ACC C-10003** - Housing Choice Voucher Program (HCVP) - Under this HUD Section 8 Program, the Authority contracts with private landlords and subsidizes the rental of nearly 5,000 dwelling units. Under this program, HCVP payments are made to the landlord on behalf of the tenant for the difference between the contract rent amount and the amount the tenant is able to pay.

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

C. Project Based Rental Assistance (PBRA) - Under this HUD Section 8 Program, the Authority receives rental subsidies for approximately 200 dwelling units. As with the HCVP above, payments are received by the Authority from HUD for the difference between the contract rent amount and the amount the tenant is able to pay.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

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

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

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

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

B. Measurement Focus and Basis of Accounting

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

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

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

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

C. **Cash and Investments**

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

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

Land, structures, and equipment are capitalized at cost. Structures and equipment are depreciated over the estimated useful lives of the assets using the straight-line method. Buildings are depreciated over 40 years and equipment is depreciated over 3 to 5 years. The Authority's capitalization policy is $1,000.

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.

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

E. **Compensated Absences** (Continued)

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

F. **Interprogram Balances**

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

G. **Recognition of Revenues and Expenses**

Contributions and subsidies received from HUD are generally recognized as revenues in the Annual Contributions Contract year, except for HAP payments received under the 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 deferred revenue.

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

H. **Indirect Costs**

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

I. **Inventory**

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

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

J. **Budgetary Accounting**

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

K. **Use of Estimates**

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

NOTE 3: **DEPOSITS AND INVESTMENTS**

A. **Primary Government**

Cash on Hand

At June 30, 2011, the Authority had $10,047 in undeposited cash on hand, which is included on the balance sheet of the Authority as part of "Equity in Pooled Cash and Cash Equivalents".

Deposits

At fiscal year end, the carrying amount of the Authority's deposits was $21,815,803 (including $500,000 of non-negotiable certificates of deposit), and the bank balance was $22,449,747. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of June 30, 2011, $1,396,449 of the Authority's bank balance was covered by Federal Depository Insurance. The remainder was collateralized by securities pledged in the name of the Authority.

Custodial credit risk is the risk that, in the event of bank failure, the Authority's deposits may not be returned. The Authority's policy is to place deposits with major local banks approved by the Authority's Board. All deposits are collateralized with eligible securities in amounts equal to 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.

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

Investments
The Authority has a formal investment policy; however, the Authority's investments were limited to U.S. Treasury/Agency securities, money market accounts backed by U.S. Treasury/Agency securities, and private debt securities at June 30, 2011.

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, 2011, 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, 2011, are as follows:

			Investment Maturities (in Years)		
	Fair Market Value	Credit Rating	Less Than One Year	1 -3 Years	4 - 5 Years
Money Market	$ 2,150,235	AAA	$ 2,150,235		
Trustee Banks	6,564,754	N/A	6,564,754		
U.S. Government Agencies	21,600,000	AAA		17,150,000	4,450,000
	30,314,989		$ 8,714,989	$17,150,000	$ 4,450,000
Total Carry Amount of Deposits and Cash on Hand	21,825,850				
Total Cash and Investments	$ 52,140,839				

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

A. Restricted Cash and Investments

The Authority has restricted cash and investments at June 30, 2011 as follows:

Proceeds from Norton Homes Sale	$ 9,912,335
Unspent Debt Proceeds	6,564,754
Unspent HAP Funding Provided for the Housing Choice Voucher Program	3,555,883
Tenant Security Deposits	299,694
Other Purposes	1,476,607
Total Restricted Cash and Investments of the Primary Government	$ 21,809,273

NOTE 4: **CAPITAL ASSETS**

A summary of capital assets at June 30, 2011 by class is as follows:

Primary Government

	Balance 7/1/2010	Additions	Deletions	Balance 6/30/2011
Capital Assets Not Being Depreciated				
Land	$ 25,943,078	$ 490,012	$ -	$ 26,433,090
Construction In Progress	47,438,280	14,064,745	(10,177,197)	51,325,828
Total Capital Assets Not Being Depreciated	73,381,358	14,554,757	(10,177,197)	77,758,918
Capital Assets Being Depreciated				
Buildings and Building Improvements	268,133,851	11,387,472	(14,755,115)	264,766,208
Furniture, Equipment, Machinery-Dwelling	4,559,062	195,293	(638,393)	4,115,962
Administrative	2,191,910	-	-	2,191,910
Total Capital Assets Being Depreciated	274,884,823	11,582,765	(15,393,508)	271,074,080
Less: Accumulated Depreciation	(165,839,127)	(10,271,206)	1,801,601	(174,308,732)
Total Capital Assets Being Depreciated, Net	109,045,696	1,311,559	(13,591,907)	96,765,348
Total Capital Assets, Primary Government, Net	$ 182,427,054	$ 15,866,316	$ (23,769,104)	$ 174,524,266

Component Units

	Balance 1/1/2010	Additions	Deletions	Balance 12/31/2010
Capital Assets Not Being Depreciated				
Land	$ 1,009,800	$ -	$ -	$ 1,009,800
Total Capital Assets Not Being Depreciated	1,009,800	-	-	1,009,800
Capital Assets Being Depreciated				
Buildings and Building Improvements	56,335,173	7,027,524		63,362,697
Furniture, Equipment, Machinery-Dwelling	647,583	262,584	(20,973)	889,194
Total Capital Assets Being Depreciated	56,982,756	7,290,108	(20,973)	64,251,891
Less: Accumulated Depreciation	(10,135,057)	(2,199,221)	3,097	(12,331,181)
Total Capital Assets Being Depreciated, Net	46,847,699	5,090,887	(17,876)	51,920,710
Total Capital Assets, Component Units, Net	$ 47,857,499	$ 5,090,887	$ (17,876)	$ 52,930,510

NOTE 5: **LONG-TERM OBLIGATIONS**

Changes in the Authority's long-term obligations during fiscal year 2011 are as follows:

	Balance 6/30/2010	Additions	Deletions	Balance 6/30/2011	Due Within One Year
General Long-Term Obligations					
Primary Government					
Midtown Note 4.58%	$ 711,868	$ -	$ (135,176)	$ 576,692	$ 141,232
Central Office Mortgage Variable	4,670,000	-	(265,000)	4,405,000	275,000
Thornton Terrace Mortgage 4.99%	84,402	-	(84,402)	-	-
Energy Conservation Note 4.40%	2,980,609	-	(361,289)	2,619,320	377,660
Energy Conservation Note 3.79%	3,690,772	-	(375,169)	3,315,603	389,637
Capital Fund Financing Program 3.90%	14,279,040	-	(556,120)	13,722,920	581,120
Total General Long-Term Obligations	26,416,691	-	(1,777,156)	24,639,535	1,764,649
Capital Lease					
Phase III Bank of America	-	4,676,586	(67,888)	4,608,698	99,408
Compensated Absences	1,931,105	602,842	(762,627)	1,771,320	266,976
Total Primary Government	$ 28,347,796	$ 5,279,428	$ (2,607,671)	$ 31,019,553	$ 2,131,033
Component Units					
Eastland Woods, LLC, various rates	$ 2,112,069	$ -	$ (86,055)	$ 2,026,014	$ 61,984
Edgewood Village, LLC, 0%	-	4,000,000	-	4,000,000	-
Edgewood Village, LLC, 2%	-	492,000	-	492,000	-
Total Component Units	$ 2,112,069	$ 4,492,000	$ (86,055)	$ 6,518,014	$ 61,984

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 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.

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

On April 1, 2005, the Authority issued a general obligation promissory note in the amount of $1,293,552. The proceeds of the note were used for the purchase of real property, a building, and all building improvements from the Midtown Partners Limited Partnership. The note, which was due to First Merit Bank, N.A., and was payable in monthly installments of $13,456 from April 1, 2005 to April 1, 2015, was refinanced on April 1, 2010. Interest is currently payable monthly at a rate of 4.40 percent and the payment is $13,644 monthly from April 1, 2010 to March 1, 2015. The mortgage will be repaid from non-federal funds.

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

On July 17, 2007, the Authority obtained Series 2007A Capital Fund Revenue Bonds payable to Ohio Housing Finance Agency at an interest rate ranging from 3.90 percent to 4.67 percent. The principal amount of the bond issue is $40,532,000 and $15,605,000 of the principal amount is Akron's share. Payments are due semi-annually from October 2007 to April 2027. The bonds will be repaid from the Capital Fund Program and were issued to make 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.

On July 1, 1999, the Authority obtained mortgages in the amount of $2,910,225 at an interest rate of 4.99 percent for Akron 73, Akron 14, Hilltop House, and Thornton Terrace facilities. As of June 30, 2011, all these mortgages were repaid from non-federal funds.

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

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 is at an interest rate of 0% and is due April 15, 2012, therefore is long-term. 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.

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

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

The following is a summary of the Authority's future debt service requirements for long-term debt as of June 30, 2011:

Year	Principal	Interest	Total
2012	$ 1,764,649	$ 1,078,423	$ 2,843,072
2013	1,843,115	1,003,187	2,846,302
2014	1,928,221	924,587	2,852,808
2015	1,987,695	839,305	2,827,000
2016	1,940,342	754,602	2,694,944
2017-2021	8,723,792	2,374,386	11,098,178
2022-2027	6,451,721	1,154,000	7,605,721
	$ 24,639,535	$ 8,128,490	$ 32,768,025

The Authority's component units' future debt service requirements for mortgages payable as of June 30, 2011 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.

NOTE 7: DEFINED BENEFIT PENSION PLANS

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

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

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

The Authority's required contributions for pension obligations to all the plans for the years ended June 30, 2011, 2010, and 2009 were \$1,887,409, \$1,299,255, and \$1,714,966, respectively; 82.4% percent has been contributed for 2011 and 100% for 2010 and 2009.

NOTE 8: POST-EMPLOYMENT BENEFITS

A. Plan Description

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

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

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

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

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

B. Funding Policy

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

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

B. **Funding Policy** (Continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, the Authority contributed at a rate of 14.00 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00 percent of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post-Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. For 2011, the employer contributions allocated to health care was 4.0 percent of covered payroll for the traditional plan and 6.05 for the combined plan. 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, 2011, which were used to fund post-employment benefits were $781,470.

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

NOTE 9: **INSURANCE COVERAGE**

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

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

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

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

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 $351,572 for the year ended June 30, 2011.

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, 2011, the Authority had the following significant contractual commitments:

Project	Amount
Allen Dickson Renovation	$ 2,510,064
Saferstein Towers II Renovation	345,350
Martin P. Lauer Renovation	278,836
Dorothy Jackson Renovation	920,363
Accent (Security Equipment Upgrade)	458,391
Total Construction Commitments	$4,513,004

NOTE 13: CAPITAL CONTRIBUTIONS

Capital contributions of $16,790,494 represent the portion of grants that are used for capital improvements. The contributions are allocated between the Authority's public housing program and the component units.

NOTE 14: INVESTED IN CAPITAL ASSETS

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

	Primary Government	Component Units
Capital Assets, Net of Accumulated Depreciation	$ 174,524,266	$ 52,930,510
Debt Related to Capital Assets	(29,248,233)	(6,518,014)
Subtotal	145,276,033	46,412,136
Cash Available from Debt-Issuance to Fund Capital Assets	6,564,754	0
Note Payable to Primary Government Related to Capital Asset Additions	0	(36,776,694)
Total Invested in Capital Assets	$ 151,840,787	$ 9,635,802

NOTE 15: RESTRICTED NET ASSETS

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

HCV Program	$ 3,645,837
VA Supportive Housing	318,723
Public Housing Bond Pool and Amersco	6,696,668
Component Unit Restricted	1,235,720
Norton Homes Proceeds	9,912,315
Total Restricted Net Assets	$ 21,809,263

NOTE 16: CONDENSED FINANCIAL STATEMENT INFORMATION - COMPONENT UNITS

	Eastland Woods, LLC	Wilbeth Arlington Homes Ltd. Partnership	Akron Edgewood Homes LLC	Edgewood Village LLC	Total
Balance Sheet					
Current Assets	$ 1,164,963	$ 1,724,432	$ 1,393,233	$ 672,955	$ 4,955,583
Capital Assets	12,596,572	9,055,350	20,167,660	11,110,928	52,930,510
Current Liabilites	(871,505)	(637,333)	(1,319,841)	(2,694,423)	(5,523,102)
Non-Current Liabilities	(8,718,327)	(14,923,603)	(11,489,282)	(8,101,512)	(43,232,724)
Net Assets	4,171,703	(4,781,154)	8,751,770	987,948	9,130,267
Revenue, Expenses, and Changes in Equity					
Revenues	1,257,995	2,803,341	460,705	113,828	4,635,869
Expenses	1,465,754	3,668,791	1,608,554	433,238	7,176,337
Excess of Revenue over Expenses	(207,759)	(865,450)	(1,147,849)	(319,410)	(2,540,468)

NOTE 17: CAPITAL LEASES

In the current year, 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 defined by the Financial Accounting Standards Board's Accounting Standards Codification 840 which defines a capital lease generally 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 $67,888.

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.

NOTE 17: **CAPITAL LEASES** (Continued)

Fiscal Year	Lease Payments
2012	$ 288,336
2013	310,344
2014	325,656
2015	347,810
2016	352,920
2017-2021	4,334,361
Total minimum lease payments	5,959,427
Less: amount representing interest	(1,350,729)
Total	$ 4,608,698

NOTE 18: **PRIOR PERIOD ADJUSTMENTS**

A revaluation of capital assets and inclusion of a note receivable caused an increase to the beginning net assets of $4,832,086. Also, due to a change in the year end of the component units, beginning net assets increased $4,610,955.

AKRON METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass Through Grantor Number/Program Title	CFDA Number	Expenditures
U.S. Department of Housing and Urban Development		
Direct Programs		
Low Rent Public Housing Program	14.850	$ 16,673,195
Demolition and Revitalization of Severely Distressed Public Housing	14.866	3,016,585
Resident Opportunity and Supportive Services	14.870	408,329
CFP Cluster		
Capital Fund Program	14.872	10,110,549
ARRA - Public Housing Competitive Capital Fund Stimulus (Formula) Recovery Act Funded	14.884	4,282,414
ARRA - Public Housing Formula Capital Fund Stimulus (Formula) Recovery Act Funded	14.885	6,798,345
Total CFP Cluster		21,191,308
Section 8		
Section 8 Housing Choice Voucher Program	14.871	32,150,094
Lower Income Housing Assistance Program	14.856	70,244
Section 8 Project Cluster		
Section 8 New Construction	14.182	2,255,240
Shelter Care Plus	14.238	531,181
Total Section 8		35,006,759
Total U.S. Department of Housing and Urban Development		76,296,176
TOTAL EXPENDITURES OF FEDERAL AWARDS		$ 76,296,176

See accompanying notes to the schedule of expenditures of federal awards

NOTE 1: **REPORTING ENTITY**

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

NOTE 2: **BASIS OF ACCOUNTING**

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

AKRON METROPOLITAN HOUSING AUTHORITY
STATEMENT OF ROSS GRANT COST - COMPLETED
FOR THE TWELVE MONTHS ENDED JUNE 30, 2011

Annual Contributions Contract C-959

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

Grant	ROSS
	OH007RNN024A005
Project OH	
Funds Approved	$ 241,000
Funds Expended	241,000
Excess (Deficiency) of Funds Approved	$ 0

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

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

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Charles E. Harris & Associates, Inc. Office phone - (216) 575-1630
Certified Public Accountants Fax - (216) 436-2411

INDEPENDENT ACCOUNTANTS' 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 W. Cedar Street
Akron, Ohio 44307

To the Board of Directors:

We have audited the financial statements of the business-type activities and the discretely presented component units of the Akron Metropolitan Housing Authority, (Authority), Summit County, Ohio, as of and for the year ended June 30, 2011, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated February 22, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards.* We did not audit the financial statements of Eastland Woods, LLC, Wilbeth-Arlington Homes Ltd. Partnership, Akron Edgewood Homes, LLC, and Edgewood Village, LLC, which represents 100 percent of the assets and 100 percent of the revenues of the Akron Metropolitan Housing Authority's discretely presented component units. Those statements were audited by other auditors and the other auditors have reported to you on Eastwood Woods, LLC, Wilbeth-Arlington Ltd. Partnerships, Akron Edgewood Homes, LLC, and Edgewood Village, LLC's legal compliance and internal control over financial reporting. Accordingly, this report does not address the legal compliance and internal control over financial reporting of Eastwood Homes, LLC, Wilbeth-Arlington Homes Ltd. Partnership, Akron Edgewood Homes, LLC and Edgewood Village, LLC.

Internal Controls Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, 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 more than a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented or detected and timely corrected.

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

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, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of management, the audit committee, the Board of Directors, federal awarding agencies and pass-through entities and others within the Authority. We intend it for no one other than these specified parties.

Charles E. Harris and Associates, Inc.
February 22, 2012

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Charles E. Harris & Associates, Inc.
Certified Public Accountants
Office phone - (216) 575-1630
Fax - (216) 436-2411

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

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

To the Board of Directors:

Compliance

We have audited the compliance of Akron Metropolitan Housing Authority, Summit County, Ohio (the Authority) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Authority's major federal programs for the year ended June 30, 2011. The *summary of auditor's results* section of the accompanying schedule of findings identifies the Authority's major federal programs. The Authority's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the Authority's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to 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 that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Authority's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with these requirements.

In our opinion, the Akron Metropolitan Housing Authority, Summit County, Ohio complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The Authority's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining 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 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, Board of Directors, the audit committee, others within the entity, federal awarding agencies and pass-through entities. It is not intended for anyone other than these specified parties.

Charles E. Harris & Associates

CHARLES E. HARRIS & ASSOCIATES, INC.
February 22, 2012

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505

Akron Metropolitan Housing Authority
Summit County
June 30, 2011

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	*Type of Financial Statement Opinion*	Unqualified
(d)(1)(ii)	*Were there any material control weaknesses reported at the financial statement level (GAGAS)?*	No
(d)(1)(ii)	*Were there any significant deficiencies reported at the financial statement level statement level (GAGAS)?*	No
(d)(1)(iii)	*Was there any reported material non-compliance at the financial statement level (GAGAS)?*	No
(d)(1)(iv)	*Were there any material internal control weaknesses reported for major federal programs?*	No
(d)(1)(iv)	*Were there any significant deficiencies reported for major federal programs?*	No
(d)(1)(v)	*Type of Major Program's Compliance Opinion*	Unqualified
(d)(1)(vi)	*Are there any reportable findings under Section .510*	No
(d)(1)(vii)	*Major Programs:*	CFP Cluster: Capital Fund Program CFDA # 14.872 ARRA-Public Housing Competitive Capital Fund Stimulus Recovery Act Fund CFDA#14.884 ARRA-Public Housing Forumula Capital Fund Stimulus Recovery Act Fund CFDA#14.885
(d)(1)(viii)	*Dollar Threshold: Type A\B Programs*	Type A: > $2,288,885 Type B: all others
(d)(1)(ix)	*Low Risk Auditee?*	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, 2011

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken or Finding No Longer Valid; Explain
2010-001	Financial Statements did not reflect complete and accurate financial data.	Yes	Finding No Longer Valid

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
JUNE 5, 2012