AKRON METROPOLITAN HOUSING AUTHORITY

AUDIT REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Auditor of State
Betty Montgomery

Board of Commissioners
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 James G. Zupka, CPA, Inc. for the audit period July 1, 2004 through June 30, 2005. 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.

BETTY MONTGOMERY
Auditor of State

May 30, 2006

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AKRON METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Akron Metropolitan Housing Authority
Akron, Ohio

Regional Inspector General of Audit
Department of Housing and Urban Development

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the Akron Metropolitan Housing Authority as of June 30, 2005, and for the year then ended, listed in the foregoing table of contents. These basic financial statements are the responsibility of the management of the Akron Metropolitan Housing Authority. Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not audit the financial statements of Rosemary Square, Inc. (a not-for-profit organization owned by the Authority), Eastland Woods, LLC, and Wilbeth Arlington Homes Ltd. Partnership (a partnership owned by the Akron Metropolitan Housing Authority), which statements reflect total assets constituting less than thirteen percent of the Akron Metropolitan Housing Authority's total assets at June 30, 2005, and total operating revenues constituting less than five percent of the Akron Metropolitan Housing Authority's operating revenues for the year then ended. 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 Rosemary Square, Inc., Eastland Woods, LLC, and Wilbeth-Arlington Homes, Ltd. Partnership is based solely on the report of such other auditors.

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

In our opinion, based on our audit and the report of the other auditors, such basic financial statements present fairly, in all material respects, the financial position of the business-type activities and the aggregate discretely presented component units of the Akron Metropolitan Housing Authority as of June 30, 2005, and the results of its operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Akron Metropolitan Housing Authority changed its presentation of their component units from the blended method to a discrete presentation in the fiscal year ending June 30, 2005.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2006, on our consideration of the Akron Metropolitan Housing Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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 read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion thereon.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Akron Metropolitan Housing Authority taken as a whole. The accompanying supplemental schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Not-Profit Organizations*, and is not a required part of the basic financial statements. The accompanying Financial Data Schedules are also presented for the purpose of additional analysis and are not a required part of the basic financial statements. The aforementioned supplemental schedules are also the responsibility of management. Such supplemental schedules and information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

February 10, 2006

The Akron Metropolitan Housing Authority (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 16 to 18 of this report.

Financial Highlights

- The Authority's net assets increased by $2,539,282 (1.52 percent) during fiscal year 2005. Net assets were $166,908,838 and $169,448,120 for 2004 and 2005, respectively.

- Revenue activity decreased by $878,208 (1.24 percent) during 2005 and was $70,568,467 and $69,690,259 for 2004 and 2005, respectively.

- The total expenses of all Authority programs decreased by 1.36 percent. Total expenses were $73,470,599 and $72,473,992 for 2004 and 2005, respectively.

- Capital outlays for the year were $6,146,669.

Using This Annual Report

The following depicts the Authority's annual report

MD & A
Management Discussion and Analysis

Basic Financial Statements (pages 16 to 18)
Statement of Net Assets
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Statement of Cash Flows

Notes to the Financial Statements
Pages 19 to 35

Authority-wide Financial Statements

The Authority-wide financial statements (see pages 16 to 18) are designed to provide the reader with a corporate-like overview of a consolidation for the entire Authority.

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.

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:

> Net Assets, 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 "Net Assets Invested in Capital Assets, Net of Related Debt", or "Restricted Net Assets".

The Authority-wide financial statements also include a Statement of Revenues, Expenses, and Changes in Fund Net Assets (similar to an income statement). This statement includes Operating Revenues, such as rental income, Operating Expenses, such as administrative, utilities, maintenance, and depreciation, and Non-Operating Revenue and Expenses, such as grant revenue, investment income, and interest expense.

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

Finally, a Statement of Cash Flows is included, which discloses net cash provided by, or used for operating activities, non-capital financing activities, and from capital and related financing activities.

Fund Financial Statements

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

THE AUTHORITY'S PROGRAMS

Conventional Public Housing
The Conventional Public Housing program represents the rented units (approximately 4,500) to low-income households and is operated under an Annual Contribution Contract (ACC) with HUD. Rent is based upon 30 percent of household income and HUD provides an operating subsidy.

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

Capital Fund Program (CFP)
The Capital Fund program has replaced the CGP grants and is the current source for the funding of physical and management improvements of the Conventional Public Housing Units.

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

Component Units
Component units represent other-HUD resources developed from a variety of activities, including the rental of 328 units at Wilbeth Arlington Homes, which is also under the HUD Section 8 Program; Rosemary Square with 200 units; and Eastland Woods with 100 units.

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

Section 8 New and Substantial Rehab Program
Under this program, the Authority is Contract Administration for ten (10) Section 8 Project-Based low-income housing apartment properties. The Authority subsidizes the family's rent through a Housing Assistance Payment (HAP) made to the owner/landlord.

New Approach Anti-Drug Program

This program represents grant funding by HUD to supplement security services and capital improvements for the purpose of drug eradication. There is one (1) existing grant open in fiscal year 2005 with a grant total of $71,875. The grant was to be used solely at the Midtown location and has been closed out.

Shelter Plus Care

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

Hope VI Revitalization Grant

The Authority was awarded a $19.25 million grant 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.

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

	FY 2005	FY 2004
Assets		
Current Assets	$ 48,763,697	$ 22,338,272
Other Non-Current Assets	1,366,714	1,331,721
Capital Assets, Net of Accumulated Depreciation	173,812,877	163,313,513
Total Assets	$223,943,288	$186,983,506
Liabilities and Net Assets		
Liabilities		
Current Liabilities	$ 34,208,578	$ 6,724,663
Non-Current Liabilities	20,286,590	13,350,005
Total Liabilities	54,495,168	20,074,668
Net Assets		
Invested in Capital Assets, Net of Related Debt	143,074,802	150,432,510
Unrestricted Net Assets	26,373,318	16,476,328
Total Net Assets	169,448,120	166,908,838
Total Liabilities and Net Assets	$223,943,288	$186,983,506

Major Factors Affecting the Statement of Net Assets

Current assets increased by $26.4 million from 2004 to 2005 and current liabilities increased by $27.5 million. These increases are the result of the accounting presentation changes between 2004 and 2005. In 2004, the Business Activities program included the properties of Rosemary Square, Wilbeth Arlington, and Eastland Woods. Fiscal year 2005 had these properties separated into the Component Unit category. When the properties were combined under Business Activities, the interfund receivable and payables were eliminated, but in 2005 they were reinstated, thus causing the large changes. The interfund changes represent the previously eliminated accrued interest receivable and the notes payable between the Component Units and Business Activities.

The increase in non-current liabilities in 2005 is the result of additional debt acquired during the fiscal year. A first mortgage in the amount of $2,437,146 for Eastland Woods (component unit) is shown as an addition and the Energy Conservation Note dated August 12, 2004 in the amount of $4,972,896 added to the Low Rent Program (see Note 5 to the financial statements).

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

	FY 2005	FY 2004	Change
Revenues			
Tenant Revenue - Rents/Other	$ 10,528,728	$ 10,386,696	$ 142,032
Operating Subsidy and Grants	56,157,713	55,303,683	854,030
Other Governmental Grants	252,521	415,222	(162,701)
Investment Income - Unrestricted	628,010	432,672	195,338
Other Revenues	2,123,287	4,023,739	(1,900,452)
Investment Income - Restricted	0	6,455	(6,455)
Total Revenues	69,690,259	70,568,467	(878,208)
Expenses			
Operating Expenses			
Administrative	11,735,459	12,527,979	(792,520)
Tenant Services	1,094,642	1,048,504	46,138
Utilities	4,620,856	4,588,531	32,325
Maintenance/Security	13,065,231	13,624,372	(559,141)
Other General Expenses	1,636,562	1,615,384	21,178
Interest Expense	679,112	1,255,483	(576,371)
Total Operating Expenses	32,831,862	34,660,253	(1,828,391)
Other Expenses			
Extraordinary Maintenance	23,975	0	23,975
Casualty Losses	47,724	169,198	(121,474)
Housing Assistance	28,770,651	28,077,611	693,040
Depreciation Expense	10,799,780	10,563,537	236,243
Total Other Expenses	39,642,130	38,810,346	831,784
Total Expenses	72,473,992	73,470,599	(996,607)
Net Income (Deficit)	$ (2,783,733)	$ (2,902,132)	$ 118,399

Major Factors Affecting the Statement of Revenues and Expenses

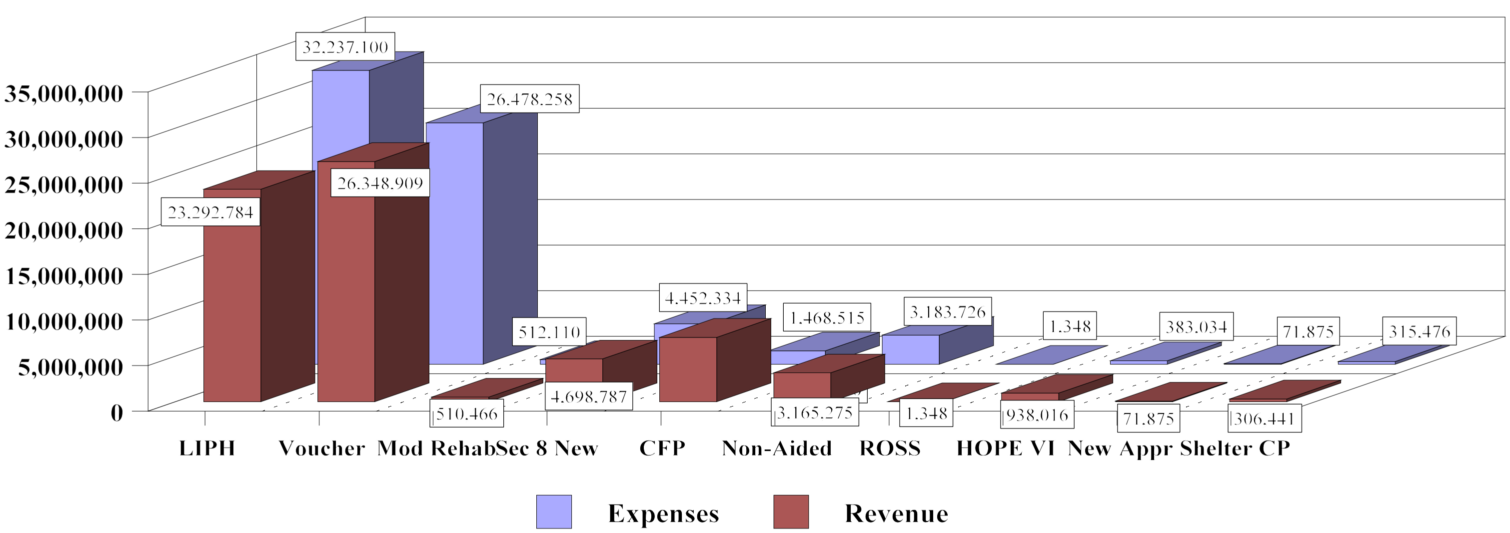
Total revenues dropped by $878,208 due largely to the decrease in other revenue. However, there was a $142,032 increase in tenant revenues. This increase is attributed to lower variances in 2005.

Total operating expenses dropped by $1.8 million, a 5 percent decrease over 2004. Insurance premiums continue to rise with a 4 percent increase in 2005. Depreciation expense increased by $236,243 as a result of the transfer of depreciable assets in the amount of $9,664,000 from the Capital fund to the Low Rent Program.

Table 3 - Revenue and Expenses by Program for the Fiscal Year Ending June 30, 2005

	Revenue	Expenses
Conventional Public Housing (LIPH)	$ 23,292,784	$ 32,237,100
Section 8 Housing Choice Voucher Program	26,348,909	26,473,258
Section 8 Mod Rehab Program	510,466	512,110
Section 8 New and Substantial Rehab Program	4,698,787	4,452,334
Capital Fund Program (CFP)	7,058,730	1,468,515
Non-Aided (LHA) Other Business Activities	3,165,275	3,183,726
Resident Opportunity and Supportive Services	1,348	1,348
HOPE VI	938,016	383,034
New Approach Anti-Drug Program	71,875	71,875
Shelter Plus Care	306,441	315,476
Totals	$ 66,392,631	$ 69,098,776

Revenue and Expenses Less Depreciation



The following table compares revenues and expenses for the current and previous fiscal year for all the Authority's programs. This table is similar to the revenue and expenses from the preceding pages; however, depreciation expenses were eliminated and capital outlays were included.

Table 4 - Statement of Revenues and Expenses Less Depreciation Expense for Fiscal Year Ended June 30, 2005

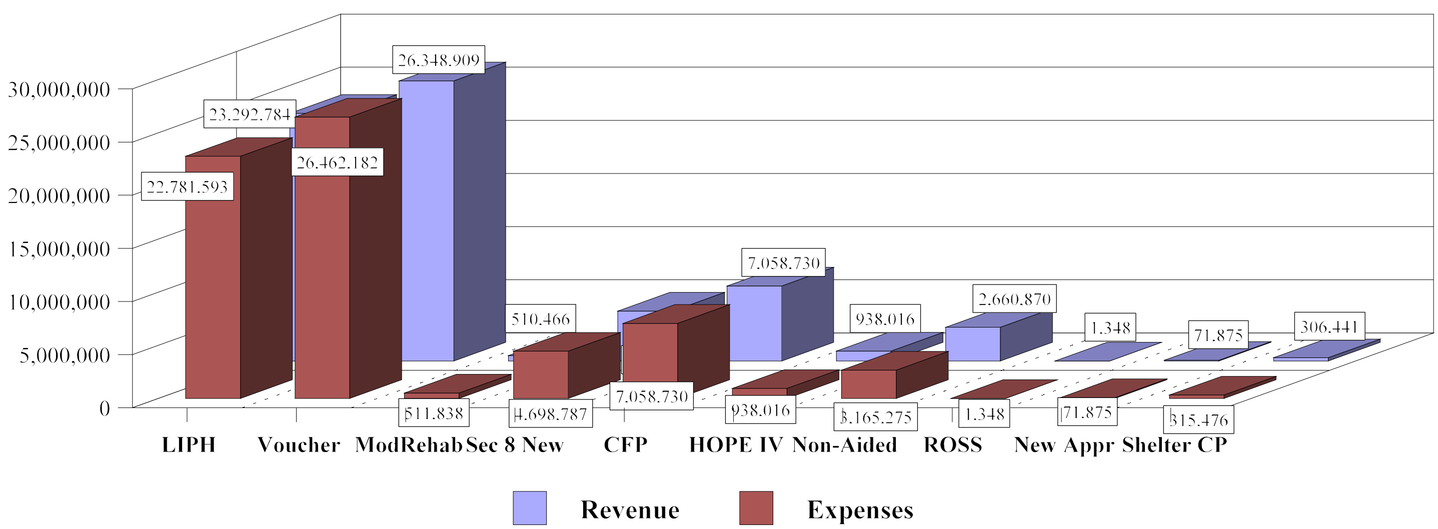
	FY 2005	FY 2004	Change
Revenues			
Tenant Revenue - Rents/Other	$ 10,528,728	$ 10,386,696	$ 142,032
Operating Subsidy and Grants	56,157,713	55,303,683	854,030
Other Governmental Grants	252,521	415,222	(162,701)
Investment Income - Unrestricted	628,010	432,672	195,338
Other Revenues	2,123,287	4,023,739	(1,900,452)
Investment Income - Restricted	0	6,455	(6,455)
Total Revenues	69,690,259	70,568,467	(878,208)
Expenses			
Operating Expenses			
Administrative	11,735,459	12,527,979	(792,520)
Tenant Services	1,094,642	1,048,504	46,138
Utilities	4,620,856	4,588,531	32,325
Maintenance/Security	13,065,231	13,624,372	(559,141)
Other General Expenses	1,636,562	1,615,384	21,178
Interest Expense	679,112	1,255,483	(576,371)
Total Operating Expenses	32,831,862	34,660,253	(1,828,391)
Other Expenses			
Capital Outlays	6,146,669	6,367,744	(221,075)
Extraordinary Maintenance	23,975	0	23,975
Casualty Losses	47,724	169,198	(121,474)
Housing Assistance	28,770,651	28,077,611	693,040
Depreciation Expense	10,799,780	10,563,537	236,243
Total Other Expenses	45,788,799	45,178,090	610,709
Total Expenses	78,620,661	79,838,343	(1,217,682)
Net Income (Deficit)	(8,930,402)	(9,269,876)	339,474
Plus Depreciation Add Back	10,799,780	10,563,537	236,243
Net Income (Deficit) Less Depreciation	$ 1,869,378	$ 1,293,661	$ 575,717

The following table and chart depict the revenues and expenses for fiscal year 2005 less depreciation expenses plus capital outlays and excludes other revenue and investment income.

Table 5 - Revenue and Expenses by Program for the Fiscal Year Ended June 30, 2005

	Revenue	Expenses
Conventional Public Housing (LIPH)	$ 23,292,784	$ 22,781,593
Section 8 Housing Choice Voucher Program	26,348,909	26,462,182
Section 8 Mod Rehab Program	510,466	511,838
Section 8 New and Substantial Rehab Program	4,698,787	4,451,787
Capital Fund Program (CFP)	7,058,730	7,058,730
HOPE VI	938,016	938,016
Non-Aided (LHA)/Other Business Activities	3,165,275	2,660,870
Resident Opportunity and Supportive Services	1,348	1,348
New Approach Anti-Drug Program	71,875	71,875
Shelter Plus Care	306,441	315,476
Totals	$ 66,392,631	$ 65,253,715

Revenue and Expenses Less Depreciation



Capital Assets

During fiscal year 2005, the change in capital assets amounted to $10,499,364. The following table represents the changes in the asset accounts by category as follows:

Table 6-Capital Assets at Year End (Net of Depreciation) for Fiscal Year Ended June 30, 2005

	2005	2004	Change
Land	$ 26,878,011	$ 25,798,457	$ 1,079,554
Buildings	260,089,518	252,496,715	7,592,803
Equipment	8,628,884	8,963,777	(334,893)
Accumulated Depreciation	(149,652,687)	(139,374,516)	(10,278,171)
Construction in Progress	27,869,151	15,429,080	12,440,071
Totals	$173,812,877	$163,313,513	$ 10,499,364

- Buildings increased by $1.1 million as the result of the transfer of the Capital Grant Programs to the Low Income Housing Program. As the grants are closed, the building/equipment lines are increased.
- The accumulated depreciation change of $10.3 million represents the current year depreciation of $10.8 million less accumulated depreciation deletions of $ .5 million.
- Construction in Progress increased by $12.4 million. This total represents the increase in funds received from the Capital Fund Program. The additions represent costs associated with the rehab at several scattered sites and other development sites.

Debt

The change in outstanding debt from fiscal year 2004 to fiscal year 2005 represents the principal payments made throughout the year, as well as there was additional debt acquired during fiscal year 2005 (see Note 5 to the financial statements). The first mortgage for the Wilbeth Arlington Homes was paid off during fiscal year 2004. The loan, in the amount of $4,790,881 was purchased by the LHA program.

Table 7 - Outstanding Debt at Year End

	2005	2004
Long-Term Debt - Net of Current Portion	$ 19,243,726	$ 12,881,003
Current Portion	(1,196,675)	(870,072)
Total	$ 18,047,051	$ 12,010,931

Unrestricted Net Assets

The following table shows the changes in unrestricted net assets for the fiscal year ended June 30, 2005.

Table 8 - Change in Unrestricted Net Assets

Unrestricted Net Assets at 6/30/2004	$ 16,476,328
Results of Operations	(2,783,733)
Adjustments:	
Depreciation (1)	10,799,780
Adjusted Results from Operations	8,016,047
Capital Expenditures (Net of Related Debt)	1,880,943
Unrestricted Net Assets at 6/30/2005	$ 26,373,318

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

Budget Analysis

The following table indicates the income expense and budget for the significant HUD programs.

Table 9 - Income Expense and Budget for HUD Programs

	Low Income Housing	Other	Section 8 Voucher-M/R	Section 8 N/C-S/R	Total	Budget	Variance
Operating Income							
Dwelling Rent/HAP	$ 5,952,128	$ 1,253,200	$ 0	$ 0	$ 7,205,328	$ 7,195,022	$ 10,306
Other Income	863,360	1,105,030	25,174	0	1,993,564	2,120,604	(127,040)
Interest Income	151,788	407,660	0	82,751	642,199	456,975	185,224
Subsidy/Admin Fees	16,625,508	0	2,394,635	302,090	19,322,233	19,781,496	(459,263)
Total Operating Income	23,592,784	2,765,890	2,419,809	384,841	29,163,324	29,554,097	(390,773)
Operating Expenses							
Admin Salaries	3,256,970	278,069	1,134,535	32,743	4,702,317	4,855,109	(152,792)
Other Admin	1,691,253	315,279	509,734	49,731	2,565,997	2,287,000	278,997
Tenant Services	481,857	16,681	109,625	462	608,625	366,397	242,228
Utilities	4,049,312	300,679	0	132	4,350,123	4,247,000	103,123
Maintenance/Labor	4,574,592	262,338	1,577	0	4,838,507	4,963,526	(125,019)
Maintenance/Material	977,997	101,274	6,257	334	1,085,862	928,380	157,482
Maintenance/Contracts	1,434,365	388,643	22,549	471	1,846,028	1,654,082	191,946
Protective Services	762,364	64,396	30,446	25	857,231	756,264	100,967
Insurance	848,002	38,238	36,395	383	923,018	1,005,651	(82,633)
Pilot	142,996	0	0	0	142,996	208,182	(65,186)
Employee Benefits	4,381,431	273,602	678,380	18,375	5,351,788	5,774,961	(423,173)
Collection Loss	121,363	15,484	(9,047)	0	127,800	195,000	(67,200)
Interest Expense	0	263,596	0	0	263,596	269,500	(5,904)
Other Expenses	6,224	106	37	0	6,367	18,700	(12,333)
Extraordinary Maintenance	1,075	22,899	0	0	23,974	15,000	8,974
Casualty Losses	51,792	6,823	0	0	58,615	0	58,615
Prior Year Adjustment	(110,259)	(20,478)	2,382	0	(128,355)	0	(128,355)
Total Operating Expenses	22,671,334	2,327,629	2,522,870	102,656	27,624,489	27,544,752	79,737

Budgetary Highlights

Operating Income
Operating income for the year ended June 30, 2005 was under budget by $390,773. This was primarily due to reduced administrative fees. Interest income exceeded the budget by $185,224 due to the Other Business' income earned from a 6 percent mortgage purchase. The remaining investment income earned was at a 2 percent to 3 percent rate.

Operating Expenses
Overall expenses were over budget by a net amount of $79,737 as a result of the following factors:

- Administrative salaries were under budget by $152,792 as a result of unfilled positions throughout the year.
- Other administrative costs exceeded the budget by $278,997 due to increase costs for legal fees, telephone, postage, and supplies.
- Maintenance materials and contract costs exceeded the budget due to unforeseen costs in street paving, flood damages, and a higher than normal number of units being readied for occupancy.
- Employee benefit costs were under budget by $423,173 due to a significant rate reduction in the health insurance premiums.
- Casualty losses are unbudgeted expenses, however there were $58,615 in losses in fiscal year 2005.

Economic Factors and 2006 Budgets

The preparation of the fiscal year 2006 was prepared with several significant economic and regulatory factors anticipated.

- The funding of the operating subsidy by the U.S. Department of Housing and Urban Development has historically been at or near 100 percent. During fiscal year 2005, HUD originally funded the Authority at 94 percent (a $998,500 shortfall) but later revised the funding to 98 percent. In preparing the fiscal year 2006 budget, an 11 percent reduction was imposed on the Authority, resulting in a $1,874,000 cutback. This large reduction in subsidy resulted in several administrative/maintenance positions left unfilled.

- Administrative fees earned from the Housing Choice Program have also been reduced over the past 2 years. In fiscal year 2005, the monthly fee earned per unit was reduced from $49.30 to $44.13, resulting in an annual lost income stream of $241,000. During fiscal year 2006, a flat rate based on utilization as of May-July 2004 was instituted. The funding of the Housing Assistance Payments (HAP) to the Section 8 landlords also is a flat rate based upon the May-July 2004 costs. The Authority had taken precautionary measures during this period to assure landlord payments were in line and, as of June 2005, the HAP amounts are sufficient.

- Reimbursement for costs associated with the lead paint inspection in the Housing Choice Voucher Programs has been discontinued. During fiscal year 2005, this amounted to $35,000.

- During fiscal year 2005, the New Approach Anti-Drug grant was completed at Midtown Apartments.

- Interest earned from the investment portfolio in 2006 is increasing due to the increased rate from 2005.

- Dwelling Rental income has been decreased by approximately $250,000, which is 4 percent under the fiscal year 2005 level. This decrease is a result of the utility allowances paid to the residents. As utility rates increase, dwelling rents decrease proportionally.

- The Section 8 New Construction Program administrative income has decreased by by $35,500 as a result of losing the Canal Towers contract.

- Utility costs budgeted for fiscal year 2006 has increased by nearly $250,000 as natural gas rates will increase by 22 percent. The negotiated contract, beginning January 1, 2006, will increase from 8.35 mcf to 10.16 mcf.

- Workers' Compensation rates for fiscal year 2006 will nearly double as the rate charged by the State of Ohio is based on the history of claims. The Authority, over the past 2 years, has experienced some large claims.

- Favorable health insurance rates for fiscal year 2006 have resulted in a decrease in premiums of $96,300. However, this rate, beginning January 1, 2006, will significantly increase a result of the prior year's actual costs increasing.

- At June 30, 2005, a sale of the Rosemary Square property was pending. This property was formerly under the Section 8 Project Based program with HUD. Due to HUD's interpretation of the eligibility for Project Based programs, the residents were issued vouchers and the result was a vacancy rate in excess of 50 percent. The sale was approved by HUD in September 2005.

- In October 2004, a 100 single-family unit property, Eastland Woods, was purchased. The property is currently under rehab with a November 2005 completion date. This property is operated under the terms of the Federal Housing Administration Regulatory Agreement with the U.S. Department of HUD under the Section 8 program.

With these events factored into the fiscal year 2006 budget, it has become necessary for the Authority to analyze each line item and determine where cuts are to be made. With any reduction, the Authority remains committed to its residents and maintaining high housing standards.

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

Respectfully submitted,

Anthony W. O'Leary
Executive Director

AKRON METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
PROPRIETARY FUND TYPE
JUNE 30, 2005

	Primary Government	Component Units
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 13,268,724	$ 174,944
Investments	0	317,574
Restricted Cash and Cash Equivalents	2,736,789	2,768,482
Receivable, Net	2,326,393	272,383
Inventories, Net	393,299	10,363
Prepaid Expenses and Other Assets	1,237,600	586,720
Due from Component Unit	24,668,433	0
Due from Primary Government	0	1,993
Total Current Assets	44,631,238	4,132,459
Noncurrent Assets		
Capital Assets, Not Depreciated	50,237,703	4,509,459
Capital Assets, Net of Depreciation	99,477,734	19,587,981
Other Noncurrent Assets	1,366,714	0
Total Noncurrent Assets	151,082,151	24,097,440
TOTAL ASSETS	$195,713,389	$ 28,229,899
LIABILITIES		
Current Liabilities		
Accounts Payable	$ 2,142,519	$ 544,239
Accrued Liabilities	2,408,846	385,791
Intergovernmental Payable	1,792,891	0
Tenant Security Deposits	357,931	82,502
Bonds, Notes, and Loans Payable	827,198	369,477
Other Current Liabilities	537,141	89,617
Interprogram Due to Primary Government	0	24,668,433
Interprogram Due to Component Unit	1,993	0
Total Current Liabilities	8,068,519	26,140,059
Non-Current Liabilities		
Bonds, Notes, and Loans Payable	12,638,089	5,408,962
Accrued Compensated Absences, Non-Current	1,171,585	0
Non-Current Liabilities - Other	1,067,954	0
Total Non-Current Liabilities	14,877,628	5,408,962
TOTAL LIABILITIES	$ 22,946,147	$ 31,549,021
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	$ 137,504,211	$ 5,570,591
Unrestricted Net Assets	35,263,031	(8,889,713)
TOTAL NET ASSETS	$ 172,767,242	$ (3,319,122)

See accompanying notes to the basic financial statements.

AKRON METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Primary Government	Component Units
OPERATING REVENUE		
Tenant Revenue	$ 7,276,645	$ 3,252,083
Government Operating Grants	50,263,565	0
Other Revenue	2,129,187	2,305
Total Operating Revenue	59,669,397	3,254,388
OPERATING EXPENSES		
Administrative	11,190,289	543,502
Tenant Services	1,096,310	0
Utilities	4,359,022	261,834
Maintenance	10,584,761	831,175
Protective Services	1,577,905	72,466
General	1,205,898	430,664
Housing Assistance Payment	28,770,651	0
Other Operating Expenses	58,614	12,009
Depreciation	9,991,730	808,050
Total Operating Expenses	68,835,180	2,959,700
Operating Income (Loss)	(9,165,783)	294,688
NON-OPERATING REVENUES (EXPENSES)		
Interest and Investment Revenue	584,770	43,240
Miscellaneous Non-Operating	(8,205)	0
Interest Expense	(263,596)	(415,516)
Total Non-Operating Revenues (Expenses)	312,969	(372,276)
Income (Loss) Before Contributions and Transfers	(8,852,814)	(77,588)
Capital Grants	6,146,669	0
Change in Net Assets	(2,706,145)	(77,588)
Net Assets, Beginning of Year	166,908,838	0
Equity Adjustments	8,564,549	(3,241,534)
Total Net Assets, End of Year	$ 172,767,242	$ (3,319,122)

See accompanying notes to the basic financial statements.

AKRON METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE - ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Primary Government	Component Units
Cash Flows from Operating Activities		
Cash Received from HUD	$ 49,945,212	$ 0
Cash Received from Other Government	252,521	0
Cash Received from Tenants and Other	7,435,277	3,341,666
Cash Received from Other Revenue	2,045,318	6,051,339
Cash Payments for Housing Assistance Payments	(28,770,651)	0
Cash Payments for Administrative	(12,206,375)	(490,318)
Cash Payments for Ordinary Maintenance	(10,816,437)	(716,294)
Cash Payments for Other Operating Expenses	(6,342,398)	(152,896)
Net Cash Provided (Used) by Operating Activities	1,542,467	8,033,497
Cash Flows from Capital and Related Financing Activities		
Retirement of Mortgage Payable	(537,010)	(326,212)
Sale of Capital Assets	51,623	0
Acquisition and Construction of Capital Assets	(12,016,510)	(9,342,462)
Proceeds From Capital Grants	6,146,669	0
New Debt Issuance	4,809,191	2,437,146
Net Cash Provided (Used) by Capital and Other Related Financing Activities	(1,546,037)	(7,231,528)
Cash Flows from Investing Activities		
Redemption of Investments	602,668	(317,574)
Investment Income	584,770	43,240
Interest Expense	(263,596)	(415,516)
Net Cash Provided (Used) by Investing Activities	923,842	(689,850)
Change in Cash	920,272	112,119
Cash and Cash Equivalents, Beginning of Year	15,085,241	2,822,307
Cash and Cash Equivalents, End of Year	$ 16,005,513	$ 2,934,426
Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities		
Operating Loss	$ (9,165,783)	$ 294,688
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	9,991,730	808,050
Increase (Decrease) in Operating Assets and Liabilities:		
Accounts Receivable - HUD	(318,353)	0
Accounts Receivable - Tenant and Other	158,632	(10,417)
Due To/From Component Unit	(6,055,034)	6,055,034
Inventory	78,456	(10,363)
Deferred Charges and Other Assets	302,469	0
Accounts Payable - HUD	967,937	0
Accounts Payable - Other	478,369	405,916
Accrued Payroll and Compensated Absences	1,274,899	0
Other Liabilities	3,074,721	490,589
Other Non-Current Liabilities	754,424	0
Total Adjustment	10,708,250	7,738,809
Net Cash Provided (Used) by Operating Activities	$ 1,542,467	$ 8,033,497

See accompanying notes to the basic financial statements.

NOTE 1: DEFINITION OF THE ENTITY

Akron Metropolitan Housing Authority (AMHA or 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

Rosemary Square is a not-for-profit entity acquired by the Authority during the year ended June 30, 1996, which provides housing and related facilities and services for elderly families and persons and families of low income. The Board of Rosemary Square is composed of employees of the Authority. Wilbeth Arlington Homes Limited Partnership was organized for the purpose of constructing, purchasing, rehabilitating and operating low-income multifamily housing (as described in Note 12). The Corporation Arlington Homes is the general partner of Wilbeth Arlington Homes Ltd. and is controlled by the Authority. Eastland Woods, LLC, was founded in 2004 for the purpose to acquire and rehabilitation a 100-unit affordable rental housing project in Akron, Ohio.

These three entities are reported in the component unit section of the Supplemental Financial Data Schedule.

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

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

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

Comprehensive Grant Programs (Modernization and Development) - HUD funding of modernization and development programs through September 30, 1986 was accomplished through project notes; after that time, HUD funding was accomplished through grants. Comprehensive Grant Programs were replaced by Public Housing Capital Fund Program in 2003.

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.

Drug Grant - Under this program, the Authority received drug grant funds from HUD for the purpose of eliminating illegal from its housing projects.

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

B. **ACC C-10003** - Housing Assistance Program (HAP) - Under this HUD Section 8 Program, the Authority contracts with private landlords and subsidizes the rental of approximately 3,800 public housing dwelling units. Under this program, HAP payments are made to the landlord on behalf of the tenant for the difference between the contract rent amount and the amount the tenant is able to pay.

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

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

C. **Non-Aided** - HAP Program - Under this HUD Section 8 Program, the Authority receives rental subsidies for approximately 210 owned public housing dwelling units. As with the HAP above, payments are received by the Authority from HUD for the difference between the contract rent amount and the amount the tenant is able to pay.

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

A. **Basis of Presentation**

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

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

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

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

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

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

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.

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

C. **Cash and Investments**

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

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

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

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

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.

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

F. **Interprogram Balances**

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

G. **Recognition of Revenues and Expenses**

Contributions and subsidies received from HUD are generally recognized as revenues in the Annual Contributions Contract year, except for HAP payments received under the Non-Aided Program which are recognized as dwelling rental revenue when earned. Tenant rentals are recognized as revenues in the month of occupancy. Contributions under the Comprehensive Grant Program (CGP) are recognized as revenues in the period in which expenses related to CGP 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.

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

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.

J. **Budgetary Accounting**

The Authority annually prepares its budget as prescribed by the Department of Housing and Urban Development. This budget is adopted by the Board at the Housing Authority and then submitted to the Department of Housing and Urban Development.

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**

Deposits
At fiscal year end, the carrying amount of the Authority's deposits was $16,005,513 and the bank balance was $16,165,956. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of June 30, 2005, $200,000 of the Authority's bank balance was covered by Federal Depository Insurance. The remainder was collateralized by securities pledged in the name of the Authority. Included in the carrying value of the Authority's deposits is $2,200 in petty cash.

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

A. **Primary Government** (Continued)

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

Investments
The Authority has a formal investment policy; however, the Authority's investments were limited to certificates of deposits at June 30, 2005.

Interest Rate Risk
The Authority's investment policy limits investments to 5 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.

Credit Risk
Any deposits of the Authority exceeding the $100,000 FDIC insurance limit are fully and continuously collateralized by securities pledged in the name of the Authority.

Concentration of Credit Risk
The Authority does not limit the amount of funds that may be on deposit with any one financial institution; however, as was mentioned in the preceding, all deposits exceeding the $100,000 FDIC insurance limit are fully and continuously collateralized by securities pledged in the name of the Authority.

Cash and cash equivalents included in the Authority's cash position at June 30, 2005, are as follows:

		Investment Maturities		
	Fair Value	< 1 Year	1-3 Years	3-5 Years
Carrying Amount of Deposits	$13,268,724	$ 0	$ 0	$ 0
Carrying Amount of Deposits - Restricted	2,736,789	0	0	0
Totals	$16,005,513	$ 0	$ 0	$ 0

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

B. **Component Units**

Deposits

At fiscal year end, the carrying amount of the Authority's component units' deposits was \$3,261,000 and the bank balance was \$3,277,079. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of June 30, 2005, \$100,000 of the component units' bank balance was covered by Federal Depository Insurance. The remainder was collateralized by securities pledged in the name of the Authority. Included in the carrying value of the component units' deposits is \$400 in petty cash.

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

Investments

The Authority has a formal investment policy; however, the Authority's component units' investments were limited to certificates of deposits at June 30, 2005.

Interest Rate Risk

The Authority's investment policy limits investments to 5 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.

Credit Risk

Any deposits of the component units exceeding the \$100,000 FDIC insurance limit are fully and continuously collateralized by securities pledged in the name of the Authority.

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

B. **Component Units** (Continued)

Investments (Continued)

Concentration of Credit Risk
The Authority does not limit the amount of funds that may be on deposit with any one financial institution; however, as was mentioned in the preceding, all deposits exceeding the $100,000 FDIC insurance limit are fully and continuously collateralized by securities pledged in the name of the Authority.

Cash and cash equivalents included in the Authority's cash position at June 30, 2005, are as follows:

		Investment Maturities		
	Fair Value	< 1 Year	1-3 Years	3-5 Years
Carrying Amount of Deposits	$ 174,944	$ 317,574	$ 0	$ 0
Carrying Amount of Deposits - Restricted	2,768,482	0	0	0
Totals	$ 2,943,426	$ 317,574	$ 0	$ 0

NOTE 4: CAPITAL ASSETS

A summary of capital assets at June 30, 2005 by class is as follows:

	Balance 6/30/2004	Additions	Reductions	Balance 6/30/2005
Capital Assets Not Being Depreciated				
Land	$ 25,798,457	$ 1,093,583	$ (14,029)	$ 26,878,011
Construction in Progress	15,429,080	12,440,071	0	27,869,151
Total Capital Assets not being depreciated	41,227,537	13,533,654	(14,029)	54,747,162
Capital Assets being depreciated				
Buildings and Buildings Improvements	252,496,715	7,592,803	0	260,089,518
Furniture, Equipment, and Machinery-				
Dwelling	3,233,980	0	(542,664)	2,691,316
Administrative	5,729,797	232,515	(24,744)	5,937,568
Total Capital Assets being depreciated	261,460,492	7,825,318	(567,408)	268,718,402
Less Accumulated Depreciation	(139,374,516)	(10,799,780)	521,609	(149,652,687)
Total Capital Assets being depreciated, Net	122,085,976	(2,974,462)	(45,799)	119,065,715
Total Capital Assets, Net	$ 163,313,513	$ 10,559,192	$ (59,828)	$ 173,812,877

NOTE 5: LONG-TERM OBLIGATIONS

Changes in the Authority's long-term obligations during fiscal year 2005 are as follows:

	Balance at 6/30/04	Additions	Deletions	Balance at 6/30/05	Due Within One Year
General Long-Term Obligations					
Primary Government					
Midtown Note, 4/1/2000 5.81%, $1,700,000	$ 1,363,293	$ 0	$ (86,811)	$ 1,276,482	$ 96,259
Central Office Mortgage, 4/1/1998 Variable, $6,855,000	6,005,000	0	(195,000)	5,810,000	205,000
Non-Aided Mortgages, 7/1/1999 4.99%, $2,910,225	1,824,813	0	(255,199)	1,569,614	268,209
Energy Conservation Note, 8/12/2004 4.44%, $4,809,191	0	4,809,191	0	4,809,191	257,730
	9,193,106	4,809,191	(537,010)	13,465,287	827,198
Compensated Absences	1,670,360	163,685	0	1,834,045	662,460
Total Primary Government	10,863,466	4,972,876	(537,010)	15,299,332	1,489,658
Component Units					
Rosemary Square Mortgage, 6/1/1996 7%, $3,598,421	2,625,702	0	(164,348)	2,461,354	165,102
Wilbeth-Bridge Loan, 12/30/1999	842,351	0	(161,864)	680,487	176,230
Note Payable - Rosemary Square 0%, Interest	199,452	0	0	199,452	0
Eastland Woods - Mortgage	0	2,437,146	0	2,437,146	28,145
Total Component Units	3,667,505	2,437,146	(326,212)	5,778,439	369,477
Total Long-Term Obligations	$14,530,971	$ 7,410,022	$ (863,222)	$21,077,771	$ 1,859,135

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

On April 1, 2000, the Authority issued a general obligation promissory note in the amount of $1,700,000. 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, due to First Merit Bank, N.A., is payable in monthly installments of $14,172 from April 1, 2000 to March 1, 2005. Interest is payable monthly at a rate of 5.81 percent. The mortgage will be repaid from the Non-Aided program.

On April 1, 1998, the Authority obtained a mortgage of $6,855,000 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, 2005, the interest rate in effect was 1.05 percent, which was utilized in the calculation of future debt service requirements. The mortgage was for the construction and furnishing of the Authority's central office building, and will be repaid from the Non-Aided program.

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

As of June 1, 1996, the Authority purchased Rosemary Square. As part of this purchase, the Authority assumed Rosemary Square's HUD insured mortgage which has a stated interest rate of 7 percent. The mortgage was structured under Section 236 of the National Housing Act, as amended, and provides for a HUD subsidy representing a reduction of the mortgage principal and interest payments, thereby reducing the effective rate of interest on the mortgage to 1 percent. In connection with the accounting for the purchase, the Authority recorded Rosemary Square's HUD insured mortgage (net of the HUD subsidy) by the Authority's estimated, incremental borrowing rate of 8.25 percent at the date of the acquisition. The difference between the estimated fair value of the debt and its remaining stated balance at the date of the acquisition is being amortized to interest expense using the constant effective yield method. Principal and interest payments will be made from Rosemary Square's accounts in the Non-Aided program.

On December 30, 1999, Wilbeth Arlington Limited Partnership obtained a bridge loan payable to Ohio Housing Financing Agency in an amount of $1,500,000, at an interest rate of 2 percent. This loan will be repaid from Wilbeth Arlington Limited Partnership in the Non-Aided program.

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

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

The following is a summary of the Authority's future debt service requirements for mortgages payable as of June 30, 2005:

For the Year Ended June 30	Principal	Interest	Total Payments
2006	$ 827,198	$ 402,286	$ 1,229,484
2007	929,142	367,701	1,296,843
2008	978,282	331,174	1,309,456
2009	1,024,061	292,842	1,316,903
2010	1,071,554	252,749	1,324,303
2011-2015	4,278,590	804,940	5,083,530
2016-2020	4,356,460	225,785	4,582,245
Total	$13,465,287	$ 2,677,477	$16,142,764

The following is a summary of the Authority's component units' future debt service requirements for mortgages payable as of June 30, 2005:

For the Year Ended June 30	Principal	Interest	Total Payments
2006	$ 367,565	$ 337,964	$ 705,529
2007	385,363	320,166	705,529
2008	404,266	301,262	705,528
2009	424,352	281,178	705,530
2010	266,615	260,201	526,816
2011-2015	1,850,449	983,086	2,833,535
2016-2020	286,742	632,638	919,380
2021-2025	396,512	522,868	919,380
2026-2030	548,304	371,076	919,380
2031-2035	848,271	161,175	1,009,446
Total	$ 5,778,439	$ 4,171,614	$ 9,950,053

NOTE 6: **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

Employees and Plan

Employees of the Authority belong to the Ohio Public Employees Retirement System ("OPERS"), a state-wide and state administered defined benefit, cost sharing multi-governmental employer pension plan, as required by the Ohio Revised Code.

OPERS

OPERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The Ohio Public Employees Retirement System issues a stand-alone financial report that includes financial statements and required supplementary information.

Interested parties may obtain a copy by making a written request to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-PERS(7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5 percent. The employer contribution rate for local government employer units was 13.55 percent of covered payroll; 4.0 percent was the portion used to fund health care in 2005 and 5 percent in 2004 and 2003. The Authority's total contributions to OPERS for pension benefits (excluding the amount relating to other postretirement benefits) for years ended June 30, 2005, 2004, and 2003 were $1,141,739, $1,014,281, and $926,530, respectively, equal to the required contributions for each year.

NOTE 8: POST-EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

OPERS provides postretirement health care coverage to age and service retirants with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit ("OPEB") as described in GASB Statement No. 12.

A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides the statutory authority requiring public employers to fund pension and postretirement health care through their contributions to OPERS. The portion of employer contributions rate used to fund health care for 2005 was 4.0 percent, for 2004 5.0 percent of covered payroll.

The Authority's contributions for other postemployment benefits to OPERS for the fiscal year ended 2005 and 2004 were $478,215 and $595,543, respectively.

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

Ohio Public Employees Retirement System (Continued)
OPEBs are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely.

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the OPERS's latest actuarial review performed as of December 31, 2003. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2003 was 8.0 percent. An annual increase of 4.0 percent compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00 percent base increase, were assumed to range from 0.50 percent to 6.3 percent. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 percent to 6 percent 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).

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 369,885. The actuarial value of the OPERS net assets available for OPEB at December 31, 2003 was $10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $26.9 billion and $16.4 billion, respectively.

All of the Authority's full-time employees participate in a retirement system which are cost-sharing, multiple-employer defined benefit pension plans.

NOTE 9: **INSURANCE COVERAGE**

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

NOTE 9: **INSURANCE COVERAGE** (Continued)

Type of Coverage	Deductible	Coverage Limits
Property, Personal Property	$ 10,000	$50,000,000 (per occurrence)
General Liability	5,000	5,000,000
Automobile	500	5,000,000
Law Enforcement	5,000	Included (in general)
Public Officials	5,000	5,000,000
Crime	1,000	1,000,000
Pollution and Remediation Legal Liability	50,000	500,000 Per Loss (2,000,000 Aggregate)
Boiler and Machinery	1,000	50,000,000

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 premium payment plan with Medical Mutual of Ohio for employee health care benefits. Settled claims have not exceeded the Authority's insurance coverage in any of the past three years.

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

The Authority has cooperation agreements with certain municipalities under which it makes payments in lieu of real estate taxes for various public services. Expense recognized for payments in lieu of taxes totaled $220,729 for the year ended June 30, 2005.

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: **PRIOR PERIOD ADJUSTMENTS**

Adjustments were made during the audit period to correct the various programs' equity balances. The largest adjustment was the addition of a new component unit, Eastland Woods.

NOTE 13: **INTERPROGRAM TRANSACTIONS**

Interprogram balance at June 30, 2005 consists of the following receivables and payables:

	Due From	Due To
Business Activities	$ 0	$ 144,977
N/C S/R Section 8 Program	332,618	7,022
Shelter Plus Care	106	2,556
Low Rent Public Housing	387,441	44,709
Section 8 Rental Voucher Program	251,910	635,390
Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	197	134,719
Public Housing Capital Fund	0	2,899
Total	$ 972,272	$ 972,272

These interprogram Due From/Due To arise from allocation of wages and benefits, supplies, and other indirect costs. Those loans were repaid shortly after year end. Interprogram balances were eliminated in the statement of net assets.

NOTE 14: **CONSTRUCTION COMMITMENTS**

As of June 30, 2005, the Authority had the following significant contractual commitments:

Project	Amount
Security System	$ 1,120,424
Elevator Upgrades	310,153
Doors and Lock Upgrades	1,469,038
Scattered Sites Rehabilitation	499,639
Doors /Windows Installation	313,815
Exterior Balcony Renovations	161,138
Total	$ 3,874,207

NOTE 15: INVESTED IN CAPITAL ASSETS

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

	Primary Government	Component Units
Capital Assets, Net of Depreciation	$149,715,437	$24,097,440
Debt Related to Capital Assets	(13,465,287)	(5,778,439)
Subtotal	136,250,150	18,319,001
Portion of Debt Unspent (in restricted cash)	1,254,061	0
Note Payable to Primary Government Related to Capital Asset Addition	0	(12,748,410)
Total Invested in Capital Assets	$ 137,504,211	$ 5,570,591

NOTE 16: CONDENSED FINANCIAL STATEMENT INFORMATION - COMPONENT UNITS

	Rosemary Square	Wilbeth Arlington Homes LP	Eastland Woods LLC	Total
Balance Sheet				
Current Assets	$ 305,281	$ 1,961,060	$ 1,866,118	$ 4,132,459
Capital Assets	1,407,661	11,649,805	11,039,974	24,097,440
Current Liabilities	462,099	14,646,987	11,030,973	26,140,059
Non-Current Liabilities	4,317,508	0	1,091,454	5,408,962
Net Assets	(3,066,665)	(1,036,122)	783,665	(3,319,122)
Revenues, Expenses, and Changes in Equity				
Operating Revenue	143,772	2,518,645	591,971	3,254,388
Operating Expenses	352,180	2,010,419	597,101	2,959,700
Net Operating Income (Loss)	(208,408)	508,226	(5,130)	294,688
Net Non-Operating Revenue over Expenses	(26,200)	(305,160)	(40,916)	(372,276)
Excess of Revenue over Expenses	$ (234,608)	$ 203,066	$ (46,046)	$ (77,588)

AKRON METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Funds Expended
From U.S. Department of HUD		
Direct Programs		
PHA Owned Housing:		
Public Housing Annual Contributions	14.850a	$16,325,508
New Approach Anti-Drug Grants	14.868	71,875
Revitalization of Severely Distressed Public Housing	14.866	938,016
Public Housing - Capital Fund Program	14.872	7,058,730
Shelter Plus Care	14.238	306,430
Resident Opportunity and Supportive Services	14.870	1,348
Total PHA Owned Housing		24,701,907
Section 8:		
Project Cluster		
Lower Income Housing Assistance Program - Section 8 - New Construction	14.182	4,643,923
Low Income Housing Assistance Program - Moderate Rehabilitation	14.856	509,150
Total Project Cluster		5,153,073
Housing Choice Vouchers	14.871	26,302,733
Total Section 8		31,455,806
TOTAL EXPENDITURES OF FEDERAL AWARDS		$ 56,157,713

NOTE 1: **REPORTING ENTITY**

The supplemental schedule of expenditures of federal awards includes the expenditures of all of the funds and departments of the Authority.

NOTE 2: **BASIS OF ACCOUNTING**

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

AKRON METROPOLITAN HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2005

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Shelter Plus Care	Low Rent Public Housing	Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitat OH007MR0009	Revitalization of Severely Distressed Public Housing	New Approach Anti-Drug Grants	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	Component Units	Total
ASSETS													
Current Assets:													
111	Cash - Unrestricted	$1,830,403	$2,523,925	$20,022	$7,244,184	$39,864	$0	$0	$0	$1,582,536	$27,790	$174,944	$13,443,668
113	Cash - Other Restricted	$792,506	$0	$0	$1,586,352	$0	$0	$0	$0	$0	$0	$2,683,839	$5,062,697
114	Cash - Tenant Security Deposits	$58,928	$0	$0	$299,003	$0	$0	$0	$0	$0	$0	$84,643	$442,574
100	Total Cash	$2,681,837	$2,523,925	$20,022	$9,129,539	$39,864	$0	$0	$0	$1,582,536	$27,790	$2,943,426	$18,948,939
122	Accounts Receivable - HUD Other Projects	$0	$13,200	$0	$0	$0	$215,685	$0	$1,348	$0	$904,780	$10,981	$1,145,994
124	Accounts Receivable - Other Government	$0	$0	$0	$40,250	$0	$0	$0	$0	$0	$0	$0	$40,250
125	Accounts Receivable - Miscellaneous	$611,752	$0	$0	$45,360	$0	$0	$0	$0	$154,202	$0	$166,830	$978,144
126	Accounts Receivable - Tenants - Dwelling Rents	$9,683	$0	$0	$151,900	$0	$0	$0	$0	$0	$0	$132,072	$293,655
126.1	Allowance for Doubtful Accounts - Dwelling Rents	($359)	$0	$0	($4,512)	$0	$0	$0	$0	$0	$0	($37,500)	($42,371)
126.2	Allowance for Doubtful Accounts - Other	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
127	Notes, Loans, & Mortgages Receivable - Current	$5,556	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$5,556
129	Accrued Interest Receivable	$177,548	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$177,548
120	Total Receivables, net of allowances for doubtful accounts	$804,180	$13,200	$0	$232,998	$0	$215,685	$0	$1,348	$154,202	$904,780	$272,383	$2,598,776
131	Investments - Unrestricted	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$317,574	$317,574
142	Prepaid Expenses and Other Assets	$881,014	$0	$0	$356,232	$0	$0	$0	$0	$0	$354	$586,720	$1,824,320
143	Inventories	$2,011	$0	$0	$459,289	$0	$0	$0	$0	$0	$0	$10,364	$471,664
143.1	Allowance for Obsolete Inventories	($1)	$0	$0	($68,000)	$0	$0	$0	$0	$0	$0	($1)	($68,002)
144	Interprogram Due From	$24,668,433	$332,618	$106	$387,441	$197	$0	$0	$0	$251,910	$0	$1,993	$25,642,698
150	Total Current Assets	$29,037,474	$2,869,743	$20,128	$10,497,499	$40,061	$215,685	$0	$1,348	$1,988,648	$932,924	$4,132,459	$49,735,969
Noncurrent Assets:													
161	Land	$7,950,529	$0	$0	$17,182,282	$0	$0	$0	$0	$0	$0	$1,745,200	$26,878,011
162	Buildings	$24,351,947	$0	$0	$207,610,185	$0	$0	$0	$0	$0	$0	$28,127,386	$260,089,518
163	Furniture, Equipment & Machinery - Dwellings	$1	$0	$0	$2,482,317	$0	$0	$0	$0	$0	$0	$208,998	$2,691,316
164	Furniture, Equipment & Machinery - Administration	$1,425,384	$2,171	$0	$3,280,601	$31,671	$24,893	$0	$0	$654,439	$0	$518,409	$5,937,568
166	Accumulated Depreciation	($5,569,212)	($1,670)	$0	($134,145,522)	($30,212)	($1,685)	$0	$0	($637,574)	$0	($9,266,812)	($149,652,687)
167	Construction In Progress	$0	$0	$0	$3,555,130	$0	$531,774	$0	$0	$0	$21,017,988	$2,764,259	$27,869,151
160	Total Fixed Assets, Net of Accumulated Depreciation	$28,158,649	$501	$0	$99,964,993	$1,459	$554,982	$0	$0	$16,865	$21,017,988	$24,097,440	$173,812,877
171	Notes, Loans, & Mortgages Receivable - Non Current	$1,366,714	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$1,366,714
180	Total Non-Current Assets	$29,525,363	$501	$0	$99,964,993	$1,459	$554,982	$0	$0	$16,865	$21,017,988	$24,097,440	$175,179,591
190	Total Assets	$58,562,837	$2,870,244	$20,128	$110,462,492	$41,520	$770,667	$0	$1,348	$2,005,513	$21,950,912	$28,229,899	$224,915,560

Note: For the purpose of the basic financial statements, interprogram receivables and payables have been eliminated.

AKRON METROPOLITAN HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2005

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Shelter Plus Care	Low Rent Public Housing	Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitat OH007MR0009	Revitalization of Severely Distressed Public Housing	New Approach Anti-Drug Grants	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	Component Units	Total
LIABILITIES													
Current Liabilities:													
312	Accounts Payable <= 90 Days	$143,298	$952	$346	$961,847	$639	$212,871	$0	$0	$67,917	$754,649	$544,239	$2,686,758
321	Accrued Wage/Payroll Taxes Payable	$64,104	$4,224	$1,538	$1,127,601	$2,839	$2,814	$0	$1,348	$113,902	$22,437	$26,541	$1,367,348
322	Accrued Compensated Absences - Current Portion	$5,300	$192	$70	$651,593	$129	$0	$0	$0	$5,176	$0	$0	$662,460
325	Accrued Interest Payable	$1	$0	$0	$0	$0	$0	$0	$0	$0	$0	$20,801	$20,802
331	Accounts Payable - HUD PHA Programs	$0	$221,588	$0	$43,163	$17,044	$0	$0	$0	$1,511,096	$0	$0	$1,792,891
341	Tenant Security Deposits	$58,928	$0	$0	$299,003	$0	$0	$0	$0	$0	$0	$82,502	$440,433
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	$569,468	$0	$0	$257,730	$0	$0	$0	$0	$0	$0	$369,477	$1,196,675
345	Other Current Liabilities	$12,371	$0	$0	$102	$0	$0	$0	$0	$376,589	$148,079	$89,617	$626,758
346	Accrued Liabilities - Other	$29,572	$0	$0	$371,146	$0	$0	$0	$0	$0	$4,860	$338,449	$744,027
347	Interprogram Due To	$146,970	$7,022	$2,556	$44,709	$134,719	$0	$0	$0	$635,390	$2,899	$24,668,433	$25,642,698
310	Total Current Liabilities	$1,030,012	$233,978	$4,510	$3,756,894	$155,370	$215,685	$0	$1,348	$2,710,070	$932,924	$26,140,059	$35,180,850
Noncurrent Liabilities:													
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds	$8,086,628	$0	$0	$4,551,461	$0	$0	$0	$0	$0	$0	$5,408,962	$18,047,051
354	Accrued Compensated Absences - Non Current	$82,927	$2,945	$1,072	$1,003,257	$1,979	$0	$0	$0	$79,405	$0	$0	$1,171,585
353	Noncurrent Liabilities - Other	$947,246	$0	$0	$120,708	$0	$0	$0	$0	$0	$0	$0	$1,067,954
350	Total Noncurrent Liabilities	$9,116,801	$2,945	$1,072	$5,675,426	$1,979	$0	$0	$0	$79,405	$0	$5,408,962	$20,286,590
300	Total Liabilities	$10,146,813	$236,923	$5,582	$9,432,320	$157,349	$215,685	$0	$1,348	$2,789,475	$932,924	$31,549,021	$55,467,440
NET ASSETS:													
508	Total Contributed Capital	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
508.1	Invested in Capital Assets, Net of Related Debt	$19,502,553	$501	$0	$96,409,863	$1,459	$554,982	$0	$0	$16,865	$21,017,988	$5,570,591	$143,074,802
511	Total Reserved Fund Balance	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
511.1	Restricted Net Assets	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
512.1	Unrestricted Net Assets	$28,913,471	$2,632,820	$14,546	$4,620,309	($117,288)	$0	$0	$0	($800,827)	$0	($8,889,713)	$26,373,318
513	Total Net Assets	$48,416,024	$2,633,321	$14,546	$101,030,172	($115,829)	$554,982	$0	$0	($783,962)	$21,017,988	($3,319,122)	$169,448,120
600	Total Liabilities and Net Assets	$58,562,837	$2,870,244	$20,128	$110,462,492	$41,520	$770,667	$0	$1,348	$2,005,513	$21,950,912	$28,229,899	$224,915,560

Note: For the purpose of the basic financial statements, interprogram receivables and payables have been eliminated.

AKRON METROPOLITAN HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2005

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Shelter Plus Care	Low Rent Public Housing	Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitat OH007MR0009	Revitalization of Severely Distressed Public Housing	New Approach Anti-Drug Grants	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	Component Units	Total
REVENUES:													
703	Net Tenant Rental Revenue	$1,318,105	$0	$0	$5,877,071	$0	$0	$0	$0	$0	$0	$3,229,057	$10,424,233
704	Tenant Revenue - Other	$6,412	$0	$0	$75,057	$0	$0	$0	$0	$0	$0	$23,026	$104,495
705	Total Tenant Revenue	$1,324,517	$0	$0	$5,952,128	$0	$0	$0	$0	$0	$0	$3,252,083	$10,528,728
706	HUD PHA Operating Grants	$0	$4,643,923	$306,430	$16,325,508	$509,150	$381,562	$71,875	$1,348	$26,302,733	$1,468,515	$0	$50,011,044
706.1	Capital Grants	$0	$0	$0	$0	$0	$556,454	$0	$0	$0	$5,590,215	$0	$6,146,669
708	Other Government Grants	$0	$0	$0	$252,521	$0	$0	$0	$0	$0	$0	$0	$252,521
711	Investment Income - Unrestricted	$118,615	$54,863	$0	$151,788	$12	$0	$0	$0	$27,876	$0	$43,240	$396,394
712	Mortgage Interest Income	$231,616	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$231,616
714	Fraud Recovery	$0	$0	$0	$0	$1,480	$0	$0	$0	$22,830	$0	$0	$24,310
715	Other Revenue	$1,490,527	$1	$11	$610,839	$21	$0	$0	$0	$3,478	$0	$2,305	$2,107,182
716	Gain/Loss on Sale of Fixed Assets	$0	$0	$0	$0	($197)	$0	$0	$0	($8,008)	$0	$0	($8,205)
700	Total Revenue	$3,165,275	$4,698,787	$306,441	$23,292,784	$510,466	$938,016	$71,875	$1,348	$26,348,909	$7,058,730	$3,297,628	$69,690,259
EXPENSES:													
911	Administrative Salaries	$418,446	$32,743	$13,686	$3,256,970	$25,270	$137,453	$0	$0	$1,013,962	$279,054	$174,270	$5,351,854
912	Auditing Fees	$3,678	$115	$69	$29,571	$133	$0	$0	$0	$5,529	$0	$22,648	$61,743
913	Outside Management Fees	$29,624	$158	$183	$43,184	$339	$32,468	$0	$0	$13,584	$0	$28,252	$147,792
914	Compensated Absences	$18,091	$113	$43	$141,420	$76	$0	$0	$0	$3,089	$0	$0	$162,832
915	Employee Benefit Contributions - Administrative	$203,200	$18,121	$7,951	$1,621,129	$14,678	$53,012	$0	$0	$588,955	$162,367	$69,932	$2,739,345
916	Other Operating - Administrative	$356,004	$49,345	$6,247	$1,477,078	$11,900	$158,629	$0	$0	$464,954	$497,668	$250,068	$3,271,893
921	Tenant Services - Salaries	$14,576	$461	$1,182	$444,030	$2,182	$0	$0	$738	$87,569	$0	($1,667)	$549,071
923	Employee Benefit Contributions - Tenant Services	$7,130	$254	$685	$219,072	$1,264	$0	$0	$610	$50,709	$0	$0	$279,724
924	Tenant Services - Other	$2,279	$1	$267	$37,827	$493	$0	$0	$0	$19,821	$205,160	($1)	$265,847
931	Water	$30,697	$3	$0	$716,950	$0	$0	$0	$0	$0	$0	$91,836	$839,486
932	Electricity	$171,231	$77	$0	$1,239,152	$0	$0	$0	$0	$0	$0	$42,843	$1,453,303
933	Gas	$69,738	$51	$0	$1,236,966	$0	$0	$0	$0	$0	$0	$54,571	$1,361,326
938	Other Utilities Expense	$37,912	$1	$0	$856,244	$0	$0	$0	$0	$0	$0	$72,584	$966,741
941	Ordinary Maintenance and Operations - Labor	$265,065	$0	$0	$4,574,592	$0	$0	$0	$0	$0	$0	$214,441	$5,054,098
942	Other	$100,491	$334	$78	$977,997	$150	$0	$0	$0	$5,782	$0	$78,917	$1,163,749
943	Ordinary Maintenance and Operations - Contract Costs	$395,237	$471	$239	$1,434,365	$440	$0	$23,074	$0	$449,632	$0	$440,519	$2,743,977

AKRON METROPOLITAN HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2005

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Shelter Plus Care	Low Rent Public Housing	Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitat OH007MR0009	Revitalization of Severely Distressed Public Housing	New Approach Anti-Drug Grants	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	Component Units	Total
EXPENSES (Continued):													
945	Employee Benefit Contributions - Ordinary Maintenance	$121,208	$0	$0	$2,234,530	$0	$0	$0	$0	$0	$0	$97,298	$2,453,036
951	Protective Services - Labor	$55,410	$0	$377	$634,219	$697	$0	$42,256	$0	$27,953	$324,266	$48,008	$1,133,186
952	Protective Services - Other Contract Costs	$7,878	$25	$19	$125,371	$36	$0	$0	$0	$1,430	$0	$248	$135,007
953	Protective Services - Other	$147	$0	$0	$2,774	$0	$0	$0	$0	$39	$0	$0	$2,960
955	Employee Benefit Contributions - Protective Services	$24,954	$0	$219	$306,700	$403	$0	$6,545	$0	$16,187	$0	$24,210	$379,218
961	Insurance Premiums	$40,822	$383	$500	$848,002	$924	$0	$0	$0	$37,061	$0	$87,420	$1,015,112
962	Other General Expenses	$206	$0	$0	$6,224	$0	$0	$0	$0	$37	$0	$3,514	$9,981
963	Payments in Lieu of Taxes	$942	$0	$0	$142,996	$0	$0	$0	$0	$0	$0	$255,849	$399,787
964	Bad Debt - Tenant Rents	$15,485	$0	$0	$121,363	$0	$0	$0	$0	$0	$0	$83,881	$220,729
966	Bad Debt - Other	$0	$0	$0	$0	($1,412)	$0	$0	$0	($7,635)	$0	$0	($9,047)
967	Interest Expense	$263,596	$0	$0	$0	$0	$0	$0	$0	$0	$0	$415,516	$679,112
969	Total Operating Expenses	$2,654,047	$102,656	$31,745	$22,728,726	$57,573	$381,562	$71,875	$1,348	$2,778,658	$1,468,515	$2,555,157	$32,831,862
970	Excess Operating Revenue over Operating Expenses	$511,228	$4,596,131	$274,696	$564,058	$452,893	$556,454	$0	$0	$23,570,251	$5,590,215	$742,471	$36,858,397
971	Extraordinary Maintenance	$1	$0	$0	$1,075	$0	$0	$0	$0	$0	$0	$22,899	$23,975
972	Casualty Losses - Non-Capitalized	$6,822	$0	$0	$51,792	$0	$0	$0	$0	$0	$0	($10,890)	$47,724
973	Housing Assistance Payments	$0	$4,349,131	$283,731	$0	$454,265	$0	$0	$0	$23,683,524	$0	$0	$28,770,651
974	Depreciation Expense	$522,856	$547	$0	$9,455,507	$272	$1,472	$0	$0	$11,076	$0	$808,050	$10,799,780
900	Total Expenses	$3,183,726	$4,452,334	$315,476	$32,237,100	$512,110	$383,034	$71,875	$1,348	$26,473,258	$1,468,515	$3,375,216	$72,473,992
1010	Total Other Financing Sources (Uses)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
1000	Expenses	($18,451)	$246,453	($9,035)	($8,944,316)	($1,644)	$554,982	$0	$0	($124,349)	$5,590,215	($77,588)	($2,783,733)
1102	Debt Principal Payments - Enterprise Funds	$553,555	$0	$0	$0	$0	$0	$0	$0	$0	$0	$316,517	$870,072
1103	Beginning Equity	$39,966,107	$2,386,899	$23,612	$109,864,229	($125,192)	$0	$0	$542	($636,439)	$15,429,080	$0	$166,908,838
1104	of Errors	$8,468,368	($31)	($31)	$110,259	$11,007	$0	$0	($542)	($23,174)	($1,307)	($3,241,534)	$5,323,015
1113	Maximum Annual Contributions Commitment (Per ACC)	$0	$2,190,455	$0	$0	$497,604	$0	$0	$0	$24,301,346	$0	$0	$26,989,405
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
1115	Contingency Reserve, ACC Program Reserve	$0	$18,757,184	$0	$0	$1,583,562	$0	$0	$0	$2,206,368	$0	$0	$22,547,114
1116	Total Annual Contributions Available	$0	$20,947,639	$0	$0	$2,081,166	$0	$0	$0	$26,507,714	$0	$0	$49,536,519
1120	Unit Months Available	2,556	9,999	868	54,288	1,248	0	0	0	47,028	0	4,736	120,723
1121	Number of Unit Months Leased	2,411	9,864	628	52,578	1,130	0	0	0	46,473	0	4,568	117,652

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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*

Board of Trustees
Akron Metropolitan Housing Authority
Akron, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the basic financial statements of the business-type activities and the aggregate discretely presented component units of the Akron Metropolitan Housing Authority as of and for the year ended June 30, 2005, which collectively comprise the Akron Metropolitan Housing Authority's basic financial statements and have issued our report thereon dated February 10, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. We did not audit the financial statements of Rosemary Square, Inc. (a not-for-profit organization owned by Akron Metropolitan Housing Authority), Wilbeth-Arlington Homes Ltd. Partnership (a partnership owned by Akron Metropolitan Housing Authority), or Eastland Woods, LLC (a component unit of the Akron Metropolitan Housing Authority), which statements reflect total assets constituting less than 13 percent of the total assets at June 30, 2005, and total operating revenues constituting less than 5 percent of total operating revenues for the year then ended. Those statements were audited by other auditors and the other auditors have reported to you on Rosemary Square, Inc. and Wilbeth-Arlington Homes Ltd. Partnership'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 Rosemary Square, Inc., Wilbeth-Arlington Homes Ltd. Partnership, or Eastland Woods, LLC.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Akron Metropolitan Housing Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Akron Metropolitan Housing Authority'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 the Board of Directors, management, Auditor of State, and Federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

February 10, 2006

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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 Trustees
Akron Metropolitan Housing Authority
Akron, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

Compliance

We have audited the compliance of the Akron Metropolitan Housing Authority 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 June 30, 2005. Akron Metropolitan Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants, applicable to each of its major federal programs is the responsibility of the Akron Metropolitan Housing Authority's management. Our responsibility is to express on opinion on Akron Metropolitan Housing Authority'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; 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 Akron Metropolitan Housing Authority'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 on Akron Metropolitan Housing Authority's compliance with those requirements.

In our opinion, Akron Metropolitan Housing Authority 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 June 30, 2005.

Internal Control Over Compliance

The management of the Akron Metropolitan Housing Authority 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 Akron Metropolitan Housing Authority's internal control over compliance with 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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Trustees, management, Auditor of State, Federal Awarding Agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

February 10, 2006

AKRON METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
JUNE 30, 2005

1. <u>SUMMARY OF AUDITOR'S RESULTS</u>

2005(i)	Type of Financial Statement Opinion	Unqualified
2005(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2005(ii)	Were there any other reportable control weakness conditions reported at the financial statements level (GAGAS)?	No
2005(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2005(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
2005(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
2005(v)	Type of Major Programs' Compliance Opinion	Unqualified
2005(vi)	Are there any reportable findings under .510?	No
2005(vii)	Major Programs (list): Low Rent Public Housing - CFDA # 14.850 Public Housing Capital Fund Program - CFDA #14.872	
2005(viii)	Dollar Threshold: Type A\B Programs	Type A: >$1,684,731 Type B: > all others
2005(ix)	Low Risk Auditee?	Yes

2. <u>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</u>

None.

3. <u>FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</u>

None.

AKRON METROPOLITAN HOUSING AUTHORITY
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005

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

Auditor of State
Betty Montgomery

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AKRON METROPOLITAN HOUSING AUTHORITY

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JUNE 13, 2006