CUYAHOGA METROPOLITAN HOUSING AUTHORITY

AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2009

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

Board of Commissioners
Cuyahoga Metropolitan Housing Authority
1242 East 49th Street
Cleveland, Ohio 44114

We have reviewed the *Independent Auditor's Report* of the Cuyahoga Metropolitan Housing Authority, Cuyahoga County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2009 through December 31, 2009. 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 Cuyahoga Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 22, 2010

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CUYAHOGA METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2009

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Board of Commissioners
Cuyahoga Metropolitan Housing Authority
Cleveland, Ohio

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the Cuyahoga Metropolitan Housing Authority (the "Authority"), as of and for the years ended December 31, 2009 and December 31, 2008, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Cuyahoga Metropolitan Housing Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Cuyahoga Metropolitan Housing Authority as of December 31, 2009 and December 31, 2008, and the respective changes in financial position, and cash flows, thereof for the years 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 June 30, 2010, on our consideration of the Cuyahoga Metropolitan Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 12 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 the 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 Cuyahoga Metropolitan Housing Authority, Ohio's basic financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Government and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relate 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 Department of Housing and Urban Development for additional analysis, although not required to be part of the basic financial statements. The FDS are not available due to revisions in the reporting system that the Department is in the process of completing.

James G. Zupka, CPA, Inc.

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

June 30, 2010

The Cuyahoga Metropolitan Housing Authority ("CMHA" or the "Authority") owns and manages property and administers rent subsidy programs to provide eligible low-income persons good, safe and affordable housing. CMHA is a political subdivision of the State of Ohio, created under sections 3735.27 to 3735.50 of the Ohio Revised Code and serves the County of Cuyahoga primarily through two federally assisted programs administered by the U.S. Department of Housing and Urban Development ("HUD"): Conventional Low Income Public Housing and Housing Choice Voucher programs.

The following discussion and analysis provides an overview of the Authority's financial activities and should be read in conjunction with the Authority's financial statements which begin on page 13. If you have any questions, please contact – Lou Anne Chung, Chief Financial Officer, 1242 East 49th Street, Cleveland, Ohio 44114-3851 or telephone 216-432-5455 Ext. 3164.

Overview of the Financial Statements

The financial statements are presented in accordance with accounting principles generally accepted in the United States of America, including Governmental Accounting Standards Board ("GASB") Statement No. 34 (as amended by GASB Statement No. 37). The Authority follows the "business-type activities" reporting requirements of GASB Statement No. 34 that provide a comprehensive authority-wide look at the Authority's financial activities. The statements are:

- Statements of Net Assets
- Statements of Revenues, Expenses and Changes in Net Assets
- Statements of Cash Flows

The financial statements are prepared on the accrual basis and present all assets and liabilities of the Authority, both financial and capital, and short and long term. They also present all revenues and expenses of the Authority during the year, regardless of when cash was received or paid. Collectively, the statements provide information regarding the Authority's financial condition as of December 31, 2009 and 2008 and the results of its operations and cash flows for the years then ended.

2009 Financial Highlights

- The Authority's net assets decreased by $7.3 million (or 4.1 percent) during 2009. Net assets were $171.8 million and $179.1 million at December 31, 2009 and 2008, respectively.

- Total operating and non-operating revenues increased by $16.6 million (8.0 percent) during 2009, and were $224.8 million and $208.2 million for 2009 and 2008, respectively.

- The total expenses of all Authority programs decreased by $7.5 million (3.1 percent). Total expenses were $232.1 million and $239.6 million for 2009 and 2008, respectively.

- The Authority's unrestricted net assets increased by $4.7 million (or 22.3 percent) during 2009, and were $25.8 million and $21.1 million for 2009 and 2008, respectively.

The Authority's Funds

The Authority's financial statements include all programs that are considered to be within its administrative control. The Authority generally maintains separate accounting records for each grant program or annual contribution contract, as required by HUD. A list of the more significant programs is as follows:

Conventional Low-Income Public Housing—Under the Conventional Low Income Public Housing Program, the Authority rents units that it owns to low-income households. The Conventional Low Income Public Housing Program is operated under an Annual Contributions Contract with HUD, and HUD provides operating subsidy and capital grant funding to enable CMHA to provide the housing at a rent that is based upon 30 percent of household income. The Conventional Low Income Public Housing Program also includes the Capital Fund Program, which is the primary funding source for physical and management improvements to the Authority's properties.

Housing Choice Voucher Program—Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under an Annual Contributions Contract with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure a lease that sets the participants' rent at 30 percent of household income.

Other Programs—In addition to the significant programs above, the Authority also maintains the following programs which have assets, liabilities, revenues, or expenses of at least 5 percent or more of the Authority's total assets, liabilities, revenues, or expenses in either 2009 or 2008:

Hope VI Planning Grant—a grant program funded by HUD for large scale redevelopment of the Authority's properties

Section 8 New Construction and Moderate Rehabilitation Program—a grant program for the operation of low-income housing developments where the Authority or private developers contract directly with HUD to develop low-income housing.

AUTHORITY-WIDE FINANCIAL STATEMENT

Statement of Net Assets

The Statement of Net Assets includes all assets and liabilities of the Authority using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. The following table reflects the condensed information from the Authority's Statement of Net Assets compared to the prior two years.

Table 1 - Condensed Statements of Net Assets
(in millions)

	December 31		
	2009	2008	2007
Assets			
Current and Other Assets	$ 109.2	$ 72.8	$ 96.9
Capital Assets	197.2	201.2	211.9
Total Assets	306.4	274.0	308.8
Liabilities			
Accounts Payable and Other Current Liabilities	40.5	39.3	33.5
Long-term Liabilities	94.1	55.6	64.8
Total Liabilities	134.6	94.9	98.3
Net Assets			
Invested in Capital Assets—Net of Related Debt	138.1	151.1	161.2
Restricted	7.9	6.9	23.3
Unrestricted	25.8	21.1	26.0
Total Net Assets	$ 171.8	$ 179.1	$ 210.5

For more detailed information see page 13 for the Statements of Net Assets.

Major Factors Affecting the Statement of Net Assets

December 31, 2009 compared to December 31, 2008

Current and other assets increased by $36.4 million. Current assets increased $51.9 million and current liabilities increased by $1.2 million. The Authority's current ratio increased from 1.4 to 1 in 2008 to 2.6 to 1 in 2009. As such, there are sufficient current assets to (primarily cash, investments and receivables from HUD) to extinguish current liabilities.

Capital assets decreased to $197.2 million in 2009 from $201.2 in 2008. The $4.0 decrease is attributed primarily to depreciation expense of $28.4 million offset by capital asset additions of $24.7 million. For additional detail see "Capital Asset and Debt Administration".

Long term liabilities increased $38.5 million in 2009. The increase is primarily the result of the additional new debt in 2009 offset by the normal pay down on long-term debt and capital lease obligations.

December 31, 2008 compared to December 31, 2007

Current and other assets decreased by $34.8 million. Current assets decreased $24.1 million and current liabilities increased by $5.8 million. The Authority's current ratio was 1.9 to 1 in 2008. As such, there are sufficient current assets to (primarily cash, investments and receivables from HUD) to extinguish current liabilities.

Capital assets decreased to $201.2 million in 2008 from $211.9 in 2007. The $10.7 decrease is attributed primarily to depreciation expense of $29.0 million offset by capital asset additions of $18.6 million. For additional detail see "Capital Asset and Debt Administration".

Long term liabilities decreased $9.2 million in 2008. The decrease is primarily the result of the normal pay down on long-term debt and capital lease obligations.

While operating results are a significant measure of the Authority's activities, the analysis of the changes in unrestricted net assets provides a clearer picture of the change in financial well-being. The following presents details on the change in unrestricted net assets during the years ended December 31, 2009 and 2008:

Table 2 - Changes in Unrestricted Net Assets
(in millions)

	2009	2008
Unrestricted Net Assets—Beginning of year	$ 21.1	$ 26.0
Total Change in Net Assets	(7.3)	(31.4)
Adjustments:		
Depreciation (1)	28.4	29.0
Adjustment for Retirement of Capital Assets	0.3	0.00
Adjusted Change in Net Assets	42.5	23.6
Changes in Unexpended Borrowing on Debt - Net	(24.7)	2.6
Additions to Long-term Debt Net of Payments on Long-term Debt	33.7	(3.1)
Capital Expenditures	(24.7)	(18.5)
(Increase) Decrease in Restricted Net Assets	(1.0)	16.5
Unrestricted Net Assets—End of Year	$ 25.8	$ 21.1

(1) Depreciation is treated as an expense and reduces the net assets invested in capital assets, net of related debt, but does not have an impact on unrestricted net assets.

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses, and Changes in Net Assets presents the operating results of the Authority, as well as the non-operating revenues and expenses. HUD subsidies and grants, while budgeted for operations, are considered non-operating revenues according to accounting principles generally accepted in the United States of America. Condensed information from the Authority's statements of revenue, expenses and changes in net assets is as follows for the years ended December 31, 2009, 2008, and 2007:

Table 3 - Condensed Statements of Revenues, Expenses, and Changes in Net Assets
(in millions)

	2009	2008	2007
Operating Revenues			
Dwelling Rent from Tenants	$ 13.9	$ 14.4	$ 14.5
Other Revenues	3.0	0.6	3.6
Total Operating Revenues	16.9	15.0	18.1
Operating Expenses			
Housing Assistance Payments	97.1	98.6	89.3
Depreciation	28.4	29.0	27.2
Administrative	30.1	31.0	29.6
Building Maintenance	21.8	22.3	22.1
Utilities	20.2	20.4	19.9
Nonroutine Maintenance	15.2	15.8	25.6
Tenant Services	3.0	2.9	3.3
General	4.4	4.8	5.7
Protective Services	7.8	8.5	10.3
Other	0.3	3.2	2.4
Total Operating Expenses	228.3	236.5	235.4
Operating Loss	(211.4)	(221.5)	(217.3)
Non-Operating Revenues (Expenses)			
Subsidies and Grants from HUD	206.6	190.3	210.4
Grants—Other	0.5	1.3	2.1
Interest Income	0.8	1.6	3.1
Interest Expense	(3.6)	(3.1)	(2.6)
(Loss) on Disposition	(0.2)	0.0	0.0
Total Non-Operating Revenues—Net	204.1	190.1	213.0
Change in Net Assets	(7.3)	(31.4)	(4.3)
Net Assets—Beginning of Year	179.1	210.5	214.8
Net Assets—End of Year	$ 171.8	$ 179.1	$ 210.5

Major Factors Affecting the Statement of Revenues, Expenses and Changes in Net Assets

December 31, 2009 compared to December 31, 2008

Tenant and other revenue increased 12.7 percent in 2009 with tenant revenue decreasing 3 percent and other revenue increasing 400.0 percent. The increase in other revenue is due to the payment to tenants of retro utility adjustments in 2008 was not required in 2009.

Operating expenses decreased $8.2 million or **3** percent with major decreases in housing assistance payments ($1.5 million), non-routine maintenance ($ .6 million). All other categories combined for a net decrease of $6.1 million or 5 percent.

HUD subsidies and grants increased $16.3 million or 9 percent. The increase in subsidy was primarily due to higher Housing Choice Voucher subsidy of $18.1 million, lower Capital Fund subsidy of $2.1 million, higher Capital Fund 2009 American Reinvestment and Recovery Act subsidy of $6.4 million, lower Multifamily Property Disposition subsidy of $2.6 million, lower Low Income Public Housing subsidy of $ 1.3 million, lower Urban Revitalization subsidy of $1.8 million as all other programs subsidy decreased $.4 million. Interest income decreased $ .8 million as there was less interest earned on unexpended EPC funds. Interest expense increased $**.**5 million as the new debt for the Campus Project, Ohio Bond Financing and Severance debt were outstanding.

December 31, 2008 compared to December 31, 2007

Tenant and other revenue decreased 17.1 percent in 2008 with tenant revenue decreasing 0.6 percent and other revenue decreasing 21.0 percent. The decrease in other revenue is due to the payment to tenants of retro utility adjustments for prior years.

Operating expenses increased $1.1 million or **.**5 percent with the major increase in housing assistance payments ($9.3 million) being more than offset by the decrease in non-routine maintenance ($9.8 million). All other categories increased $1.6 million or 1 percent.

HUD subsidies and grants decreased $20.1 million or 9.6 percent. Operating subsidies decreased $24.3 million or 12.0 percent while capital grants increased $4.2 million or 48.3 percent. The decrease in operating subsidy was primarily due to lower Housing Choice Voucher subsidy of $12.4 million, lower Capital Fund operating subsidy of $8.5 million, lower Low Income Public Housing subsidy of $1.2 million, lower Urban Revitalization subsidy of $1.2 million, lower new construction and mod/rehab subsidy of $.7 million and lower Supportive Housing subsidy of $.6 million as all other programs subsidy increased $.3 million. Interest income decreased $1.6 million as there was less interest earned on unexpended EPC funds. Interest expense increased $**.**5 million as the Ohio Bond Financing and Severance debt were outstanding all year.

Capital Assets and Debt Administration

Capital Assets

At December 31, 2009, the Authority had $197.2 million invested in a variety of capital assets (as reflected in the following schedule), which represents a net decrease of $4.0 million from December 31, 2008.

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

	December 31		
	2009	2008	2007
Land	$ 28.5	$ 28.3	$ 27.6
Buildings	632.5	614.0	611.2
Equipment—Administrative	5.9	7.0	10.5
Equipment—Operating	15.7	15.5	11.3
Construction in Progress	9.9	9.5	4.3
Total	692.5	674.3	664.9
Accumulated Depreciation	(495.3)	(473.1)	(453.0)
Capital Assets—Net	$ 197.2	$ 201.2	$ 211.9

The following reconciliation summarizes the 2009 and 2008 change in capital assets, which is presented in detail in Note 5 to the financial statements.

Table 5 - Changes in Capital Assets
(in millions)

	2009	2008
Capital Assets—Beginning of Year	$ 201.2	$ 211.9
Additions	24.7	18.6
Retirements—Net	(0.3)	(0.3)
Depreciation Expense	(28.4)	(29.0)
Capital Assets—End of Year	$ 197.2	$ 201.2

December 2009 compared to December 2008

Capital additions in 2009 were primarily for estate improvements through the Modernization Program and the construction of new units. These expenditures totaled $21.1 million. In addition, equipment purchases totaled $.2 million.

Some of the major projects were:

- Work was completed on the interior and exterior renovations of a new apartment building at West 101st street
- Carried out the renovations of 47 units at Miracle Village at Outhwaite Homes
- Initiated Phase 1 of construction at Garden Valley and CMHA's administrative campus
- Installed new windows and doors at Olde Cedar, Oakwood Gardens and Bellaire Townhomes
- Installed new vinyl siding on all units at Puritas Gardens
- Completed renovation of roofs, windows, driveways and other repairs on Hope VI replacement homes
- Construction was completed on 66 units at Lakeview Terrace
- Under the BOA Program, 139 long standing vacant units were renovated

In addition, major elevator modernizations and upgrades were completed at King Kennedy North, Springbrook, Wade, Union Square, Miles Elmarge and Lakeview hi-rises. Stairwells walk ways were replaced at Olde Cedar. Roof replacements were completed at Olde Cedar, Outhwaite Homes, Carver Park Estates, Sprinbrook hi-rise and Lakeview Terrace, and exterior masonry repairs were completed at Outhwaite Homes.

The Voluntary Compliance Agreement executed with HUD requires more than 500 dwelling units and common areas to be made compliant with UFAS regulations over the next seven years. In 2009, 101 units at various family and elderly sites were completed, this included site and common area renovations as well.

Equipment purchases include vehicles for police and construction inspection, computers and appliances for the estates.

December 2008 compared to December 2007

Capital additions in 2008 were primarily for estate improvements through the Modernization Program and the construction of new units. These expenditures totaled $15.7 million. In addition, equipment purchases totaled $2.1 million.

Some of the major projects were:

- Work was completed on the $33.6 million Energy Performance Contract
- Completion of six new units at Puritas Gardens
- Completion of Phase 1 demolition of 23 buildings at Garden Valley
- Replacement of all windows at Olde Cedar Estate and Union Square
- Construction of a new management office at Carver Park
- Purchase and renovation of more than 50 homes from the 1996 Hope VI Grant
- Construction began on 66 units at Lakeview Terrace to be completed in 2009
- Under the BOA Program, 160 long standing vacant units were renovated
- The major site and infrastructure package for Division and Loop areas at Lakeview Terrace was completed

In addition, major elevator modernizations were completed at King Kennedy North, Bellaire A Building, LaRonde Tower, Arthorp Tower, Scranton Tower, Addison High Rise, Beachcrest and Bohn Tower. Stairwells walk ways were replaced at Olde Cedar. Roof replacement and exterior masonry repairs were completed at Outhwaite Homes.

The Voluntary Compliance Agreement executed with HUD requires more than 500 dwelling units and common areas to be made compliant with UFAS regulations over the next seven years. In 2008 specifications for the modifications were completed.

Equipment purchases include vehicles for police and construction inspection, computers and appliances for the estates.

Debt Outstanding

As of December 31, 2009, the Authority had $96.9 million in long-term debt and capital lease obligations compared to $63.2 million at December 31, 2008, for a $33.7 million increase. The following summarizes these obligations:

Table 6 - Outstanding Debt at Year-End
(in millions)

	December 31		
	2009	2008	2007
Energy Program—Capital Lease	$ 30.9	$ 33.9	$ 36.3
Ohio Bond Financing	14.5	15.0	15.7
Bond Anticipation Note , Series 2008	0.0	5.6	5.3
Bond Anticipation Note , Series 2009	3.1	0.0	0.0
General Revenue Bonds	3.1	0.0	0.0
Build America Bonds	12.9	0.0	0.0
Modernization Express Loan A	13.0	0.0	0.0
Modernization Express Loan B	7.8	0.0	0.0
Severance Financing	3.8	3.9	4.0
Quarrytown Mortgage Note	3.4	0.0	0.0
Ambleside Refinancing	4.4	4.8	5.1
Total	$ 96.9	$ 63.2	$ 66.4

Economic Factors

Significant economic factors affecting the Authority are as follows:

- Federal funding is at the discretion of the U.S. Department of Housing and Urban Development operating subsidy for the Conventional Low Income Housing program was funded at 88.42 percent
- Local labor supply and demand, which can affect salary and wage rates of the Authority
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income
- Inflationary pressure on utility rates, supplies and other costs, which affects the costs of the programs
- Employee health insurance costs continue to rise.

Contact the Authority

Questions concerning this report or requests for additional information should be directed to Lou Anne Chung, Chief Financial Officer of the Cuyahoga Metropolitan Housing Authority, 1242 East 49th Street, 4th Floor, Cleveland, Ohio 44114.

CUYAHOGA METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
AS OF DECEMBER 31, 2009 AND 2008

	2009	2008
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 34,443,757	$ 23,643,768
Cash - Restricted	46,075,206	10,778,650
Investments - Restricted	4,784,007	0
Accounts Receivable Tenants - Net of Allowance for doubtful accounts of $374,202 and $523,781	206,767	179,297
Accounts Receivable - HUD	18,986,107	16,731,335
Accounts Receivable - Other Governments	202,461	345,786
Accounts Receivable - Other	567,907	1,523,193
Inventory	404,353	451,632
Prepaid Expenses and Other Current Assets	1,415,090	1,590,481
Total Current Assets	107,085,655	55,244,142
Non-Current Assets		
Capital Assets:		
Assets Not Depreciated	38,352,866	37,799,693
Property and Equipment - Net	158,894,228	163,405,697
Total Capital Assets	197,247,094	201,205,390
Investments - Restricted	0	16,064,282
Debt Issuance Costs, Net of Amortization of $262,119 and $197,665	1,189,562	575,314
Investment in Joint Ventures	967,880	967,880
Total Non-Current Assets	199,404,536	218,812,866
TOTAL ASSETS	$306,490,191	$ 274,057,008

	2009	2008
LIABILITIES		
Current Liabilities		
Accounts Payable—Vendors	$ 10,428,099	$ 10,477,368
Accounts Payable—HUD	5,036,825	4,742,999
Accrued Expenses	18,321,758	12,451,576
Security and Other Deposits	2,050,594	2,032,673
Current Portion of Long-Term Debt	1,638,748	6,578,725
Current Portion of Capital Leases	2,991,068	3,055,239
Total Current Liabilities	40,467,092	39,338,580
Non-Current Liabilities		
Long-Term Debt—Net of Current Portion	64,380,672	22,684,883
Capital Leases—Net of Current Portion	27,895,853	30,886,921
Workers' Compensation Liability	1,878,000	2,020,000
Total Non-Current Liabilities	94,154,525	55,591,804
TOTAL LIABILITIES	134,621,617	94,930,384
NET ASSETS		
Invested in Capital Assets—Net of Related Debt	138,157,083	151,126,646
Restricted	7,940,355	6,858,393
Unrestricted	25,771,136	21,141,585
TOTAL NET ASSETS	$171,868,574	$179,126,624

See notes to the financial statements.

CUYAHOGA METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
Operating Revenues		
Tenant Revenue	$ 13,941,931	$ 14,375,152
Other Revenues	3,009,922	626,214
Total Operating Revenues	16,951,853	15,001,366
Operating Expenses		
Housing Assistance Payments	97,099,478	98,612,734
Depreciation	28,404,546	28,954,970
Administrative	30,171,749	30,999,625
Building Maintenance	21,813,455	22,297,392
Utilities	20,230,394	20,394,145
Nonroutine Maintenance	15,219,791	15,816,333
Tenant Services	2,937,300	2,847,895
General	4,367,856	4,822,083
Protective Services	7,770,980	8,472,268
Other	323,511	3,233,202
Total Operating Expenses	228,339,060	236,450,647
Operating Loss	(211,387,207)	(221,449,281)
Nonoperating Revenues (Expenses)		
HUD Operating Subsidies and Grants	191,790,479	177,475,900
HUD Capital Grants	14,816,344	12,798,173
Grants—Other	577,384	1,305,812
Interest Income	772,444	1,550,566
Interest Expense	(3,578,870)	(3,078,514)
(Loss) on Disposition of Capital Assets	(248,624)	0
Total Nonoperating Revenues - Net	204,129,157	190,051,937
Change in Net Assets	(7,258,050)	(31,397,344)
Net Assets—Beginning of Year	179,126,624	210,523,968
Net Assets - End of Year	$ 171,868,574	$ 179,126,624

See notes to the financial statements.

CUYAHOGA METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
Cash Flows From Operating Activities		
Cash Received from Tenant Rents	$ 13,914,461	$ 14,741,113
Cash Payments to Suppliers for Goods and Services	(61,216,965)	(61,017,586)
Cash Paid for Salaries and Benefits	(44,069,548)	(46,236,303)
Housing Assistance Payments	(97,099,478)	(98,612,734)
Other Receipts	3,970,683	142,725
Other Payments	(383,136)	(3,267,700)
Net Cash Used in Operating Activities	(184,883,983)	(194,250,485)
Cash Flows From Noncapital Financing		
HUD Operating Subsidies and Grants	198,496,555	177,922,820
Other Grants	720,709	2,106,467
Cash Provided by Noncapital Financing Activities	199,217,264	180,029,287
Cash Flows From Capital and Related Financing Activities		
HUD Capital Grants	14,579,521	14,435,928
Property and Equipment Additions	(24,740,186)	(18,552,152)
Proceeds from Issuance of Debt (Net of Debt Issuance Costs)	42,748,158	5,600,000
Repayment of Debt and Capital Lease Obligations	(9,726,287)	(8,766,282)
Interest Paid on Debt and Capital Lease Obligations	(3,190,498)	(2,995,584)
Proceeds from Sale of Capital Assets	45,312	764,240
Net Cash Used in Capital and Related Financing Activities	19,716,020	(9,513,850)
Cash Flows From Investing Activities		
Purchases of Investments	0	(1,513,697)
Proceeds from Maturity of Investments	12,757,813	3,065,239
Interest Income	766,969	1,552,349
Net Cash Provided by (Used in) Investing Activities	13,524,782	3,103,891
Increase (Decrease) in Cash and Cash Equivalents	47,574,083	(20,631,157)
Cash and Cash Equivalents - Beginning of Year	32,944,880	53,576,037
Cash and Cash Equivalents - End of Year*	$ 80,518,963	$ 32,944,880

* The amount includes $34,443,757 and $23,643,768 unrestricted cash and cash equivalents. and $46,075,206 and $9,301,112 of restricted cash in 2009 and 2008, respectively.

(Continued)

See notes to the financial statements.

CUYAHOGA METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
(CONTINUED)

	2009	2008
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating Loss	$ (211,387,207)	$ (221,449,281)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:		
Depreciation	28,404,546	28,954,970
Provision for Uncollectible Accounts	(149,579)	668,353
Amortization of Bond Issue Costs	64,454	37,476
Loss (Gain) on Sale of Capital Assets	0	(499,596)
Changes in Operating Assets and Liabilities:		
(Increase) Decrease in Assets:		
Accounts Receivable Tenants	122,109	(202,392)
Accounts Receivable—Other	960,761	(159,706)
Inventory	47,279	65,109
Prepaid Expenses and Other Assets	175,391	175,569
Increase (Decrease) in Liabilities:		
Accounts Payable	(49,269)	(2,692,681)
Accrued Expenses and Other	(2,948,389)	847,855
Security and Other Deposits	17,921	(70,161)
Workers' Dompensation	(142,000)	74,000
Net Cash Used in Operating Activities	$ (184,883,983)	$ (194,250,485)

See notes to the financial statements. (Concluded)

1. DEFINITION OF THE ENTITY

The Cuyahoga 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-rent housing programs in the County of Cuyahoga 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 financial statements include all programs that are considered to be within its administrative control. The Authority generally maintains separate accounting records for each grant program or annual contribution contract, as required by HUD. A list of the various programs, including HUD Annual Contributions Contract Number ("ACC"), if applicable, is as follows:

Conventional Low-Rent Housing Program (ACC C-5003) ("Conventional Program")— The Authority develops, modernizes and manages low-rent housing projects. This program accounts for housing operations primarily funded under ACC C-5003, which also includes the Capital Fund Program ("CFP"), Comprehensive Grant Program ("CGP"), Replacement Housing Fund and Urban Revitalization Development Grant ("URD", "HOPE VI").

Homeownership Program (ACC C-5003)—Ownership equity is realized by the family tenant through monthly payments into an earned home payments account and through regular maintenance of the home. A family achieves ownership when the equity increases to a point where it is equal to a predetermined amount based upon the unamortized purchase price of the home. A family may also purchase the home by obtaining financing or otherwise paying the amount by which the purchase price exceeds the family's equity.

Housing Choice Voucher and Moderate Rehabilitation Programs (ACC C-5015)—The Authority contracts with private landlords and subsidizes the rent for dwelling units. Payments are made to the landlord on behalf of the tenant for the difference between the contract rent amount and the amount that the tenant is required to pay under HUD established guidelines that consider factors such as family composition and income.

Section 8 New Construction Housing Assistance Payment Programs (Ambleside Contract C-77-242, Severance Contract C-78-089 and Quarrytown Contract C-77-330)—These programs account for the operation of low-income housing developments where the Authority or private developers contract directly with HUD to develop low-income housing. The Authority owns and manages all developments and handles all HUD funding and reporting.

1. DEFINITION OF THE ENTITY (Continued)

***Woody Woods and Noah Properties*—**In September 1996, HUD sold 10 properties on which it had foreclosed to the Authority for $1 each. In addition, HUD awarded grants of approximately $20 million for the demolition or rehabilitation of existing properties and new construction of housing. With the exception of Woody Woods and Blainewood (part of the Noah properties), all of the properties were demolished (including the other Noah properties) and the land is currently available for redevelopment. The Woody Woods property currently contains facilities serving both Housing Choice Voucher Program and Non-Housing Choice Voucher Program residents. The Blainewood property has been vacant since it was purchased from HUD in 1996.

***Western Reserve Revitalization and Management Company*—**The Authority has established Western Reserve Revitalization and Management Company ("Western Reserve") as a wholly-owned subsidiary. Western Reserve was established for the purpose of owning an investment as the general partner, together with The Cleveland Housing Network, in the Cleveland New Construction Limited Partnership ("CNC III"). CNC III was established for the purpose of developing single-family homes and townhouses as part of a scattered-site lease-purchase project. CNC III is not considered a component unit of the Authority as defined by Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, an amendment of GASB Statement 14. Accordingly, the assets, liabilities, and results of operations of CNC III are not included in the accompanying financial statements.

***Local Fund*—**In 1998, a $100,000 contribution of capital was made by Title V to a new local fund. This fund is to be used for expenditures necessary for the accomplishment of the Authority's mission but which do not fall under HUD oversight. All expenditures from the local fund must be approved by the Executive Director and the budget is approved by the Board of Commissioners.

***Title V/Affordable Housing*—**Assets in the Title V program represent the proceeds and investment income realized from the sale of World War II Title V housing projects that were given to the Authority by the U.S. government at the end of the Title V program and other funds transferred to the program by the Authority. In 1994, the Authority transferred $2,538,638 into Title V from the Ambleside program. This amount represented the excess proceeds on the bond refinancing of the Ambleside property. These assets are subject to the terms of a Memorandum of Understanding between HUD and the Authority. All activity within this program must comply with the laws of the State of Ohio and the Administrative Orders issued by the Board of Commissioners of the Authority.

1. DEFINITION OF THE ENTITY (Continued)

Title V/Affordable Housing (Continued)
The Affordable Housing program was established to provide safe and sanitary housing accommodations within Cuyahoga County, particularly within the City of Cleveland, to low-income families through the construction of housing in conformity with federal “turnkey rules” promulgated by HUD.

Other Grants**—**During 2009 and 2008, the Authority received federal, state and local funding under the Resident Opportunities and Supportive Services Program, Foster Care Grant, City of Cleveland HOME funds, PAL, George Gund Foundation, The Cleveland Foundation, Youth Health Program, Supportive Housing Program, 21st Century Grant, Disaster Housing Assistant Grant, Disaster Voucher Program, YouthBuild and private donations. Expenditures for these programs and grants must be made in accordance with the rules and regulations established by the grantors.

CMHA Charities Fund, Inc**.—**The Authority has established CMHA Charities Fund, Inc., a 501(c)(3) corporation. This charity is to raise funds through donations and fund raising events to be used to provide charitable and educational support for the Authority’s residents. The assets, liabilities and results of operations are included in the accompanying financial statements.

Excluded Entities**—**Certain entities that conduct activities for the benefit of the Authority or its residents are excluded from the financial statements. These entities are:

*Nonprofit Corporations***—**In accordance with housing subsidy contracts, the Authority has designated several Section 8 nonprofit corporations (Severance Housing Corporation, Cuyahoga Housing Corporation, Cuyahoga-Puritas Housing Corporation, Rosalind-Amesbury Housing Assistance Corporation, Cleveland-Rock Glen Housing Assistance Corporation, and Chester Village Housing Incorporated) to serve as instrumentalities of the Authority to assist in the development and financing of housing projects. The Board of the Authority appoints the Board of Trustees of the Severance Housing Corporation, Cuyahoga-Puritas Housing Corporation, Rosalind-Amesbury Housing Assistance Corporation, Cleveland-Rock Glen Housing Assistance Corporation, and Chester Village Housing Incorporated, the members of which are all the same. The Authority’s Board of Commissioners must approve all actions of the instrumentalities and, upon their dissolution, all assets and residual receipts are to be distributed to the Authority. These Section 8 nonprofit corporations have no employees, perform no day-to-day functions, and the officers thereof serve in a non-paid status. There are no assets or liabilities in these corporations and there were no revenues earned or expenses incurred during 2009 and 2008.

1. DEFINITION OF THE ENTITY (Continued)

Excluded Entities (Continued)

Joint Venture—The Authority is a member of the Housing Authority Risk Retention Group ("HARRG") and the Housing Authority Property Insurance, Inc. ("HAPI"). HARRG and HAPI are nonprofit, tax exempt mutual insurance companies that are wholly owned by their public housing authority members. HARRG operates under the Federal Liability Risk Retention Act. It provides liability insurance coverages solely to public housing authorities and public housing and redevelopment agencies throughout the United States. HAPI is a captive insurance company formed pursuant to the Vermont Captive Insurance Companies Act. It provides property insurance to public housing authorities and public housing and redevelopment authorities throughout the United States. The Board of Directors is elected by HARRG's approximately 722 members. The number of votes granted to each member is based upon premiums paid and is limited to a maximum of 10 percent of the total votes available. Due to the lack of significant oversight responsibility and accountability of the Authority's Board of Commissioners for actions, operations, and fiscal matters of HARRG and HAPI, the degree of financial interdependency is considered insufficient to warrant inclusion of these organizations within the Authority's reporting entity. HARRG and HAPI issue stand-alone financial reports that include financial statements and required supplementary information.

Interested parties may obtain a copy by making a written request to Housing Authority Insurance, c/o Mark Wilson, P.O. Box 189, Cheshire, CT 06410 or by calling 203-272-8220.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Authority has prepared its financial statements in conformity with accounting principles generally accepted in the United States of America. The Authority follows the business-type activities reporting requirements of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. In accordance with GASB Statement No. 34, the accompanying basic financial statements are reported on an Authority-wide basis.

Statement No. 34 requires the following, which collectively make up the Authority's basic financial statements:

Basic Financial Statements:
- Statement of Net Assets
- Statement of Revenues, Expenses, and Changes in Net Assets
- Statement of Cash Flows
- Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 not to apply the provisions of the Statements and Interpretations of the Financial Accounting Standards Board issued after November 30, 1989. The Authority will continue to apply all applicable pronouncements of the GASB.

The significant accounting policies under which the financial statements have been prepared are as follows:

A. *Cash and Cash Equivalents*—Cash and cash equivalents include investments with original maturities of three months or less. Cash and cash equivalents are stated at fair value.

B. *Investments*—Investments are stated at fair value.

C. *Capital Assets*—Capital assets (items with an individual cost greater than $1,500, or appliances less than $1,500, and a useful life exceeding two years), including land, property and equipment, are recorded at cost. Property and equipment are depreciated using the straight line method over the estimated useful lives of the assets, which are as follows:

Property	15-40 years
Equipment	3–7 years

D. *Debt Obligations*—Debt obligations (and the related debt service requirements) are the responsibility of the Authority and are classified as liabilities in the accompanying financial statements.

E. *Compensated Absences*—Vacation time may be accrued and carried over from year to year up to a maximum of 240 hours. Earned vacation time is due and payable to employees upon termination of employment.

Sick time may be accrued and carried over from year to year up to a maximum of 120 days. Upon retirement, employees can convert accumulated but unused sick time into a cash payment at the rate of one day for every two days accumulated.

F. *Debt Amortization Funds*—Debt amortization funds consist of restricted cash and investments held by fiscal agents. These funds are used to retire current installments of debt and to pay interest accrued thereon. Investments of debt amortization funds are carried at fair value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. *Revenue Recognition*—Subsidies and grants received from HUD and other grantors are generally recognized during the periods to which the grants relate. Tenant rental revenues are recognized during the period of occupancy. Receipts from CFP, URD (HOPE VI), and other reimbursement based grants are recognized when the related expenses are incurred. Expenses are recognized as incurred.

H. *Debt Issuance Costs and Original Issue Discounts*—Bond premiums, original issuance discounts and bond issuance costs are amortized over the life of the underlying debt using the straight-line method.

I. *Indirect Costs*—Certain indirect costs are charged to programs under a cost allocation plan. These indirect costs are accumulated in and allocated from the Conventional Low-Rent Housing Program.

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

K. *Use of Estimates*—The preparation of financial statements in conformity with accounting principals generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues and expenses, at and during the reporting period. Actual results could differ from those estimates.

L. *Budgetary Accounting and Control*—The Authority's annual budget is prepared on the accrual basis of accounting and approved by the Board of Commissioners. The budget includes anticipated amounts for current year revenues and expenses as well as new capital projects.

The Authority maintains budgetary control by not permitting total operating expenses and expenditures for individual programs to exceed their respective budget amounts without the appropriate approvals.

3. DEPOSITS AND INVESTMENTS

Legal Requirement**—**The deposit and investment of the Authority's monies are governed by the provisions of the Ohio Revised Code and regulations established by the U.S. Department of Housing and Urban Development. The Authority is permitted to invest its monies in certificates of deposit, savings accounts, money market accounts, state and local government investment pools, direct obligations of the federal government, obligations of federal government agencies and securities of federal government agencies. These investments must mature within three years of their purchase. The Authority may also enter into repurchase agreements with any eligible depository or any eligible dealer for a period not exceeding 30 days.

Under Ohio law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in excess of amounts insured by the Federal Deposit Insurance Corporation ("FDIC"), or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific qualifying securities upon which the repurchase agreements are based. These securities must mature or be redeemable within five years of the date of the related repurchase agreement. The market value of the securities subject to a repurchase agreement must exceed the value of the principal by 2 percent and be marked to market daily. State law does not require security for public deposits and investments to be maintained in the Authority's name.

The Authority is prohibited from investing in any financial instrument, contract or obligation whose value or return is based upon or linked to another asset or index, or both, separate from the financial instrument, contract or obligation itself (commonly known as a "derivative"). The Authority is also prohibited from investing in reverse purchase agreements.

Deposits**—**Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does have a deposit policy that addresses custodial credit risk. At year-end, the carrying amount of the Authority's deposits was $74,171,700 (included in the carrying amount is $20,100 in petty cash), and the bank balance was $76,632,042, the difference representing outstanding checks and other in-transit items. Of the bank balance, $63,028,783 was covered by federal depository insurance, $13,603,259 was collateralized by securities pledged in the name of the Authority or by pooled collateral as permitted by the Ohio Revised Code.

Investments**—**The Authority has a formal investment policy. Investments held by the Authority at December 31, 2009 are presented below, categorized by investment type and credit quality rating. Credit ratings provide information about the investments' credit risk, which is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. All investments mature within one year.

3. DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk **–** The Authority's investment policy limits investments to 3 years, but does not limit investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates. The Authority staggers maturity dates of investments to avoid losses from rising interest rates.

Concentration of Credit Risk **–** The Authority does not limit the amount of funds that may be on deposit with any one financial institution; however, all deposits exceeding the FDIC insurance limit are fully and continuously collateralized by securities pledged in the name of the Authority or by pooled collateral as permitted by the Ohio Revised Code.

Description	Total Fair Value/ Carrying Value	Credit Quality Rating
Repurchase Agreement	$ 804,000	AAA *
HYPO Public Finance Bank 1A	4,784,007	BBB *
Money Market Funds	4,654,161	AAAm *
Money Market Funds	889,102	AA+ *
Total Primary Government Investments	$ 11,131,270	

* Rating offered by Standard & Poor's

A reconciliation of cash and investments as shown on the statement of net assets at December 31, 2009 and 2008 to the deposits and investments included in this note is as follows:

	2009	2008
Cash and Cash Equivalents	$ 34,443,757	$ 23,643,768
Cash - Restricted	46,075,206	10,778,650
Investments - Restricted - Current	4,784,007	0
Investments - Restricted - Non-Current	0	16,064,282
Total	$ 85,302,970	$ 50,486,700
Carrying Amount of Deposits	$ 74,171,700	$ 32,944,880
Carrying Amount of Investments	11,131,270	17,541,820
Total	$ 85,302,970	$ 50,486,700

4. RESTRICTED CASH AND INVESTMENTS

At December 31, 2009 and 2008, the Authority had the following cash and investments, the use of which was restricted under the terms of various grant programs, debt obligations, and other requirements:

	2009	2008
Conventional Program:		
Tenant Security Deposits	$ 1,166,654	$ 1,217,853
Industrial Commission of Ohio Escrow Fund	3,058,000	3,185,048
General Revenue Bonds		
Net Proceeds	10,403,180	0
Capitalized Interest	779,160	0
CMHA Charities Fund, Inc.	0	251,006
Western Reserve	0	1,872,855
Homeownership Program:		
Earned HOME Payment Account and Nonroutine Maintenance Reserves	295,006	250,579
Housing Choice Voucher Restricted HAP:		
Restricted HAP	3,196,456	2,889,724
FSS Escrow Deposits	454,658	0
Ohio Bond Financing:		
Net Proceeds	4,784,007	11,858,751
Debt Service Reserve	1,278,088	1,268,274
Capital Fund Revenue Loan A:		
Net Proceeds	11,700,426	0
Debt Service Reserve	1,172,520	0
Capital Fund Revenue Loan B:		
Net Proceeds	7,000,256	0
Debt Service Reserve	698,693	0
Ambleside:		
Tenant Security Deposits	38,312	37,731
Nonroutine Maintenance Reserves	2,532,415	2,112,845
Debt Amortization Funds	886,120	824,412
Severance:		
Tenant Security Deposits	29,970	0
Nonroutine Maintenance Reserves	724,511	1,031,412
Quarrytown:		
Tenant Security Deposits	42,628	42,442
Nonroutine Maintenance Reserves	600,853	0
Woody Woods:		
Tenant Security Deposits	17,300	0
Total	$ 50,859,213	$ 26,842,932

5. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2009 was as follows:

	January 1, 2009	Additions	Deletions	December 31, 2009
Capital Assets Not Being Depreciated:				
Land	$ 28,285,524	$ 338,890	$ (122,400)	$ 28,502,014
Construction in Progress (Net Change)	9,515,614	335,238	0	9,850,852
Total Capital Assets Not Being Depreciated	37,801,138	674,128	(122,400)	38,352,866
Capital Assets Being Depreciated:				
Buildings and Improvements	613,977,649	22,324,556	(4,115,542)	632,186,663
Furniture, Equipment, and Machinery - Dwelling	15,550,036	1,359,994	(1,190,497)	15,719,533
Furniture, Equipment, and Machinery - Admin	6,978,880	56,898	(1,101,846)	5,933,932
Leasehold Improvements	0	324,610	0	324,610
Subtotal Capital Assets Being Depreciated	636,506,565	24,066,058	(6,407,885)	654,164,738
Accumulated Depreciation:				
Buildings and Improvements	(454,538,789)	(26,966,992)	3,923,604	(477,582,177)
Furniture and Equipment	(18,563,524)	(1,204,204)	2,312,745	(17,454,983)
Leasehold Improvements	0	(233,350)	0	(233,350)
Subtotal Accumulated Depreciation	(473,102,313)	(28,404,546)	6,236,349	(495,270,510)
Depreciable Assets, Net	163,404,252	(4,338,488)	(171,536)	158,894,228
Total Capital Assets—Net	$ 201,205,390	$ (3,664,360)	$ (293,936)	$ 197,247,094

Capital asset activity for the year ended December 31, 2008 was as follows:

	January 1, 2008	Additions	Deletions	December 31, 2008
Capital Assets Not Being Depreciated:				
Land	$ 27,573,400	$ 759,172	$ (47,048)	$ 28,285,524
Construction in Progress (Net Change)	4,289,375	5,226,239	0	9,515,614
Total Capital Assets Not Being Depreciated	31,862,775	5,985,411	(47,048)	37,801,138
Capital Assets Being Depreciated:				
Buildings and Improvements	611,162,604	10,840,399	(8,025,354)	613,977,649
Furniture, Equipment, and Machinery - Dwelling	16,229,202	43,190	(722,356)	15,550,036
Furniture, Equipment, and Machinery - Admin	5,663,296	1,683,152	(367,568)	6,978,880
Subtotal Capital Assets Being Depreciated	633,055,102	12,566,741	(9,115,278)	636,506,565
Accumulated Depreciation:				
Buildings and Improvements	(434,972,637)	(27,375,513)	7,809,361	(454,538,789)
Furniture and Equipment	(18,072,389)	(1,579,457)	1,088,322	(18,563,524)
Subtotal Accumulated Depreciation	(453,045,026)	(28,954,970)	8,897,683	(473,102,313)
Depreciable Assets, Net	180,010,076	(16,388,229)	(217,595)	163,404,252
Total Capital Assets, Net	$ 211,872,851	$ (10,402,818)	$ (264,643)	$ 201,205,390

5. CAPITAL ASSETS (Continued)

The Authority maintains detailed records that track fixed assets by category. The following schedules list fixed asset balances for individual programs at December 31, 2009 and 2008:

Programs	Land	Property	Equipment	Depreciation	Net
Conventional Low-Rent Housing Program	$ 25,668,687	$ 626,736,724	$ 18,978,299	$ (484,691,106)	$ 186,692,604
Homeownership Program	86,730	1,245,806	70,131	(1,101,161)	301,506
Housing Choice Voucher and					
Moderate Rehabilitation Programs	0	307,092	1,061,219	(1,113,901)	254,410
Opportunity Square	1,848,000	0	0	0	1,848,000
Title V	278,000	558,000	28,894	(586,894)	278,000
Section 8 New Construction Housing					
Assistance Payment Programs:					
Ambleside	59,840	6,233,481	370,548	(5,194,844)	1,469,025
Severance	356,767	3,852,231	312,742	(717,897)	3,803,843
Quarrytown	203,990	2,238,989	309,609	(498,274)	2,254,314
Other	0	1,189,802	522,023	(1,366,433)	345,392
Total	$ 28,502,014	$ 642,362,125	$ 21,653,465	$ (495,270,510)	$ 197,247,094

Programs	2008 Land	Property	Equipment	Accumulated Depreciation	Net
Conventional Low-Rent Housing Program	$ 23,802,787	$ 610,189,536	$ 19,497,966	$ (462,729,418)	$ 190,760,871
Homeownership Program	92,130	1,294,406	70,642	(1,059,947)	397,231
Housing Choice Voucher and					
Moderate Rehabilitation Programs	0	277,203	1,285,068	(1,269,905)	292,366
Opportunity Square	3,696,000	0	0	0	3,696,000
Title V	278,000	558,000	28,894	(586,894)	278,000
Section 8 New Construction Housing					
Assistance Payment Programs:					
Ambleside	59,840	6,095,000	388,957	(5,036,599)	1,507,198
Severance	356,767	3,416,670	293,427	(585,955)	3,480,909
Quarrytown	0	472,646	314,645	(420,139)	367,152
Other	0	1,189,802	649,317	(1,413,456)	425,663
Total	$ 28,285,524	$ 623,493,263	$ 22,528,916	$ (473,102,313)	$ 201,205,390

6. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses at December 31, 2009 and 2008 consist of the following items:

	2009	2008
Payroll and Related Accruals	$ 5,144,363	$ 5,564,960
Deferred Revenue	9,236,959	776,889
Workers' Compensation—Current Portion	1,180,000	1,000,000
Other Litigation Reserves	633,231	672,850
Interest Payable	1,105,842	3,719,407
Other	1,021,363	717,470
Total	$ 18,321,758	$ 12,451,576

7. DEBT AND LEASE OBLIGATIONS

Ambleside Bonds—In December 1994, the Authority, through the Cleveland-Rock Glen Housing Assistance Corporation, issued $8.3 million in Multifamily Housing Revenue and Revenue Refunding bonds (composed of $2.4 million of serial bonds and a $5.9 million term bond) to retire the mortgage obligation on the Ambleside Section 8 New Construction project and provide funds for the construction of housing for low income elderly, handicapped and disabled individuals.

The bonds are secured by a pledge of all revenues generated by the Ambleside project, including the housing assistance payments from HUD, and a mortgage on the Ambleside property. The serial bonds matured in December 2005. The term bond matures on June 1, 2018, and bears interest at a rate of 7 percent.

The following is a summary of Ambleside's future debt service requirements for bonds payable as of December 31, 2009:

Year	Principal	Interest	Total
2010	$ 410,000	$ 313,600	$ 723,600
2011	435,000	284,375	719,375
2012	465,000	253,400	718,400
2013	495,000	220,325	715,325
2014	535,000	184,975	719,975
2015-2018	2,240,000	326,775	2,566,775
Total Payments	4,580,000	1,583,450	6,163,450
Less—Unamortized Bond Discount	(179,197)	0	(179,197)
Total	$ 4,400,803	$ 1,583,450	$ 5,984,253

7. DEBT AND LEASE OBLIGATIONS (Continued)

At the Authority's option, the bonds are subject to redemption after June 1, 2006, in whole or in part, at a specified premium plus accrued interest through the redemption date.

Capital Lease—In 1997, the Authority entered into a tax exempt capital lease to acquire equipment to upgrade the heating and energy efficiency of several properties. The agreement expires in September 2010. At December 31, 2009 and 2008, the net book value of equipment under capital lease was $1,674,310 and $2,135,207, respectively.

Payments under the agreement are as follows:

2010	$ 589,476
Less Amount Representing Interest	(19,262)
Principal Amount	$ 570,214

Capital Lease—On October 10, 2006, the Authority entered into an equipment lease-purchase agreement to acquire equipment under an energy performance contract to upgrade the heating and energy efficiency of several properties. The total amount of the contract is $33,610,000 which was all committed at December 31, 2008. Principal payments commenced April 10, 2008. Interest from inception to April 10, 2007 in the amount of $707,818 was added to principal.

Payments under the agreement are as follows:

	Principal	Interest	Total
2010	$ 2,420,853	$ 1,232,563	$ 3,653,416
2011	2,523,892	1,129,524	3,653,416
2012	2,631,316	1,022,100	3,653,416
2013	2,743,313	910,102	3,653,415
2014	2,860,076	793,340	3,653,416
2015 - 2019	16,233,371	2,033,707	18,267,078
2020	903,886	9,468	913,354
Total Capital Lease Payments	$ 30,316,707	$ 7,130,804	$ 37,447,511

7. DEBT AND LEASE OBLIGATIONS (Continued)

Bond Anticipation Note, Series 2008 and Note Series 2009 – On February 28, 2008, the Bond Anticipation Note, Series 2008 was issued for $5,600,000, with a due date of August 27, 2009, and an interest rate of 4 percent. The note was issued to cover the cost of 25 acres of land on which the consolidated Administrative Campus is being built.

On September 18, 2009, the Series 2008 Note was fully redeemed and the Note Series 2009 was issued for $3,000,000 for half the land. During the design process for the Campus, it was determined that only half the land would be needed for the project and the remaining half would be re-purposed or sold.

The Note Series 2009 matures September 1, 2012 and has an interest rate of 4.5 percent. The note was sold at a premium of $117,570. Interest on the note is payable March 1 and September 1, commencing on March 1, 2010.

Future payments, including unamortized bond premiums under the agreement are as follows:

	Principal	Interest	Total
2010	$ 0	$ 135,000	$ 135,000
2011	0	135,000	135,000
2012	3,000,000	101,250	3,101,250
Unamortized Bond Premium	105,978	0	105,978
	$ 3,105,978	$ 371,250	$ 3,477,228

First Mortgage Note-On October 22, 2007 the Authority borrowed $4,000,000 on a first mortgage note from First Merit Bank to finance the purchase of the Severance Tower property. The interest rate is 6 percent through November 14, 2010. From November 15, 2010 through November 14, 2013, the annual interest rate shall be a fixed rate equal to one hundred and fifty basis points (1.5 percent) above the banks Three Year Cost of Funds Index in effect on November 15, 2010. From November 15, 2013 through November 14, 2016, the annual interest rate shall be a fixed rate equal to one hundred fifty basis points (1.5 percent) above the banks Three Year Cost of Funds Index in effect on November 14, 2013. From November 15, 2016 until the note is paid in full, the annual interest rate shall be a fixed rate equal to one hundred fifty basis points (1.5 percent) above the banks Three Year Cost of Funds Index in effect on November 15, 2016. Starting on December 15, 2007, the note requires monthly payments of principal and interest of $28,850 through November 15, 2017 at which time the entire unpaid principal balance hereof and all accrued interest, if any, shall be due and payable in full. The required installments of principal and interest shall be adjusted with each change in interest rate. At December 31, 2009, $3,772,536 in debt remained outstanding. An amortization of the loan after 2010 is not available.

7. DEBT AND LEASE OBLIGATIONS (Continued)

Payments under the agreement are as follows:

	Principal	Interest	Total
2010	$ 112,411	$ 207,858	$ 320,269
Amount Remaining	3,660,125	0	3,660,125
Total	$ 3,772,536	$ 207,858	$ 3,980,394

Ohio Bond Financing - On July 17, 2007, the Authority issued a Capital Fund backed bond with three other authorities. The Authority's debt from the bond issuance is $15,315,000 and after providing for a debt service reserve and upfront costs, the Authority will have $14,003,165 to spend on improvements to facilities. The bonds have a 20 year term with interest rates from 3.9 percent to 4.67 percent . A bond premium was also received and will be amortized over the life of the bonds on a straight line basis. Payments will be made in April and October starting in October of 2007 and will be made directly from HUD. At December 31, 2009, total debt and unamortized bond premium was $14,511,544.

Payments under the agreement are as follows:

	Principal	Interest	Total
2010	$ 505,000	$ 684,100	$ 1,189,100
2011	525,000	662,188	1,187,188
2012	550,000	638,001	1,188,001
2013	575,000	612,688	1,187,688
2014	600,000	584,750	1,184,750
2015-2019	3,515,000	2,427,125	5,942,125
2020-2024	4,545,000	1,425,125	5,970,125
2025-2027	3,335,000	255,875	3,590,875
Total	14,150,000	7,289,852	21,439,852
Unamortized Bond Premium	361,544	0	361,544
Total	$ 14,511,544	$ 7,289,852	$ 21,801,396

7. DEBT AND LEASE OBLIGATIONS (Continued)

***Series 2009A and 2009B Administrative Campus Financing* –** On September 18, 2009, the Authority issued Series 2009A Tax Exempt General Revenue Bonds in the amount of $3,145,000 and Series B Build America Bonds in the amount of $12,855,000. The net proceeds from the bonds will be used to build the consolidated Administrative Campus. The Series A Bonds have various maturity dates and coupon rates as follows:

- September 1, 2014 - $485,000 at 2.75 percent
- September 1, 2015 - $500,000 at 3 percent
- September 1, 2016 - $510,000 at 3.38 percent
- September 1, 2017 - $530,000 at 3.63 percent
- September 1, 2018 - $550,000 at 3.75 percent
- September 1, 2019 - $570,000 at 4.00 percent

The Build America Bonds, Series 2009B is a new type of bond created under The America Recovery and Reinvestment Act of 2009. This type of bond is taxable and allows government entities to offer bonds in the market at competitive rates, thereby widening the pool of potential buyers. The Build America Bonds mature as follows: September 1, 2029 - $4,835,000 at 7.88 percent and September 1, 2039 - $8,020,000 at 8.13 percent. Under the Build America Program, the Authority will be reimbursed by the Internal Revenue Service 35 percent of the interest paid, thus borrowing the actual interest rate the Authority will pay.

	Principal	Interest	Total
2010	$ 0	$ 1,141,211	$ 1,141,211
2011	0	1,141,211	1,141,211
2012	0	1,141,211	1,141,211
2013	0	1,141,211	1,141,211
2014	485,000	1,137,877	1,622,877
2015-2019	2,660,000	5,444,970	8,104,970
2020-2024	2,120,000	4,804,610	6,924,610
2025-2029	2,715,000	3,870,151	6,585,151
2030-2039	8,020,000	3,697,516	11,717,516
	$ 16,000,000	$ 23,519,968	$ 39,519,968

7. DEBT AND LEASE OBLIGATIONS (Continued)

First Mortgage Note – Quarrytown – On February 27, 2009, the Western Reserve Revitalization and Management Company, Inc., a wholly owned subsidiary of the Authority, borrowed $3,500,000 on a first mortgage note from First Merit Bank to finance the purchase of the Quarrytown Towers property. Interest on the loan is calculated under the terms of the International Swap Dealers Association (SDA) agreement, whereby an effective fixed rate of 5.56 percent is achieved.

	Principal	Interest	Total
2010	$ 101,586	$ 190,146	$ 291,732
2011	107,518	184,267	291,785
2012	113,356	178,547	291,903
2013	3,096,810	14,827	3,111,637
	$ 3,419,270	$ 567,787	$ 3,987,057

Capital Fund Financing 2009 **–** On November 18, 2009, the Authority issued Capital Fund backed debt in the form of two Fannie Mae loans (Loans A and B). The Authority's debt for both loans is $20,878,960.

Loan A, the amount of $13,082,970, will provide $11,700,426 net proceeds after debt service reserves and up-front costs. These proceeds will be used for Phase III of the Garden Valley mixed finance redevelopment after being loaned to the Garden Valley Housing Partnership I, LP. The maturity date for the loan is October 1, 2029, and it has an interest rate of 6.4 percent.

Loan B in the amount of $7,795,990 will provide $7,000,256 net proceeds after debt service reserves and up-front costs. These proceeds will be used at various Authority properties to fund the implementation of Uniform Federal Accessibility Standards (UFAS) improvements. The maturity date for the loan is October 1, 2029, and it has an interest rate of 6.4 percent.

Payments will be made in April and October starting in April 2010. The payments will be made directly from HUD.

Combined payments for both loans under the agreement are as follows:

7. DEBT AND LEASE OBLIGATIONS (Continued)

Capital Fund Financing 2009 (Continued)

	Principal	Interest	Total
2010	$ 472,610	$ 1,283,271	$ 1,755,881
2011	574,320	1,287,629	1,861,949
2012	611,670	1,249,676	1,861,346
2013	651,460	1,209,257	1,860,717
2014	693,830	1,166,210	1,860,040
2015-2019	4,207,680	5,080,671	9,288,351
2020-2024	5,765,990	3,497,432	9,263,422
2025-2029	7,901,400	1,327,845	9,229,245
	$ 20,878,960	$ 16,101,991	$ 36,980,951

A summary of the Authority's long-term debt and capital lease in 2009 follows:

	January 1, 2009	Increase	Decrease	December 31, 2009	Due Within One Year
Ambleside Bonds	$ 4,765,611	$ 0	$ (364,808)	$ 4,400,803	$ 393,726
Bond Anticipation Note -2008	5,600,000	0	(5,600,000)	0	0
Bond Anticipation Note -2009	0	3,117,570	(11,592)	3,105,978	39,742
Unamortized Bond Discount	0	(72,862)	3,192	(69,670)	(7,286)
General Revenue Bond	0	3,145,000	0	3,145,000	0
Build America Bonds	0	12,855,000	0	12,855,000	0
Ohio Bond Financing	15,012,503	0	(500,959)	14,511,544	525,959
Mortgage Note - Severance	3,885,495	0	(112,959)	3,772,536	112,411
First Mortgage Note-Quarrytown	0	3,500,000	(80,730)	3,419,270	101,586
Capital Lease	33,942,160	0	(3,055,239)	30,886,921	2,991,068
Modernization Express Loan A	0	13,082,970	0	13,082,970	296,140
Modernization Express Loan B	0	7,795,990	0	7,795,990	176,470
Total	$ 63,205,769	$ 43,423,668	$ (9,723,095)	$ 96,906,342	$ 4,629,816

Other Lease Obligations—The Authority entered into agreements to lease three separate facilities to house warehouse, office space and centralized maintenance operations. Total expense recognized under these operating leases was $441,533 and $718,821 in 2009 and 2008, respectively. The Authority also leases office equipment under various operating leases. Total expense recognized under these operating leases was $466,055 in 2009 and $454,174 in 2008.

7. DEBT AND LEASE OBLIGATIONS (Continued)

Future minimum lease payments are as follows:

Year	Office Space	Office Equipment	Total
2010	$ 463,476	$ 188,564	$ 652,040
2011	359,734	159,675	519,409
2012	183,483	125,071	308,554
2013	0	49,243	49,243
2014	0	4,986	4,986
Total	$ 1,006,693	$ 527,539	$ 1,534,232

8. DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System

All Authority full-time employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans, as describe below:

1. The Traditional Pension Plan (TP) – a cost-sharing, multiple-employer defined benefit pension plan.

2. The Member-Directed Plan (MD) – a benefit contribution plan in which the member invests both member and employer contributions (employer contributions vest over 5 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.

3. The Combined Plan (CO) – a cost-sharing, multiple-employer defined benefit pension 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, the investment of which is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor, death benefits, and annual cost of living adjustments to members of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by State statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377 or by using the OPERS website at www.opers.org.

8. DEFINED BENEFIT PENSION PLAN (Continued)

Ohio Public Employees Retirement System (Continued)

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2009, member and employer contribution rates were consistent across all three plans (TP, MD, and CO). Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. The employer pension contribution rate for the Authority was 14 percent of covered payroll. The Authority's required contributions to OPERS for the years ended December 31, 2009, 2008, and 2007, were $5,455,683, $5,201,556, and $5,161,724, respectively. The full amount has been contributed for 2009, 2008, and 2007. Included in the required contributions for 2009 were contributions to the Combined Plan of $110,487 and contributions to the Member-Directed Plan of $59,996.

9. POST-EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and primary survivor recipients is available with both the Traditional and the Combined plans; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2009 employer rate was 14 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.

The 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 was 7.00 percent for the months of January through March in 2009 and 5.5 percent for the months of April through December 2009. 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.

9. POST-EMPLOYMENT BENEFITS (Continued)

Ohio Public Employees Retirement System (Continued)

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2008, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees), and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .50 percent to 5 percent annually for the next 8 years. In subsequent years (9 and beyond), health care costs were assumed to increase at 4 percent (the projected wage inflation rate).

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

As of December 31, 2009, the number of active contributing participants in the Traditional Pension and Combined plans totaled 357,584. The number of active contributing participants for both plans used in the December 31, 2008, actuarial valuation was 356,388. Actual Authority contributions for 2009 which were used to fund post-employment benefits were $2,251,845. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS' net assets available for payment of benefits at December 31, 2008 (the latest information available) was $10.7 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were $29.6 billion and $18.9 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. 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.

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

10. INSURANCE COVERAGE AND RISK RETENTION

The Authority is exposed to various risks of loss during the normal course of its operations including, but not limited to, loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees.

As described in Note 1, the Authority is a member of HARRG, which is a comprehensive general liability insurance group operated as a joint venture by its 722 public housing authority members. Through HARRG, the Authority carries $5,000,000 of general liability coverage, with a $25,000 deductible, as well as $1,000,000 of law enforcement liability, with a $25,000 deductible, and $2,000,000 of public officials' errors and omissions coverage, with a $25,000 deductible.

The Authority is also a member of HAPI, which is a property insurance group operated as a joint venture by its 769 public housing authority members. Through HAPI, the Authority carries building and contents coverage with a per occurrence loss limit of $100,000,000 and with a $10,000 deductible.

The Authority's commercial automobile fleet and garage keeper's coverage includes liability insurance with a combined single limit of $1,000,000 per accident with a $1,000 deductible. The Authority is self-insured for the following risks:

Workers' Compensation Benefits**—**The Authority is self-insured for workers' compensation benefits provided to its employees. An excess liability policy provides coverage for individual claims that are greater than $500,000 per individual occurrence and $10,000,000 in the aggregate. The Authority has recorded a $3,058,000 liability for self-insured workers' compensation claims in its Conventional Program and is fully funded at December 31, 2009.

Employee Termination and Other Third-Party Liability Matters**—**The Authority is self-insured for certain employee termination and miscellaneous third-party claims that are not covered by HARRG.

The changes in the Authority's liabilities for self-insured risks for the years ended December 31, 2009 and 2008 were as follows:

10. INSURANCE COVERAGE AND RISK RETENTION (Continued)

	Workers' Compensation Benefits	Employee Termination and Other
Balance—January 1, 2008	$ 2,946,000	$ 577,000
Incurred Claims—Net of Changes in Estimates	1,475,058	102,350
Payments	(1,401,058)	(6,500)
Balance—December 31, 2008	3,020,000	672,850
Incurred Claims—Net of Changes in Estimates	1,142,908	148,231
Payments	(1,104,908)	(184,850)
Balance—December 31, 2009	$ 3,058,000	$ 636,231

The liabilities above represent the Authority's best estimates based upon available information and include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic factors.

The Authority strictly adheres to a Risk Control Work Plan policy that incorporates nine standards for risk management. The policy, passed by resolution of the Board of Commissioners and supported by HARRG, seeks to implement risk management activities that include the assignment of a full time risk control administrator, establishment of an active risk control committee, together with a formal self inspection and preventive maintenance program. Other standards include conducting on-site risk control training and education, the development of emergency action plans and property conservation programs, and the establishment of an accident and incident investigation program. During 2009 and 2008, there were no significant reductions in the Authority's insurance coverage.

Settled claims have not exceeded the Authority's insurance coverage in any of the past three years.

11. CONTINGENCIES

The Authority is a defendant in several lawsuits, including construction claims. Where possible, estimates have been made and reflected in the financial statements for the effect, if any, of such contingencies. The ultimate outcome of these matters is not presently determinable.

12. CONSTRUCTION COMMITMENTS

As of December 31, 2009, the Authority had the following significant construction commitments:

Project Type	Amount
Building Renovations	$ 31,318,833
UFAS Renovations	2,871,339
Roofing	1,162,461
Side Improvements	1,263,476
Elevator Replacements	175,254
Total Construction Commitments	$ 36,791,363

13. INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT

The calculation of Invested in Capital Assets, Net of Related Debt is impacted by proceeds reflected in the debt balance reported that is not yet spent, but rather is being held by the trustee bank at December 31, 2009. In addition, impacting that calculation are the debt service funds held by the trustee bank as required by the Trustee Indenture.

Capital Assets	$ 197,247,094
Less Related Debt	(96,906,341)
Add Back in Unspent Debt Proceeds and Debt Services Funds Held by Trustee	37,816,330
Total Invested in Capital Assets, Net of Related Debt	$ 138,157,083

14. RESTRICTED NET ASSETS

Below is a summary of restricted net assets at December 31, 2009:

Unspent funding provided by HUD to make HAP payments in the Section 8 Housing Choice Voucher Program	$ 3,196,456
Nonroutine maintenance and debt service reserves in the Section 8 New Construction Program	4,743,899
Total Restricted Net Assets at December 31, 2009	$ 7,940,355

* * * * * *

CUYAHOGA METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEARS ENDED DECEMBER 31, 2009

Federal Grantor/Program/Title	CFDA Number	Federal Expenditures
U.S. Department of Housing and Urban Development		
Direct Programs:		
Conventional Low-Income Housing Program - Subsidy	14.850	$ 54,901,981
Section 8 Project Based Cluster		
Section 8 New Construction and Moderate Rehabilitation Programs:		
New Construction	14.182	3,167,461
Moderate Rehabilitation	14.856	1,535,016
Total Section I Project Based Cluster		4,702,477
Housing Choice Voucher	14.871	106,282,833
Total CFDA #14.871		106,282,833
Capital Fund Program Cluster:		
Capital Fund Program	14.872	26,827,034
Capital Fund Program Competitve - ARRA	14.884	138,537
Capital Fund Program Formula - ARRA	14.885	6,314,477
Total Capital Fund Program Cluster		33,280,048
Revitalization of Severely Distressed Housing	14.866	6,941,849
Supportive Housing Program	14.235	348,882
Resident Opportunities and Supportive Services	14.870	57,514
Opportunities for Youth-Youthbuild Program	14.243	91,239
Total U.S. Department of Housing and Urban Development		206,606,823
U.S. Department of Education		
Direct Programs:		
21st Century Community Learning	84.287	207,735
Total U.S. Department of Education		207,735
U.S. Department of Homeland Security		
Direct Programs:		
Disaster Housing Assistance Grant	97.109	8,686
Total U.S. Department of Homeland Security		8,686
U.S. Department of Justice		
Direct Program:		
Public Safety Partnership and Community Policing Grants	16.710	33,874
Total U.S. Department of Justice		33,874
U.S. Department of Labor		
Direct Program:		
Youthbuild	17.274	72,157
Total U.S. Department of Labor		72,157
TOTAL EXPENDITURES OF FEDERAL AWARDS		$ 206,929,275

1. BASIS OF PRESENTATION

The accompanying Supplemental Schedule of Expenditures of Federal Awards (the "Schedule") presents the activity of all federal financial assistance programs of the Cuyahoga Metropolitan Housing Authority (the "Authority"). The Authority's reporting entity is defined in Note 1 to the Authority's financial statements. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies is required to be included on the Schedule.

The information presented in the Schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Catalog of Federal Domestic Assistance ("CFDA") Numbers are presented for each federal grant.

Revenue and expenses are presented on an accrual basis of accounting with the exception of fixed assets and depreciation. For purposes of the Schedule, depreciation expense is not recorded and the cost of fixed asset additions is included as an expenditure.

2. SUBRECIPIENTS

Of the federal expenditures presented in the Schedule, the Authority provided federal awards to subrecipients as follows:

Program Title	Subrecipient	Federal CFDA No.	2009 Grant Expenditures
Conventional Low-Rent	Progressive Action Council and Management Company	14.850	$ 310,000

* * * * * *

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

To the Board of Directors
Cuyahoga Metropolitan Housing Authority
Cleveland, Ohio

Regional Inspector General for Audit
Department of Housing and Urban Development

We have audited the financial statements of the business-type activities of the Cuyahoga Metropolitan Housing Authority, Ohio, as of and for the year ended December 31, 2009, which collectively comprise the Cuyahoga Metropolitan Housing Authority, Ohio's basic financial statements and have issued our report thereon dated June 30, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not prevented, or detected and corrected on a timely basis.

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

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

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

James G. Zupka, CPA, Inc.

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

June 30, 2010

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
Cuyahoga Metropolitan Housing Authority
Cleveland, Ohio

Regional Inspector General of Audit
Department of Housing and Urban Development

Compliance

We have audited the compliance of the Cuyahoga Metropolitan Housing Authority, Ohio, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. The Cuyahoga Metropolitan Housing Authority, Ohio's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Cuyahoga Metropolitan Housing Authority, Ohio's management. Our responsibility is to express an opinion on the Cuyahoga Metropolitan Housing Authority, Ohio's compliance based on our audit.

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

In our opinion, the Cuyahoga Metropolitan Housing Authority, Ohio, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

Internal Control Over Compliance

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

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

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

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

James G. Zupka, CPA, Inc.

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

June 30, 2010

CUYAHOGA METROPOLITAN HOUING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2009

1. SUMMARY OF AUDITOR'S RESULTS

2009(i)	Type of Financial Statement Opinion	Unqualified
2009(ii)	Were there any material control weakneses reported at the financial statement level (GAGAS)?	No
2009(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2009(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS?)	No
2009(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2009(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
2009(v)	Type of Major Programs' Compliance Opinion	Unqualified
2009(vi)	Any there any reportable findings under .510?	No
2009(vii)	Major Programs (list):	
	Section 8 Housing Choice Vouchers - CFDA #14.871	
	Capital Fund Cluster:	
	Public Housing Capital Fund Program - CFDA #14.872	
	Public Housing Capital Fund Competitive -ARRA - CFDA #14.884	
	Public Housing Capital Fund Stimulus Formula Grant - ARRA - CFDA #14.885	
2009(viii)	Dollar Threshold: Type A/B Programs	Type A: > $3,000,000
		Type B: all others
2009 (ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

Finding	Still Applicable	Comments
Hope VI Program - February 2004-February 2005	No	HUD has approved CMHA's response to this finding.

The audit report for the prior year ended December 31, 2008 contained no findings other than noted above. Management letter comments have been resolved.

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Mary Taylor, CPA
Auditor of State

CUYAHOGA METROPOLITAN HOUSING AUTHORITY

CUYAHOGA 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
SEPTEMBER 30, 2010

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