AKRON METROPOLITAN HOUSING AUTHORITY
SUMMIT COUNTY, OHIO

AUDIT REPORT

For the Year Ended June 30, 2012

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

Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Akron Metropolitan Housing Authority, Summit County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost

Dave Yost
Auditor of State

February 21, 2013

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AKRON METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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REPORT OF INDEPENDENT ACCOUNTANTS

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

Regional Inspector General of Audit
Department of Housing and Urban Development

We have audited the accompanying financial statements of the business-type activities and its discretely presented component units of the Akron Metropolitan Housing Authority, Summit County, Ohio (the Authority), as of and for the year ended June 30, 2012, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Eastland Woods, LLC, Wilbeth Arlington Homes, Ltd. Partnership, Akron Edgewood Homes LLC, and Edgewood Village, LLC, which represent 100 percent of the assets and 100 percent of the revenues of the Authority's discretely presented component units. Those statements were audited by other auditors whose unqualified report has been furnished to us, and our opinion, insofar as it related to the amounts included for these component units is based solely on the report of such other auditors.

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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component units of the Akron Metropolitan Housing Authority, Summit County, Ohio, as of June 30, 2012, and the respective changes in financial position and where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2012, on our consideration of the 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the Authority's basic financial statements taken as a whole. The schedule of expenditures of federal awards provides additional information as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Charles E. Harris & Associates

Charles E. Harris & Associates, Inc.
December 27, 2012

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

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

Financial Highlights - Primary Government

- The Authority's net assets increased by $11,726,931 (4.8 percent) during fiscal year 2012. Net assets were $253,996,255 and $242,269,324 for 2012 and 2011, respectively, including the restatement of prior year net assets.

- Revenue activity increased by $2,555,506 (2.7 percent) during 2012 and was $96,421,706 and $93,866,200 for 2012 and 2011, respectively.

- The total expenses of all Authority programs increased by $2,286,740 (2.8 percent) during 2012. Total expenses were $84,694,775 and $82,408,035 for 2012 and 2011, respectively.

Using This Annual Report

The following depicts the Authority's annual report:

MD & A
Management Discussion and Analysis

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

Notes to the Financial Statements
Pages 16 to 34

Government-wide Financial Statements

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

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

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

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

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

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

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

Fund Financial Statements

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

THE AUTHORITY'S PROGRAMS

Central Office Cost Center

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

Low-Income Public Housing

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

Capital Fund Program (CFP)

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

HOPE VI Revitalization Grant

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

American Recovery and Reinvestment Act (ARRA) Grant

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

Housing Choice Voucher Program

Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords who own rental property. The Authority subsidizes the family's rent through a Housing Assistance Payment (HAP) made to the landlord. This program is administered under a Consolidated Annual Contributions Contract (CACC) with HUD. HUD provides funding to enable the Authority to structure the tenant leases that sets the rent at 30 percent of household income. Nearly 5,000 vouchers are issued through the Authority.

Local Housing Authority (LHA)/Other Business Activities

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

Elderly/Disabled Service Coordinator Grant

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

Section 8 New and Substantial Rehab Program

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

Shelter Plus Care

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

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

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

Component Units

The Authority has several discretely presented component units as a result of tax credit financing activities. Two multifamily projects funded under the HUD Section 8 Project-Based Rental Assistance Program include the rental of 328 units at Wilbeth-Arlington Homes and 100 units at Eastland Woods. In addition, a mixed finance project at Edgewood Village composed of four phases contains 128 public housing units and 98 tax credit units.

Statement of Net Assets

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

Table 1 - Statement of Net Assets - Primary Government

	FY 2012	FY 2011
Assets		
Current Assets	$ 51,624,504	$ 57,161,532
Other Non-Current Assets	60,401,593	46,589,846
Capital Assets, Net of Accumulated Depreciation	176,089,644	174,524,266
Total Assets	$ 288,115,741	$ 278,275,644
Liabilities and Net Assets		
Liabilities		
Current Liabilities	$ 6,905,829	$ 7,104,130
Non-Current Liabilities	27,213,657	28,902,190
Total Liabilities	34,119,486	36,006,320
Net Assets		
Invested in Capital Assets, Net of Related Debt	149,634,355	145,515,006
Restricted Net Assets	17,194,038	20,779,229
Unrestricted Net Assets	87,167,862	75,975,089
Total Net Assets	253,996,255	242,269,324
Total Liabilities and Net Assets	$ 288,115,741	$ 278,275,644

Major Factors Affecting the Statement of Net Assets

Current assets decreased over $5 million from the prior year primarily because of the elimination of a $2.9 million accounts receivable from HUD and a $2 million reduction in investments.

Other non-current assets as well as unrestricted net assets increased over $13.8 million and represents loans receivable relating to Edgewood Village.

Restricted net assets decreased over $3 million from the prior year due to the expenditure of proceeds for the energy services contract as well as the loan of $1.7 million of the Norton Homes sale proceeds to the Edgewood Village Phase 5 project.

Statement of Revenues and Expenses

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

Table 2 - Statement of Revenues and Expenses - Primary Government

	FY 2012	FY 2011	Change
Revenues			
Tenant Revenue	$ 8,874,586	$ 8,179,935	$ 694,651
Operating Subsidy and Capital Grants	73,531,648	76,800,043	(3,268,395)
Investment Income	2,133,940	2,453,033	(319,093)
Other Revenues	9,682,340	6,433,189	3,249,151
Total Revenues	94,222,514	93,866,200	356,314
Expenses			
Operating Expenses			
Administrative	15,239,945	18,698,965	(3,459,020)
Tenant Services	3,232,447	1,982,562	1,249,885
Utilities	3,840,008	4,002,768	(162,760)
Maintenance/Security	14,311,887	12,389,992	1,921,895
Other General Expenses	2,644,703	2,689,091	(44,388)
Total Operating Expenses	39,268,990	39,763,378	(494,388)
Other Expenses (Revenue)			
Interest Expense	1,540,360	625,404	914,956
Casualty Gain/(Loss)	(13,061)	-	(13,061)
Extraordinary Maintenance	5,731	-	5,731
Gain / Loss on Sale of Capital Assets	(18,394)	1,008,661	(1,027,055)
Special Item - Contribution	(2,167,737)	-	(2,167,737)
Housing Assistance	30,326,594	30,739,386	(412,792)
Depreciation Expense	13,553,100	10,271,206	3,281,894
Total Other Expenses	43,226,593	42,644,657	581,936
Total Expenses	82,495,583	82,408,035	87,548
Net Income (Deficit)	$11,726,931	$ 11,458,165	$ 268,766

Major Factors Affecting the Statement of Revenues and Expenses

Total revenue increased by $2,555,506. Other revenues increased by $2.2 million and administrative expenses decreased by the same amount due to the refinancing of Edgewood Village Phase 5 (Special Item Contribution). Operating subsidy increased $1.1 million from the prior year due to proration at 103 percent. Capital grant revenue decreased approximately $4.7 million from the prior year due to the winding down of projects funded by ARRA. The Section 8 Housing Choice Voucher Program revenue decreased $1.15 million from the prior year.

Tenant services increased by approximately $783,000 due to the Endowment Fund that was established with HOPE VI funds on behalf of Edgewood Village residents. Maintenance increased nearly $1.5 million due to increased staffing costs and associated benefits and other maintenance items.

Losses on the sale of capital assets decreased by $1.0 million over the prior year because of the demolition of the Midtown building in fiscal year 2011. Depreciation expense increased by $3.3 million; $2 million was associated with energy services contract items.

The following table reflects revenue and expenses by program.

Table 3 - Revenue and Expenses by Program

	Revenue	Expenses
Low-Income Public Housing (LIPH) and CFP	$ 37,941,274	$ 41,828,105
Central Office Cost Center	2,966,786	2,432,034
Section 8 Housing Choice Voucher Program (includes VASH)	30,774,603	31,045,270
Section 8 Moderate Rehab Program	77,081	77,081
Section 8 New Construction and Substantial Rehab Program	2,274,431	2,204,952
HOPE VI	4,176,647	1,128,373
LHA Business Activities	10,298,411	3,691,916
Resident Opportunity and Supportive Services	327,410	326,518
Shelter Plus Care	535,152	535,152
American Reinvestment and Recovery Act	6,376,939	742,044
Resident Support Services/Early Childhood Initiatives (State/Local)	672,972	683,330
Totals	$ 96,421,706	$ 84,694,775

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

Capital Assets

During fiscal year 2012, the change in capital assets amounted to $1,565,379. The following table represents the changes in the asset accounts by category as follows:

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

	2012	2011	Change
Land	$ 26,097,955	$ 26,433,090	$ (335,135)
Buildings	297,948,093	264,766,208	33,181,885
Equipment	5,965,396	6,307,872	(342,476)
Accumulated Depreciation	(186,681,433)	(174,308,732)	(12,372,701)
Construction-in-Progress	32,759,634	51,325,828	(18,566,194)
Totals	$176,089,645	$174,524,266	$ 1,565,379

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

Debt

During fiscal year 2012, approximately $1.8 million of principal was repaid on all debt. The following table compares outstanding debt for the current and previous fiscal years.

Table 5 - Outstanding Debt at Year End

	2012	2011
Outstanding Debt	$ 27,408,394	$ 29,248,233
Less: Current Portion	(1,948,030)	(1,839,839)
Long-Term Debt	$ 25,460,364	$ 27,408,394

Unrestricted Net Assets

The following table shows the changes in unrestricted net assets for the fiscal year ended June 30, 2012.

Table 6 - Change in Unrestricted Net Assets

Unrestricted Net Assets at June 30, 2011		$ 75,975,089
Change in Net Assets	11,726,931	
Adjustments:		
Depreciation (1)	13,553,100	
Adjusted Results from Operations		25,280,031
Debt Expenditures		(1,839,839)
Capital Grants and Contributions		(15,689,309)
Adjustment to Operations		4,394,995
Unrestricted Net Assets at June 30, 2012		$ 88,120,967

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

Economic Factors and 2012 Budgets

The preparation of the fiscal year 2012 budget was prepared while several significant economic and regulatory factors were uncertain; however, the Authority fared well.

Funding for the Low-Income Public Housing Program by the U.S. Department of Housing and Urban Development over the past several years has had a proration between 82 percent and 103 percent. During the first half of fiscal year 2012, the proration was at 103 percent, whereas during the second half it was at approximately 95 percent.

The Authority completed its sixth year under HUD's Asset Management and Project-Based Accounting model. With the successful conversion, subsidy losses were stopped at 5 percent.

The Authority continues to receive HUD funding for the capital needs of public housing. During fiscal year 2012, the CFP budget for these improvements was $7,006,000. ARRA funds generated $5,635,000 in capital additions, and HOPE VI funding also generated $4,176,000 in capital additions to the Edgewood Village project.

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

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

Respectfully submitted,

Anthony W. O'Leary

Anthony W. O'Leary
Executive Director

AKRON METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2012

	Primary Government	Component Units
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 12,774,667	$ 994,727
Investments - Unrestricted	17,213,578	-
Restricted Cash and Cash Equivalents	6,304,588	2,925,289
Investments - Restricted	12,708,140	-
Receivables, Net	2,044,538	64,136
Inventories, Net	452,282	15,455
Prepaid Expenses and Other Assets	126,711	1,164,116
Total Current Assets	51,624,504	5,163,723
Noncurrent Assets		
Capital Assets, Not Being Depreciated	58,857,589	1,009,800
Capital Assets, Net of Depreciation	117,232,055	49,404,724
Notes Receivable from Component Units and Other	60,094,350	-
Other Noncurrent Assets	307,243	732,609
Total Noncurrent Assets	236,491,237	51,147,133
TOTAL ASSETS	$ 288,115,741	$ 56,310,856
LIABILITIES		
Current Liabilities		
Accounts Payable	1,024,668	749,988
Accrued Liabilities	968,104	2,460,194
Tenant Security Deposits	316,366	127,440
Deferred Revenue	647,479	1,102,784
Bonds, Notes, and Loans Payable	1,948,030	66,701
Other Current Liabilities	2,001,182	-
Total Current Liabilities	6,905,829	4,507,107
Non-Current Liabilities		
Bonds, Notes, and Loans Payable	25,460,364	6,688,751
Accrued Compensated Absences, Non-Current	1,581,708	-
Notes Payable to Primary Government	-	37,878,869
Non-Current Liabilities - Other	171,585	-
Total Non-Current Liabilities	27,213,657	44,567,620
TOTAL LIABILITIES	$ 34,119,486	$ 49,074,727
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	149,634,355	6,115,506
Restricted Net Assets	16,240,933	-
Unrestricted Net Assets	88,120,967	1,120,623
TOTAL NET ASSETS	$ 253,996,255	$ 7,236,129

AKRON METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2012

	Primary Government	Component Units
Operating Revenue:		
Tenant Revenue	$ 8,874,586	$ 4,589,383
Government Operating Grants	57,842,339	-
Other Revenue	9,682,340	461,920
Total Operating Revenue	76,399,265	5,051,303
Operating Expenses		
Administrative	15,239,945	1,124,080
Tenant Services	3,232,447	17,688
Utilities	3,840,008	415,336
Maintenance	12,714,615	1,514,444
Protective Services	1,597,272	-
General	1,703,337	702,744
Housing Assistance Payment	30,326,594	-
Insurance	941,366	174,017
Depreciation	13,553,100	2,489,254
Total Operating Expenses	83,148,684	6,437,563
Operating Income (Loss)	(6,749,419)	(1,386,260)
Non-Operating Revenues(Expenses)		
Interest and Investment Revenue	2,133,940	4,917
Casualty Gain/(Loss)	13,061	-
Extraordinary Maintenance	(5,731)	-
Interest Expense and Amortization Cost	(1,540,360)	(1,623,614)
Special Item - Contributions	2,167,737	-
Collection of Member Receivables	-	1,110,819
Gain or Loss on Sale of Capital Assets	18,394	-
Total Non-Operating Revenues (Expenses)	2,787,041	(507,878)
Income(Loss) Before Capital Contributions	(3,962,378)	(1,894,138)
Capital Revenue		
Capital Grants	15,689,309	-
Total Capital Revenue	15,689,309	-
Change in Net Assets	11,726,931	(1,894,138)
Net Assets, Beginning of year, Restated Note 18	242,269,324	9,130,267
Total Net Assets, End of year	$ 253,996,255	$ 7,236,129

AKRON METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2012

	Primary Government	Component Units
Cash Flows from Operating Activities		
Cash Received from HUD	$ 57,842,339	$ -
Cash Received from Tenants and Other	8,726,676	4,615,230
Cash Received from Other Revenue	9,682,340	65,515
Cash Payments for Housing Assistance Payment	(30,326,594)	-
Cash Payments for Administrative	(15,564,913)	(651,039)
Cash Payments for Ordinary Maintenance	(13,195,116)	(1,424,949)
Cash Payments for Other Operating Expenses	(9,677,319)	(1,887,933)
Net Cash Provided (Used) by Operating Activities	7,487,413	716,824
Cash Flows from Capital and Related Financing Activities		
Debt Principal and Interest	(3,359,079)	(296,132)
Cash from Asset Sales	18,394	-
Acquisition and Construction of Capital Assets	(16,327,726)	-
Expenditures on Rental Property	-	(64,509)
Construction Refund	-	84,632
Payment of Development Fee	-	(786,472)
Deposits/Withdrawals to/from Mortgage and Escrow	-	34,931
Proceeds from Capital Grants and Contributions	17,936,375	-
Net Cash Provided (Used) by Capital and Other Related Financing Activities	(1,732,036)	(1,027,550)
Cash Flows from Noncapital Financing Activities		
Collection of Member Receivables	-	1,110,819
Casualty loss - Noncapitalized	(177,794)	-
Net Cash Provided (Used) by Noncapital Financing Activities	(177,794)	1,110,819
Cash Flows from Investing Activities		
Notes Receivable	(9,764,699)	-
Redemption (Purchase) of Investments - Net	2,333,377	-
Net Deposits/Withdrawals to Capital/Reserve Accounts	-	(43,016)
Investment Income	1,047,250	4,917
Net Cash Provided (Used) by Investing Activities	(6,384,072)	(38,099)
Change in Cash	(806,489)	761,994
Cash and Cash Equivalents, Beginning of Year	19,885,744	3,158,022
Cash and Cash Equivalents, End of Year	$ 19,079,255	$ 3,920,016
Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities		
Operating Loss	$ (6,749,419)	$ (1,386,260)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	13,553,100	2,489,254
CRP Forgiven	-	(22,017)
Increase/Decrease in Operating Assets and Liabilities		
Accounts Receivable	633,215	108,851
Inventory	(28,798)	-
Prepaids and Other Assets	211,300	(11,793)
Accounts Payable	(509,299)	(341,123)
Intergovernmental	-	309,899
Accrued Payroll and Compensated Absences	(247,604)	(220,026)
Deferred Revenue	40,732	(42,340)
Other Liabilities	461,050	(167,621)
Other Non-Current Liabilities	123,136	-
Total Adjustments	14,236,832	2,103,084
Net Cash Provided (Used) by Operating Activities	$ 7,487,413	$ 716,824

NOTE 1: DEFINITION OF THE ENTITY

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

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

Discretely Presented Component Units

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

These four entities are reported in the component unit column of the financial statements on pages 13 through 15. The financial statements for all four component units are for the year ending December 31, 2011.

The Authority operates under the following contracts:

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

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

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

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

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

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

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

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

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

A. **Basis of Presentation**

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

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

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

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

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

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

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

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

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

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

C. **Cash and Investments**

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

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

Land, structures, and equipment are capitalized at cost. Structures and equipment are depreciated over the estimated useful lives of the assets using the straight-line method. Buildings are depreciated over 40 years and equipment is depreciated over 3 to 5 years. The Authority's capitalization policy is $5,000, starting on April 1, 2012 for all purchases after that date.

E. **Compensated Absences**

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

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

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

E. **Compensated Absences** (Continued)

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

F. **Interprogram Balances**

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

G. **Recognition of Revenues and Expenses**

Contributions and subsidies received from HUD are generally recognized as revenues in the Annual Contributions Contract year, except for HAP payments received under the Project Based Rental Assistance which are recognized as dwelling rental revenue when earned. Tenant rents are recognized as revenues in the month of occupancy.

Contributions under the Capital Fund Program (CFP) are recognized as revenues in the period in which expenses related to CFP projects were incurred. Rentals and grants received in advance of the period in which they are recognized are recorded as deferred revenue.

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

H. **Indirect Costs**

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

I. **Inventory**

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

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

J. **Budgetary Accounting**

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

K. **Use of Estimates**

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

NOTE 3: **DEPOSITS AND INVESTMENTS**

A. **Primary Government**

Cash on Hand
At June 30, 2012, the Authority had $2,658 in undeposited cash on hand, which is included on the balance sheet of the Authority as part of “Equity in Pooled Cash and Cash Equivalents”.

Deposits
At fiscal year end, the carrying amount of the Authority’s deposits was $19,304,711 (including $348,118 of non-negotiable certificates of deposit), and the bank balance was $20,515,498. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of June 30, 2012, none of the Authority’s bank balance was exposed to custodial credit risk.

Custodial credit risk is the risk that, in the event of bank failure, the Authority’s deposits may not be returned. The Authority’s policy is to place deposits with major local banks approved by the Authority’s Board. All deposits are collateralized with eligible securities in amounts equal to 105 percent of the carrying value of deposits. Such collateral, as permitted by Chapter 135 of the Ohio Revised Code, is held in financial institution pools at Federal Reserve banks, or at member banks of the Federal Reserve System, in the name of the respective depository bank, and pledged as a pool of collateral against the public deposits it holds, or as specific collateral held at the Federal Reserve bank in the name of the Authority.

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

Investments

The Authority has a formal investment policy; however, the Authority's investments were limited to U.S. Treasury/Agency securities, money market accounts backed by U.S. Treasury/Agency securities, and private debt securities at June 30, 2012.

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy (as established by HUD's Cash Management policy) limits operating reserves to be invested with maturities of not longer than three years. Repurchase agreements cannot exceed 30 days. To date, no investments have been purchased with a maturity greater than five years. Repurchase agreements do not exceed 30 days. As of June 30, 2012, the Authority's investment portfolio did not include repurchase agreements.

Credit Risk

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

Concentration of Credit Risk

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

Cash, cash equivalents, and investments included in the Authority's cash position at June 30, 2012, are as follows:

			Investment Maturities (in Years)		
	Fair Market Value	Credit Rating*	Less Than One Year	1 -3 Years	4 - 5 Years
Money Market	$ 7,273,181	AAA	$ 7,273,181	$ -	$ -
Trustee Banks**	5,011,681	N/A	3,790,140	753,028	-
U.S. Government Agencies	17,408,742	AAA	-	11,667,877	6,209,378
	29,693,604		$ 11,063,321	$ 11,667,877	$ 6,209,378
Total Carry Amount of Deposits and Cash on Hand	19,307,369				
Total Cash and Investments	$ 49,000,973				

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

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

B. Restricted Cash and Investments

The Authority has restricted cash and investments at June 30, 2012 as follows:

Proceeds from Norton Homes Sale	$ 8,167,264
Unspent HAP Funding Provided for the Housing Choice Voucher Prog.	3,428,150
Tenant Security Deposits	299,694
Other Purposes	7,100,948
Total Restricted Cash and Investments of the Primary Government	$19,012,728

NOTE 4: CAPITAL ASSETS

A summary of capital assets at June 30, 2012 by class is as follows:

Primary Government

	Balance 7/1/2011	Additions	Deletions	Balance 6/30/2012
Capital Assets Not Being Depreciated				
Land	$ 26,433,090	$ 154,875	$ (490,010)	$ 26,097,955
Construction In Progress	51,325,828	15,842,144	(34,408,338)	32,759,634
Total Capital Assets Not Being Depreciated	77,758,918	15,997,019	(34,898,348)	58,857,589
Capital Assets Being Depreciated				
Buildings and Building Improvements	264,766,208	34,722,224	(1,540,339)	297,948,093
Furniture, Equipment, Machinery-Dwelling	4,115,962	506,831	(840,503)	3,782,290
Administrative	2,191,910	-	(8,804)	2,183,106
Total Capital Assets Being Depreciated	271,074,080	35,229,055	(2,389,646)	303,913,489
Less: Accumulated Depreciation	(174,308,732)	(13,553,099)	1,180,398	(186,681,433)
Total Capital Assets Being Depreciated, Net	96,765,348	21,675,956	(1,209,248)	117,232,056
Total Capital Assets, Primary Government, Net	$ 174,524,266	$ 37,672,975	$ (36,107,596)	$ 176,089,645

Component Units

	Balance 1/1/2011	Additions	Deletions	Balance 12/31/2011
Capital Assets Not Being Depreciated				
Land	$ 1,009,800	$ -	$ -	$ 1,009,800
Total Capital Assets Not Being Depreciated	1,009,800	-	-	1,009,800
Capital Assets Being Depreciated				
Buildings and Building Improvements	63,362,697	-	(84,634)	63,278,063
Furniture, Equipment, Machinery-Dwelling	889,194	64,509	(43,609)	910,094
Total Capital Assets Being Depreciated	64,251,891	64,509	(128,243)	64,188,157
Less: Accumulated Depreciation	(12,331,181)	(2,489,254)	37,002	(14,783,433)
Total Capital Assets Being Depreciated, Net	51,920,710	(2,424,745)	(91,241)	49,404,724
Total Capital Assets, Component Units, Net	$ 52,930,510	$ (2,424,745)	$ (91,241)	$ 50,414,524

NOTE 5: **LONG-TERM OBLIGATIONS**

Changes in the Authority's long-term obligations during fiscal year 2012 are as follows:

	Balance 6/30/2011	Additions	Deletions	Balance 6/30/2012	Due Within One Year
General Long-Term Obligations					
Primary Government					
Midtown Note 4.58%	$ 576,692	$ -	$ (141,232)	$ 435,460	$ 147,557
Central Office Mortgage Variable	4,405,000	-	(275,000)	4,130,000	290,000
Energy Conservation Note 4.40%	2,619,320	-	(377,660)	2,241,660	394,774
Energy Conservation Note 3.79%	3,315,603	-	(373,860)	2,941,743	404,664
Capital Fund Financing Program Variable	13,385,005	-	(560,000)	12,825,005	585,000
Premium on Bond	337,915	-	(21,120)	316,795	-
Total General Long-Term Obligations	24,639,535	-	(1,748,872)	22,890,663	1,821,995
Capital Lease					
Phase III Bank of America	4,608,698	-	(90,967)	4,517,731	126,035
Compensated Absences	1,771,320	356,490	(266,976)	1,860,834	279,126
Total Primary Government	$ 31,019,553	$ 356,490	$ (2,106,815)	$ 29,269,228	$ 2,227,156

	Balance 1/1/2011	Additions	Deletions	Balance 12/31/2011	Due Within One Year
Component Units					
Eastland Woods, LLC, various rates	$ 2,345,832	$ -	$ (82,380)	$ 2,263,452	$ 66,701
Edgewood Village, LLC, 0%	4,000,000	-	-	4,000,000	-
Edgewood Village, LLC, 2%	492,000	-	-	492,000	-
Total Component Units	$ 6,837,832	$ -	$ (82,380)	$ 6,755,452	$ 66,701

The beginning balance of the Eastland Woods debt balance was restated due to the method of calculating the principal balance from the previous year. It did not have an effect on the beginning net assets.

On September 20, 2005, the Board gave the Authority authorization to proceed with Phase II of HUD's Energy Incentive Program, which was financed by a $4,897,502 tax-exempt municipal 12 year note at an interest rate of 3.79 percent. Principal and interest payments of $42,381 are paid monthly to the financing bank, PNC. Phase II of this program provided for the design, installation, and financing of energy conservation measures to reduce natural gas consumption throughout the low-income public housing properties.

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

On August 12, 2004, the Board gave the Authority authorization to proceed with Phase I of HUD's Energy Incentive Program, financed by a $4,809,191 tax-exempt municipal 12 year note at an interest rate of 4.44 percent. Principal and interest payments of $43,141 were paid monthly to the financing bank, Fifth Third Bank. Phase I of this program encompassed water and electric energy conservation measures (ECM) throughout the Authority. The note was refinanced with PNC Bank at an interest rate of 4.40 percent on March 12, 2010, and the monthly payment is currently $40,528.

On April 1, 2005, the Authority issued a general obligation promissory note in the amount of $1,293,552. The proceeds of the note were used for the purchase of real property, a building, and all building improvements from the Midtown Partners Limited Partnership. The note, which was due to First Merit Bank, N.A., and was payable in monthly installments of $13,456 from April 1, 2005 to April 1, 2015, was refinanced on April 1, 2010. Interest is currently payable monthly at a rate of 4.58 percent and the payment is $13,644 monthly from April 1, 2010 to March 1, 2015. The mortgage will be repaid from non-federal funds.

On April 1, 1998, the Authority obtained a mortgage of $7,000,000 at a variable rate of interest based on the weekly interest rate for such one-week period as defined in the loan agreement. At June 30, 2012, the interest rate in effect was 4.2 percent, which was utilized in the calculation of future debt service requirements. The mortgage was for the construction and furnishing of the Authority's central office building, and will be repaid from non-federal funds.

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

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

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

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

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

The following is a summary of the Authority's future debt service requirements for long-term debt as of June 30, 2012:

Fiscal Year	Principal	Interest	Total
2013	$ 1,843,115	$ 998,570	$ 2,841,685
2014	1,928,221	918,974	2,847,195
2015	1,987,695	832,697	2,820,392
2016	1,940,342	747,158	2,687,500
2017	2,033,255	660,207	2,693,462
2018-2022	7,636,657	1,865,782	9,502,439
2023-2027	5,521,378	837,745	6,359,123
Totals	$ 22,890,663	$ 6,861,133	$ 29,751,796

The Authority's component units' future debt service requirements for mortgages payable as of June 30, 2012 is not available.

NOTE 6: **OTHER EMPLOYEE BENEFITS**

Compensated Absences

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

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

NOTE 7: **DEFINED BENEFIT PENSION PLANS**

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

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

The Ohio Revised Code provides statutory authority for member and employer contributions. Effective January 1, 2009, the members of all three plans were required to contribute 10.0 percent of their annual covered salaries. The Authority's contribution rate for 2012 and 2011 was 14.0 percent of covered payroll.

The Authority's required contributions for pension obligations to all the plans for the years ended June 30, 2012, 2011, and 2010 were $1,469,334, $1,280,742, and $1,299,255, respectively; 82.4% percent has been contributed for 2012 and 100% for 2011 and 2010.

NOTE 8: **POST-EMPLOYMENT BENEFITS**

A. **Plan Description**

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

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

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

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

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

B. **Funding Policy**

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

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

B. **Funding Policy** (Continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, the Authority contributed at a rate of 14.0 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0 percent of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post-Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. For 2012, the employer contributions allocated to health care was 4.0 percent of covered payroll for the traditional plan and 6.05 for the combined plan. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Actual Authority contributions for the year ended June 30, 2012, 2011 and 2010, which were used to fund post-employment benefits were $587,734, $606,667 and $510,422, respectively.

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

NOTE 9: **INSURANCE COVERAGE**

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

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

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

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

NOTE 10: **PAYMENTS IN LIEU OF TAXES**

The Authority has cooperation agreements with certain municipalities under which it makes payments in lieu of real estate taxes for various public services. The Authority's expense recognized for payments in lieu of taxes totaled $413,189 for the year ended June 30, 2012.

NOTE 11: **LITIGATION**

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

NOTE 12: CONSTRUCTION COMMITMENTS

As of June 30, 2012, the Authority had the following significant contractual commitments:

Project	Amount
Summit Lake Community Center	$ 136,691
Colonial Hills Renovation	277,535
Allen Dickson Renovation	38,431
Alpeter Renovation	154,762
Ameresco Needs Assessment	187,800
Total Construction Commitments	$795,219

NOTE 13: CAPITAL CONTRIBUTIONS

Capital contributions of $15,689,309 represent the portion of grants that are used for capital improvements. The contributions are allocated between the Authority's public housing program and the component units.

NOTE 14: INVESTED IN CAPITAL ASSETS

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

	Primary Government	Component Units
Capital Assets, Net of Accumulated Depreciation	$ 176,089,644	$50,414,524
Debt Related to Capital Assets	(27,408,394)	(6,435,634)
Subtotal	148,681,250	43,978,890
Cash Available from Debt-Issuance to Fund Capital Assets	953,105	0
Note Payable to Primary Government Related to Capital Asset Additions	0	(37,863,384)
Total Invested in Capital Assets	$ 149,634,355	$ 6,115,506

NOTE 15: RESTRICTED NET ASSETS

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

HCV Program	$ 3,428,150
Public Housing Bond Pool	3,408,571
Component Unit Restricted	1,236,948
Norton Homes Sale Proceeds	8,167,264
Total Restricted Net Assets	$16,240,933

NOTE 16: CONDENSED FINANCIAL STATEMENT INFORMATION - COMPONENT UNITS

	Eastland Woods, LLC	Wilbeth Arlington Homes Ltd. Partnership	Akron Edgewood Homes LLC	Edgewood Village LLC	Total
Balance Sheet					
Current Assets	$ 1,690,684	$ 1,963,373	$ 1,367,093	$ 875,182	$ 5,896,332
Capital Assets	12,173,789	8,466,450	19,229,735	10,544,550	50,414,524
Current Liabilites	(1,252,993)	157,793	(1,531,622)	(1,880,285)	(4,507,107)
Non-Current Liabilities	(8,320,678)	(16,656,148)	(11,489,282)	(8,101,512)	(44,567,620)
Net Assets	4,290,802	(6,068,532)	7,575,924	1,437,935	7,236,129
Revenue, Expenses, and Changes in Equity					
Revenues	1,563,314	3,826,955	462,361	314,409	6,167,039
Expenses	1,444,215	4,003,514	1,638,207	975,241	8,061,177
Excess of Revenue over Expenses	119,099	(176,559)	(1,175,846)	(660,832)	(1,894,138)

NOTE 17: CAPITAL LEASES

In 2011, the Authority entered into a capitalized lease agreement for the acquisition of various building improvements/equipment. The terms of each agreement provide options to purchase the items. The leases meet the criteria of capital leases as defined by the Financial Accounting Standards Board's Accounting Standards Codification 840 which defines a capital lease generally as one which transfers all benefits and risks of ownership to the lessee.

Capital assets acquired by lease have been capitalized as equipment in the amount of $4,676,586 equal to the present value of the future minimum lease payments at the time of acquisition. Principal payments in the current fiscal year totaled $90,967.

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

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

Fiscal Year	Lease Payments
2013	$ 310,344
2014	325,656
2015	347,810
2016	352,920
2017	369,972
2018-2021	3,964,389
Total minimum lease payments	5,671,091
Less: amount representing interest	(1,153,360)
Total	$ 4,517,731

NOTE 18: **PRIOR PERIOD ADJUSTMENTS**

A change in calculation of a note receivable caused a prior year adjustment of $115,504.

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AKRON METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass Through Grantor Number/Program Title	CFDA Number	Expenditures
U.S. Department of Housing and Urban Development		
Direct Programs		
Low Rent Public Housing Program	14.850	$ 18,362,333
Demolition and Revitalization of Severely Distressed Public Housing	14.866	4,176,647
Resident Opportunity and Supportive Services	14.870	327,410
CFP Cluster:		
Capital Fund Program	14.872	10,405,260
ARRA - Public Housing Competitive Capital Fund Stimulus (Formula) Recovery Act Funded	14.884	4,679,602
ARRA - Public Housing Formula Capital Fund Stimulus (Formula) Recovery Act Funded	14.885	1,697,337
Total CFP Cluster		16,782,199
Section 8:		
Section 8 Housing Choice Voucher Program	14.871	30,652,202
Section 8 Project Cluster		
Section 8 New Construction	14.182	2,232,236
Section 8 Moderate Rehabilitation	14.856	77,081
Total Section 8 Project Cluster		2,309,317
Shelter Care Plus	14.238	535,152
Total Section 8		33,496,671
Total U.S. Department of Housing and Urban Development		73,145,260
TOTAL EXPENDITURES OF FEDERAL AWARDS		$ 73,145,260

See accompanying Notes to the Schedule of Expenditures of Federal Awards

NOTE 1: **REPORTING ENTITY**

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

NOTE 2: **BASIS OF ACCOUNTING**

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

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

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

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

To the Board of Directors:

We have audited the financial statements of the business-type activities and its discretely presented component units of the Akron Metropolitan Housing Authority, Summit County, Ohio (the Authority), as of and for the year ended June 30, 2012, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated December 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. We did not audit the financial statements of Eastland Woods, LLC, Wilbeth-Arlington Homes Ltd. Partnership, Akron Edgewood Homes, LLC, and Edgewood Village, LLC, which represents 100 percent of the assets and 100 percent of the revenues of the Akron Metropolitan Housing Authority's discretely presented component units. Those statements were audited by other auditors and the other auditors have reported to you on Eastwood Woods, LLC, Wilbeth-Arlington Ltd. Partnerships, Akron Edgewood Homes, LLC, and Edgewood Village, LLC's legal compliance and internal control over financial reporting. Accordingly, this report does not address the legal compliance and internal control over financial reporting of Eastwood Homes, LLC, Wilbeth-Arlington Homes Ltd. Partnership, Akron Edgewood Homes, LLC and Edgewood Village, LLC.

Internal Controls Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Charles E. Harris and Associates, Inc.
December 27, 2012

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

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Directors:

Compliance

We have audited the compliance of the Akron Metropolitan Housing Authority, Summit County, Ohio's (the Authority) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Authority's federal programs for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings identifies the Authority's major federal programs. The Authority's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the Authority's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Authority's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with these requirements.

In our opinion, the Akron Metropolitan Housing Authority, Summit County, Ohio complied, in all material respects, with the requirements referred to above that directly and materially affect each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

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

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

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

We intend this report solely for the information and use of the audit committee, management, the Board of Directors, others within the entity and federal awarding agencies. It is not intended for anyone other than these specified parties.

Charles E Harris Associates

CHARLES E. HARRIS & ASSOCIATES, INC.
December 27, 2012

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505

Akron Metropolitan Housing Authority
Summit County
June 30, 2012

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	*Type of Financial Statement Opinion*	Unqualified
(d)(1)(ii)	*Were there any material control weaknesses reported at the financial statement level (GAGAS)?*	No
(d)(1)(ii)	*Were there any significant deficiencies reported at the financial statement level statement level (GAGAS)?*	No
(d)(1)(iii)	*Was there any reported material non-compliance at the financial statement level (GAGAS)?*	No
(d)(1)(iv)	*Were there any material internal control weaknesses reported for major federal programs?*	No
(d)(1)(iv)	*Were there any significant deficiencies reported for major federal programs?*	No
(d)(1)(v)	*Type of Major Program's Compliance Opinion*	Unqualified
(d)(1)(vi)	*Are there any reportable findings under Section .510*	No
(d)(1)(vii)	*Major Programs:*	CFP Cluster: Capital Fund Program CFDA # 14.872 ARRA-Public Housing Competitive Capital Fund Stimulus Recovery Act Fund CFDA # 14.884 ARRA-Public Housing Forumula Capital Fund Stimulus Recovery Act Fund CFDA # 14.885 Low Rent Public Housing Program CFDA # 14.850 Demolition and Revitalization of Severly Distressed Public Housing CFDA # 14.866
(d)(1)(viii)	*Dollar Threshold: Type A\B Programs*	Type A: > $2,189,649 Type B: all others
(d)(1)(ix)	*Low Risk Auditee?*	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

AKRON METROPOLITAN HOUSING AUTHORITY
SUMMIT COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2012

The prior audit report, for the year ending June 30, 2011, reported no material citations or recommendations.

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Dave Yost · Auditor of State

AKRON METROPOLITAN HOUSING AUTHORITY

SUMMIT COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 5, 2013