CUYAHOGA METROPOLITAN HOUSING AUTHORITY

AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2011

James G. Zupka, CPA, Inc.

Certified Public Accountants

Dave Yost • Auditor of State

Board of Commissioners
Cuyahoga Metropolitan Housing Authority
8120 Kinsman Road
Cleveland, Ohio 44104

We have reviewed the *Independent Auditor's Report* of the Cuyahoga Metropolitan Housing Authority, Cuyahoga County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2011 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost

Dave Yost
Auditor of State

September 11, 2012

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CUYAHOGA METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2011

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

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the Cuyahoga Metropolitan Housing Authority, Ohio (the "Authority"), as of and for the years ended December 31, 2011 and December 31, 2010, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of December 31, 2011 and December 31, 2010, and the respective changes in financial position, and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2012, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

James G. Zupka, CPA, Inc.

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

June 29, 2012

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

The following discussion and analysis provides an overview of the Authority's financial activities and should be read in conjunction with the Authority's financial statements which begin on page 14. If you have any questions, please contact Michael A. Simmons, Chief Financial Officer, 8120 Kinsman Road, Cleveland, Ohio 44104 or telephone 216-271-2810.

Overview of the Financial Statements

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

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

The financial statements are prepared on the accrual basis and present all assets and liabilities of the Authority, both financial and capital, and short and long term. They also present all revenues and expenses of the Authority during the year, regardless of when cash was received or paid. Collectively, the statements provide information regarding the Authority's financial condition as of December 31, 2011 and 2010, and the results of its operations and cash flows for the years then ended.

In 2011, management of the Authority continued its efforts to strengthen its internal controls and compliance of its policies. Management created a new Compliance Department and expanded the responsibilities and role of its Risk Management Department, which is housed in Legal Affairs. The Authority also has an internal Finance Committee that consists of the Chairman of the Board, Chief Executive Officer, Chief Financial Officer, Deputy Chief Financial Officer, and various other members with financial expertise across the Authority's departments. The Finance Committee meets monthly and reports its activities to the Board of Commissioners.

In addition, the Board of Commissioners refreshed its Audit Committee to assist in fulfilling its oversight and responsibilities for the financial reporting process, system of internal control, audit process, and the Authority's process for monitoring compliance with laws and regulations. The Audit Committee consists of up to five outside, independent members with collective knowledge of accounting and reporting principles applied by the Authority in preparing its financial statements. Working directly with the Director of Internal Audit, the Audit Committee meets regularly and reports its activities to the full Board.

2011 Financial Highlights

- The Authority's net assets increased by $18.8 million (or 10.4 percent) during 2011. Net assets were $198.7 million and $179.9 million at December 31, 2011 and 2010, respectively.
- Total operating and non-operating revenues increased by $13.9 million (5.6 percent) during 2011, and were $262.6 million and $248.7 million for 2011 and 2010, respectively.
- The total expenses of all Authority programs increased by $3.2 million (1.3 percent). Total expenses were $243.8 million and $240.6 million for 2011 and 2010, respectively.
- The Authority's unrestricted net assets increased by $0.7 million (or 2.3 percent) during 2011, and were $30.6 million and $29.9 million for 2011 and 2010, respectively.

The Authority's Programs

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

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

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

Other Programs—In addition to the significant programs above, the Authority also maintains the following programs which have assets, liabilities, revenues, or expenses of at least 5 percent or more of the Authority's total assets, liabilities, revenues, or expenses in either 2011 or 2010:

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

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

AUTHORITY-WIDE FINANCIAL STATEMENT

Statement of Net Assets

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

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

	December 31		
	2011	2010	2009
Assets			
Current and Other Assets	$ 90.4	$ 96.3	$ 109.2
Capital Assets	230.8	212.8	197.2
Total Assets	321.2	309.1	306.4
Liabilities			
Accounts Payable and Other Current Liabilities	39.7	39.2	40.5
Long-term Liabilities	82.8	90.0	94.1
Total Liabilities	122.5	129.2	134.6
Net Assets			
Invested in Capital Assets—Net of Related Debt	152.5	140.5	138.1
Restricted	15.6	9.5	7.9
Unrestricted	30.6	29.9	25.8
Total Net Assets	$ 198.7	$ 179.9	$ 171.8

For more detailed information see page 14 for the Statements of Net Assets.

Major Factors Affecting the Statement of Net Assets

December 31, 2011 compared to December 31, 2010

Current and other assets decreased by $5.9 million and current liabilities increased by $0.5 million. The Authority's current ratio decreased from 2.4 to 1 in 2010 from 2.2 to 1 in 2011. As such, there are sufficient current assets (primarily cash, investments and receivables from HUD) to extinguish current liabilities.

Capital assets increased to $230.8 million in 2011 from $212.8 in 2010. The $18.0 million increase is attributed primarily to capital asset additions of $35.7 million offset by depreciation expense of $17.5 million. For additional detail see "Capital Asset and Debt Administration".

Long term liabilities decreased $7.2 million in 2011. The decrease is primarily the result of the normal pay down on long-term debt, capital lease obligations and the classification of the current portion of long term debt of $3 million.

December 31, 2010 compared to December 31, 2009

Current and other assets decreased by $12.9 million. Current assets decreased $12.8 million and current liabilities decreased by $1.3 million. The Authority's current ratio decreased from 2.6 to 1 in 2009 from 2.4 to 1 in 2010. As such, there are sufficient current assets (primarily cash, investments and receivables from HUD) to extinguish current liabilities.

Capital assets increased to $212.8 million in 2010 from $197.2 in 2009. The $15.6 increase is attributed primarily to capital asset additions of $31.0 million offset by depreciation expense of $15.2 million. For additional detail see "Capital Asset and Debt Administration".

Long term liabilities decreased $4.1 million in 2010. The decrease is primarily the result of the normal pay down on long-term debt and capital lease obligations.

While operating results are a significant measure of the Authority's activities, the analysis of the changes in unrestricted net assets provides a clearer picture of the change in financial well-being.

The following presents details on the change in unrestricted net assets during the years ended December 31, 2011 and 2010:

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

	2011	2010
Unrestricted Net Assets—Beginning of Year	$ 29.9	$ 25.8
Total Change in Net Assets	18.8	8.1
Adjustments:		
Depreciation (1)	17.5	15.2
Adjustment for Retirement of Capital Assets	0.3	0.2
Adjusted Change in Net Assets	36.6	23.5
Changes in Unexpended Borrowing on Debt - Net	10.3	17.8
Additions to Long-term Debt, Net of Payments on Long-term Debt	(4.4)	(4.6)
Capital Expenditures	(35.7)	(31.0)
(Increase) Decrease in Restricted Net Assets	(6.1)	(1.6)
Unrestricted Net Assets—End of Year	$ 30.6	$ 29.9

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

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Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses, and Changes in Net Assets presents the operating results of the Authority, as well as the non-operating revenues and expenses. Condensed information from the Authority's statements of revenue, expenses and changes in net assets is as follows for the years ended December 31, 2011, 2010, and 2009:

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

	2011	2010	2009
Operating Revenues			
Dwelling Rent from Tenants	$ 15.1	$ 15.2	$ 13.9
HUD Operating Subsidies and Grants	215.8	207.9	191.8
Grants - Other	2.3	0.9	0.5
Other Revenues	5.6	3.3	3.0
Total Operating Revenues	238.8	227.3	209.2
Operating Expenses			
Housing Assistance Payments	92.7	97.1	97.1
Depreciation	17.5	15.2	28.4
Administrative	34.7	32.5	30.1
Building Maintenance	25.5	25.4	21.8
Utilities	18.6	21.4	20.2
Nonroutine Maintenance	31.2	27.1	15.2
Tenant Services	3.7	3.5	3.0
General	5.9	4.4	4.4
Protective Services	8.9	8.7	7.8
Other	0.3	0.4	0.3
Total Operating Expenses	239.0	235.7	228.3
Operating Loss	(0.2)	(8.4)	(19.1)
Non-Operating Revenues (Expenses)			
Capital Grants from HUD	23.7	21.0	14.8
Interest Income	0.1	0.5	0.8
Interest Expense	(4.6)	(4.8)	(3.6)
(Loss) on Disposition	(0.2)	(0.2)	(0.2)
Total Non-Operating Revenues—Net	19.0	16.5	11.8
Change in Net Assets	18.8	8.1	(7.3)
Net Assets—Beginning of Year	179.9	171.8	179.1
Net Assets—End of Year	$ 198.7	$ 179.9	$ 171.8

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

December 31, 2011 compared to December 31, 2010

Operating revenues increased $11.5 million or 5.1 percent in 2011. The primary increase was the result of the Capital Fund 2009 American Reinvestment and Recovery Act funds received in 2011. Other Revenues increased by $2.3 million primarily due to activity related to the Garden Valley project, now known as Heritage View Homes. Grants - Other increased by 1.4 million as a result of the NSP II Project that began in 2011.

Operating expenses increased $3.3 million or 1.4 percent with major increases in depreciation ($2.3 million), administrative ($2.2 million), non-routine maintenance ($4.1 million), and general expenses ($1.5 million). These increases were offset by decreased Housing Assistance Payments ($4.4 million) and utility expense ($2.8 million).

HUD capital grants increased $2.7 million or 12.8 percent. The increase in subsidy can also be attributed to higher Capital Fund 2009 American Reinvestment and Recovery Act subsidy. Interest income continues to decrease as a result of lower interest rates being offered by the banking industry. Interest expense decreased $.2 million with the pay down of outstanding debt.

December 31, 2010 compared to December 31, 2009

Operating revenues increased $18.1 million or 8.6 percent in 2010. The primary increase is a result of HUD's proration of 103 percent of Operating Subsidy eligibility for 2010 versus 88.42 percent in 2009. Tenant revenue increased 9.4 percent in 2010

Operating expenses increased $7.4 million or 3.2 percent with major increases in non-routine maintenance ($11.9 million), building maintenance ($3.6 million), tenant services ($.5 million) and protective services ($.9 million). These increases were offset by decreased depreciation expense ($13.2 million) as components of many of the older assets became fully depreciated. These assets have not been written off because they are still in use as they were subsequently renovated and improved. The costs of those renovations and improvements were also capitalized and are still being depreciated.

HUD capital grants increased $6.2 million or 41.9 percent. The increase in subsidy was primarily due to higher Capital Fund 2009 American Reinvestment and Recovery Act subsidy of $6.1 million. Interest income decreased $ .3 million as there was less interest earned on unexpended EPC funds and lower interest rates being offered by the banking industry. Interest expense increased $1.2 million as the new debt for the Campus Project, Ohio Bond Financing and Severance and Quarrytown debt were outstanding.

Capital Assets and Debt Administration

Capital Assets

At December 31, 2011, the Authority had $230.8 million invested in a variety of capital assets (as reflected in the following schedule), which represents a net increase of $18.0 million from December 31, 2010.

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

	December 31		
	2011	2010	2009
Land	$ 28.4	$ 28.3	$ 28.5
Buildings	679.2	647.7	632.5
Equipment—Administrative	7.1	6.0	5.9
Equipment—Operating	16.3	16.2	15.7
Construction in Progress	15.0	23.5	9.9
Total	746.0	721.7	692.5
Accumulated Depreciation	(515.2)	(508.9)	(495.3)
Capital Assets—Net	$ 230.8	$ 212.8	$ 197.2

The following reconciliation summarizes the 2011 and 2010 change in capital assets, which is presented in detail in Note 5 to the financial statements.

Table 5 - Changes in Capital Assets
(in millions)

	2011	2010
Beginning Balance	$ 212.8	$ 197.2
Additions	35.8	31.0
Retirements—Net	(0.3)	(0.2)
Depreciation Expense	(17.5)	(15.2)
Capital Assets—End of Year	$ 230.8	$ 212.8

December 2011 compared to December 2010

Capital additions in 2011 were primarily for estate improvements through the Modernization Program and the construction of new units. These expenditures totaled $35.8 million.

Some of the major projects were:

- Construction of a three story, 36 unit, apartment building at Outwaite Homes as well as interior renovations to most other buildings at Outhwaite Homes.
- Comprehensive modernization of the historic Woodhill Homes Community Center and other energy upgrades at Woodhill Homes
- Installation of new energy efficient plumbing fixtures at Woodhill Homes, Bellaire Gardens A & B, West Boulevard, Bohn Tower and Willson Hi-Rise
- Constructed 57 units in Phase 2 and substantial completion of 69 units in Phase 3 at Garden Valley, now known as Heritage View Homes and completed the construction at CMHA's administrative campus
- Installed new boilers at Bellaire Gardens A & B, Addison Square, King Kennedy North, Beachcrest, West Boulevard, Bohn Tower and Riverview Towers
- New rooftop HVAC unit at Bohn Tower and new consumption meters tied into the Building Automation System at Riverview Towers and Beachcrest
- Window and patio door replacement at Beachcrest, Addison Square, Willson, King Kennedy North, West Boulevard, Bohn Tower, Riverview Towers and Bellaire Gardens A & B
- Under the BOA Program, over 100 long standing vacant units were renovated

In addition, other major projects initiated in 2011 included the renovation of four acquired buildings on Bellaire Road; the construction of a new 40 unit, three story apartment building on Lee Road and the construction of a new 36 unit, three story apartment building at Euclid and Belmore in East Cleveland.

The Voluntary Compliance Agreement executed with HUD requires more than 500 dwelling units and common areas to be made compliant with UFAS regulations over the next seven years. In 2011, 99 units at various family and elderly sites were completed, this included site and common area renovations as well.

December 2010 compared to December 2009

Capital additions in 2010 were primarily for estate improvements through the Modernization Program and the construction of new units. These expenditures totaled $29.3 million. In addition, equipment purchases totaled $1.7 million.

Some of the major projects were:

- Electrical conversions at Woodhill Homes Estate
- Roof replacements at Springbrook, Wade Park, Scranton Castle and West Boulevard high rise buildings
- Roof replacements on family buildings at Olde Cedar (10) and Outhwaite Homes (17)
- Constructed 81 units in Phase 1 at Garden Valley, now known as Heritage View Homes and major construction at CMHA's administrative campus with a completion date of June 2011
- Installed new boilers at Fairway high rise and replaced emergency generators at Union Square and Miles Elmarge
- Upgraded the elevator, replacement of boiler and emergency generator at Severance Tower
- Window replacement at Beachcrest high rise building
- Under the BOA Program, over 100 long standing vacant units were renovated

In addition, other major projects initiated in 2010 included the comprehensive modernization of the historic Woodhill Homes Community Center, demolition of a large residential building and construction of a new 36 unit, three story apartment building at Outhwaite Homes, and commenced phase II and III of new construction at Garden Valley, now known as Heritage View Homes.

The Voluntary Compliance Agreement executed with HUD requires more than 500 dwelling units and common areas to be made compliant with UFAS regulations over the next seven years. In 2010, 99 units at various family and elderly sites were completed, this included site and common area renovations as well.

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

Debt Outstanding

As of December 31, 2011, the Authority had $87.9 million in long-term debt and capital lease obligations compared to $92.2 million at December 31, 2010, for a $4.3 million decrease. The following summarizes these obligations:

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

	December 31		
	2011	2010	2009
Energy Program—Capital Lease	$ 25.4	$ 27.9	$ 30.9
Ohio Bond Financing	13.4	14.0	14.5
Bond Anticipation Note , Series 2009	3.0	3.1	3.1
General Revenue Bonds	3.1	3.1	3.1
Build America Bonds	12.9	12.9	12.9
Modernization Express Loan A	12.4	12.7	13.0
Modernization Express Loan B	7.4	7.6	7.8
Severance Financing	3.5	3.6	3.8
Quarrytown Mortgage Note	3.2	3.3	3.4
Ambleside Refinancing	3.6	4.0	4.4
Total	$ 87.9	$ 92.2	$ 96.9

Economic Factors

Significant economic factors affecting the Authority are as follows:

- Federal funding is at the discretion of the U.S. Department of Housing and Urban Development. Operating subsidy for the Conventional Low Income Housing program was funded at 100 percent. Future years funding levels are not expected to be as high. Reductions to the Capital Fund Program are projected to be reduced by 18 percent for 2012 when compared to 2010. The Administration funding for the Housing Choice Voucher Program was funded at 83 percent and levels are expected to continue to decline in future years.

- Local labor supply and demand, which can affect salary and wage rates of the Authority

- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income

- Inflationary pressure on utility rates, supplies and other costs, which affects the costs of the programs

- Employee health insurance costs continue to rise.

Contact the Authority

Questions concerning this report or requests for additional information should be directed to Michael A. Simmons, Chief Financial Officer, 8120 Kinsman Road, Cleveland, Ohio 44104.

CUYAHOGA METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
AS OF DECEMBER 31, 2011 AND 2010

	2011	2010
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 34,545,852	$ 34,904,569
Cash - Restricted	30,446,921	34,607,307
Accounts Receivable Tenants - Net of Allowance for doubtful accounts of $523,427 and $452,460	344,001	373,445
Accounts Receivable - HUD	18,509,482	21,450,594
Accounts Receivable - Other Governments	876,798	337,427
Accounts Receivable - Other	1,823,728	791,902
Inventory	226,354	273,524
Prepaid Expenses and Other Current Assets	1,565,788	1,466,154
Total Current Assets	88,338,924	94,204,922
Non-Current Assets		
Capital Assets:		
Assets Not Depreciated	43,437,477	51,848,722
Property and Equipment - Net	187,353,288	160,982,467
Total Capital Assets	230,790,765	212,831,189
Debt Issuance Costs, Net of Amortization of $440,733 and $353,698	1,016,363	1,103,398
Investment in Joint Ventures	1,073,721	967,880
Total Non-Current Assets	232,880,849	214,902,467
TOTAL ASSETS	$321,219,773	$ 309,107,389

	2011	2010
LIABILITIES		
Current Liabilities		
Accounts Payable—Vendors	$ 11,622,249	$ 14,984,476
Accounts Payable—HUD	6,843,481	4,814,524
Accrued Expenses	12,025,815	13,134,861
Security and Other Deposits	1,682,842	1,965,223
Current Portion of Long-Term Debt	4,888,248	1,804,549
Current Portion of Capital Leases	2,631,316	2,523,891
Total Current Liabilities	39,693,951	39,227,524
Non-Current Liabilities		
Long-Term Debt—Net of Current Portion	57,620,254	62,559,798
Capital Leases—Net of Current Portion	22,740,645	25,371,961
Workers' Compensation Liability	2,394,000	1,980,000
Total Non-Current Liabilities	82,754,899	89,911,759
TOTAL LIABILITIES	122,448,850	129,139,283
NET ASSETS		
Invested in Capital Assets—Net of Related Debt	152,497,910	140,572,587
Restricted	15,627,471	9,520,487
Unrestricted	30,645,542	29,875,032
TOTAL NET ASSETS	$198,770,923	$179,968,106

See notes to the financial statements.

CUYAHOGA METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
Operating Revenues		
Tenant Revenue	$ 15,085,247	$ 15,195,040
HUD Operating Subsidies and Grants	215,760,709	207,914,264
Other Operating Grants	2,324,216	874,377
Other Revenues	5,640,455	3,287,302
Total Operating Revenues	238,810,627	227,270,983
Operating Expenses		
Housing Assistance Payments	92,684,148	97,080,872
Depreciation	17,483,943	15,166,001
Administrative	34,745,383	32,490,925
Building Maintenance	25,494,956	25,422,053
Utilities	18,626,737	21,414,485
Nonroutine Maintenance	31,163,803	27,128,465
Tenant Services	3,683,689	3,474,142
General	5,948,051	4,448,860
Protective Services	8,875,139	8,698,302
Other	334,259	361,788
Total Operating Expenses	239,040,108	235,685,893
Operating Loss	(229,481)	(8,414,910)
Nonoperating Revenues (Expenses)		
HUD Capital Grants	23,717,157	21,021,022
Interest Income	130,005	455,886
Interest Expense	(4,570,874)	(4,789,316)
(Loss) on Disposition of Capital Assets	(243,990)	(173,150)
Total Nonoperating Revenues - Net	19,032,298	16,514,442
Change in Net Assets	18,802,817	8,099,532
Net Assets—Beginning of Year	179,968,106	171,868,574
Net Assets - End of Year	$ 198,770,923	$ 179,968,106

See notes to the financial statements.

CUYAHOGA METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
Cash Flows From Operating Activities		
HUD Operating Subsidies and Grants	$ 217,197,721	$ 200,432,818
Other Operating Grants	2,324,216	874,377
Cash Received from Tenant Rents	15,114,691	15,028,362
Cash Payments to Suppliers for Goods and Services	(83,861,292)	(71,426,715)
Cash Paid for Salaries and Benefits	(48,531,272)	(45,364,190)
Housing Assistance Payments	(92,684,148)	(97,080,872)
Other Receipts	3,751,236	2,920,505
Net Cash Provided by Operating Activities	13,311,152	5,384,285
Cash Flows From Capital and Related Financing Activities		
HUD Capital Grants	26,672,440	18,718,810
Property and Equipment Additions	(35,738,908)	(30,966,932)
Repayment of Debt and Capital Lease Obligations	(4,379,736)	(4,646,142)
Interest Paid on Debt and Capital Lease Obligations	(4,570,874)	(4,789,316)
Proceeds from Sale of Capital Assets	51,399	43,686
Net Cash Used in Capital and Related Financing Activities	(17,965,679)	(21,639,894)
Cash Flows From Investing Activities		
Proceeds from Maturity of Investments	0	4,784,007
Interest Income	135,424	464,515
Net Cash Provided by Investing Activities	135,424	5,248,522
Increase (Decrease) in Cash and Cash Equivalents	(4,519,103)	(11,007,087)
Cash and Cash Equivalents - Beginning of Year	69,511,876	80,518,963
Cash and Cash Equivalents - End of Year*	$ 64,992,773	$ 69,511,876

* The amount includes $ 34,545,852 and $ 34,904,569 unrestricted cash and cash equivalents, and $ 30,446,921 and $ 34,607,307 of restricted cash in 2011 and 2010, respectively.

(Continued)

See notes to the financial statements.

CUYAHOGA METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)

	2011	2010
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities		
Operating Loss	$ (229,481)	$ (8,414,910)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:		
Depreciation	17,483,943	15,166,001
Provision for Uncollectible Accounts	326,611	78,259
Amortization of Bond Issue Costs	87,251	86,164
(Increase) Decrease in Assets:		
Accounts Receivable Tenants	(41,623)	(162,275)
Accounts Receivable - HUD Operating	(14,171)	(244,937)
Accounts Receivable—Other	(1,843,576)	(367,590)
Inventory	47,170	130,829
Prepaid Expenses and Other Assets	(194,275)	(51,064)
Increase (Decrease) in Liabilities:		
Accounts Payable	(3,362,227)	4,556,377
Intergovernmental	2,028,957	(7,319,171)
Accrued Expenses and Other	(1,109,046)	1,909,973
Security and Other Deposits	(282,381)	(85,371)
Workers' Compensation	414,000	102,000
Net Cash Provided by Operating Activities	$ 13,311,152	$ 5,384,285

See notes to the financial statements. (Concluded)

1. DEFINITION OF THE ENTITY

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

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

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

Homeownership Program (ACC C-5003)—Ownership equity is realized by the family tenant through monthly payments into an earned home payments account and through regular maintenance of the home. A family achieves ownership when the equity increases to a point where it is equal to a predetermined amount based upon the unamortized purchase price of the home. A family may also purchase the home by obtaining financing or otherwise paying the amount by which the purchase price exceeds the family's equity. During 2010, HUD approved transferring the remaining homes into the Conventional Low-Rent Housing Program.

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

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

1. DEFINITION OF THE ENTITY (Continued)

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

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

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

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

1. DEFINITION OF THE ENTITY (Continued)

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

Other Grants**—**During 2011 and 2010, the Authority received federal, state and local funding under the Resident Opportunities and Supportive Services Program, Foster Care Grant, City of Cleveland HOME funds, George Gund Foundation, The Cleveland Foundation, Youth Health Program, Supportive Housing Program, 21st Century Grant, Disaster Housing Assistant Grant, Disaster Voucher Program, YouthBuild and private donations. Expenditures for these programs and grants must be made in accordance with the rules and regulations established by the grantors.

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

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

Nonprofit Corporations**—**In accordance with housing subsidy contracts, the Authority has designated several Section 8 nonprofit corporations (Severance Housing Corporation, Cuyahoga Housing Corporation, Cuyahoga-Puritas Housing Corporation, Rosalind-Amesbury Housing Assistance Corporation, Cleveland-Rock Glen Housing Assistance Corporation, and Chester Village Housing Incorporated) to serve as instrumentalities of the Authority to assist in the development and financing of housing projects. The Board of the Authority appoints the Board of Trustees of the Severance Housing Corporation, Cuyahoga-Puritas Housing Corporation, Rosalind-Amesbury Housing Assistance Corporation, Cleveland-Rock Glen Housing Assistance Corporation, and Chester Village Housing Incorporated, the members of which are all the same. The Authority's Board of Commissioners must approve all actions of the instrumentalities and, upon their dissolution, all assets and residual receipts are to be distributed to the Authority. These Section 8 nonprofit corporations have no employees, perform no day-to-day functions, and the officers thereof serve in a non-paid status. There are no assets or liabilities in these corporations and there were no revenues earned or expenses incurred during 2011 and 2010.

1. DEFINITION OF THE ENTITY (Continued)

Excluded Entities (Continued)

Joint Venture—The Authority is a member of the Housing Authority Risk Retention Group ("HARRG") and the Housing Authority Property Insurance, Inc. ("HAPI"). HARRG and HAPI are nonprofit, tax exempt mutual insurance companies that are wholly owned by their public housing authority members. HARRG operates under the Federal Liability Risk Retention Act. It provides liability insurance coverages solely to public housing authorities and public housing and redevelopment agencies throughout the United States. HAPI is a captive insurance company formed pursuant to the Vermont Captive Insurance Companies Act. It provides property insurance to public housing authorities and public housing and redevelopment authorities throughout the United States. The Board of Directors is elected by HARRG's approximately 790 members. The number of votes granted to each member is based upon premiums paid and is limited to a maximum of 10 percent of the total votes available. Due to the lack of significant oversight responsibility and accountability of the Authority's Board of Commissioners for actions, operations, and fiscal matters of HARRG and HAPI, the degree of financial interdependency is considered insufficient to warrant inclusion of these organizations within the Authority's reporting entity. HARRG and HAPI issue stand-alone financial reports that include financial statements and required supplementary information.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Authority has elected to apply the provisions of Statements and Interpretations of the Financial Accounting Standards Board issued on or before 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 has elected not to follow FASB guidance issued after November 30, 1989. 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 significant accounting policies under which the financial statements have been prepared are as follows:

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

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

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

Property	15-40 years
Equipment	3–7 years

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

I. *Indirect Costs*—Certain indirect costs are charged to programs under a cost allocation plan. These indirect costs are accumulated in and allocated from the Central Office Cost Center.

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

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

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

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

M. *Change in Reporting* – In 2010, the Authority changed its method of reporting of HUD operating grants and subsidies. Prior to 2010, the Authority was reporting all HUD grants and Grants-Other in the non-operating section of the Statement of Revenues, Expenses, and Changes in Net Assets. Starting in 2010, the operating grants and subsidies will be reported as operating revenues. Capital grants will continue to be reported as non-operating revenue. For comparative purposes, this change was made for the 2009 revenue.

3. DEPOSITS AND INVESTMENTS

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

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

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

Deposits**—**Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does have a deposit policy that addresses custodial credit risk. At year-end, the carrying amount of the Authority's deposits was $51,143,191 (included in the carrying amount is $16,200 in petty cash), and the bank balance was $52,904,389, the difference representing outstanding checks and other in-transit items. Of the bank balance, $47,253,551 was covered by Federal Depository Insurance, $5,650,838 was collateralized by securities pledged in the name of the Authority or by pooled collateral as permitted by the Ohio Revised Code.

Investments**—**The Authority has a formal investment policy. Investments held by the Authority at December 31, 2011 are presented below, categorized by investment type and credit quality rating. Credit ratings provide information about the investments' credit risk, which is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. All investments mature within one year.

3. DEPOSITS AND INVESTMENTS (Continued)

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

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

Description	Total Fair Value/ Carrying Value	Credit Quality Rating
Repurchase Agreement	$ 2,194,734	AA+
Money Market Funds	3,776,158	AAAm
Money Market Funds	1,021,454	AA+
Money Market Funds	6,649,720	A1
Money Market Funds	207,516	A+
Total Primary Government Investments	$ 13,849,582	

* Rating offered by Standard & Poor's

A reconciliation of cash and investments as shown on the statement of net assets at December 31, 2011 and 2010 to the deposits and investments included in this note is as follows:

	2011	2010
Cash and Cash Equivalents	$ 34,545,852	$ 34,904,569
Cash - Restricted	30,446,921	34,607,307
Total	$ 64,992,773	$ 69,511,876
Carrying Amount of Deposits	$ 51,143,191	$ 57,464,882
Carrying Amount of Investments	13,849,582	12,046,994
Total	$ 64,992,773	$ 69,511,876

4. RESTRICTED CASH AND INVESTMENTS

At December 31, 2011 and 2010, the Authority had the following cash and investments, the use of which was restricted under the terms of various grant programs, debt obligations, and other requirements:

	2011	2010
Conventional Program:		
Tenant Security Deposits	$ 1,259,952	$ 1,225,677
Industrial Commission of Ohio Escrow Fund	3,549,000	3,120,000
General Revenue Bonds		
Net Proceeds	0	5,695,629
Homeownership Program:		
Earned HOME Payment Account and Nonroutine Maintenance Reserves	37,034	279,583
Housing Choice Voucher Restricted HAP:		
Restricted HAP	12,790,655	6,595,962
FSS Escrow Deposits	244,770	322,387
Ohio Bond Financing:		
Net Proceeds	1,862,357	2,435,273
Debt Service Reserve	1,145,264	980,701
Capital Fund Revenue Loan A:		
Net Proceeds	10,737	2,723,024
Debt Service Reserve	1,174,491	1,173,693
Capital Fund Revenue Loan B:		
Net Proceeds	4,694,892	6,293,885
Debt Service Reserve	699,867	699,392
Ambleside:		
Tenant Security Deposits	35,388	34,889
Nonroutine Maintenance Reserves	631,395	562,975
Debt Amortization Funds	1,021,454	955,595
Severance:		
Tenant Security Deposits	38,120	36,525
Nonroutine Maintenance Reserves	104,764	350,195
Quarrytown:		
Tenant Security Deposits	43,804	43,602
Nonroutine Maintenance Reserves	597,056	595,631
Woody Woods:		
Tenant Security Deposits	23,774	22,560
Riverside Park:		
Replacement Reserve	482,147	460,129
Total	$ 30,446,921	$ 34,607,307

5. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011 was as follows:

	January 1, 2011	Additions	Deletions	December 31, 2011
Capital Assets Not Being Depreciated:				
Land	$ 28,286,014	$ 96,232	$ (5,104)	$ 28,377,142
Construction in Progress (Net Change)	23,562,708	32,036,682	(40,539,055)	15,060,335
Total Capital Assets Not Being Depreciated	51,848,722	32,132,914	(40,544,159)	43,437,477
Capital Assets Being Depreciated:				
Buildings and Improvements	647,290,392	40,530,609	(8,956,239)	678,864,762
Furniture, Equipment, and Machinery - Dwelling	16,180,767	1,104,164	(936,909)	16,348,022
Furniture, Equipment, and Machinery - Admin	6,055,788	2,510,276	(1,442,470)	7,123,594
Leasehold Improvements	324,610	0	(47,408)	277,202
Subtotal Capital Assets Being Depreciated	669,851,557	44,145,049	(11,383,026)	702,613,580
Accumulated Depreciation:				
Buildings and Improvements	(490,841,394)	(15,839,534)	8,694,152	(497,986,776)
Furniture and Equipment	(17,769,501)	(1,577,994)	2,351,181	(16,996,314)
Leasehold Improvements	(258,195)	(66,415)	47,408	(277,202)
Subtotal Accumulated Depreciation	(508,869,090)	(17,483,943)	11,092,741	(515,260,292)
Depreciable Assets, Net	160,982,467	26,661,106	(290,285)	187,353,288
Total Capital Assets—Net	$ 212,831,189	$ 58,794,020	$ (40,834,444)	$ 230,790,765

Capital asset activity for the year ended December 31, 2010 was as follows:

	January 1, 2010	Additions	Deletions	December 31, 2010
Capital Assets Not Being Depreciated:				
Land	$ 28,502,014	$ 0	$ (216,000)	$ 28,286,014
Construction in Progress (Net Change)	9,850,852	28,252,999	(14,541,143)	23,562,708
Total Capital Assets Not Being Depreciated	38,352,866	28,252,999	(14,757,143)	51,848,722
Capital Assets Being Depreciated:				
Buildings and Improvements	632,186,663	15,567,021	(463,292)	647,290,392
Furniture, Equipment, and Machinery - Dwelling	15,719,533	1,291,864	(830,630)	16,180,767
Furniture, Equipment, and Machinery - Admin	5,933,932	396,191	(274,335)	6,055,788
Leasehold Improvements	324,610	0	0	324,610
Subtotal Capital Assets Being Depreciated	654,164,738	17,255,076	(1,568,257)	669,851,557
Accumulated Depreciation:				
Buildings and Improvements	(477,582,177)	(13,699,943)	440,726	(490,841,394)
Furniture and Equipment	(17,454,983)	(1,441,213)	1,126,695	(17,769,501)
Subtotal Accumulated Depreciation	(233,350)	(24,845)	0	(258,195)
Depreciable Assets, Net	(495,270,510)	(15,166,001)	1,567,421	(508,869,090)
Total Capital Assets, Net	158,894,228	2,089,075	(836)	160,982,467
	$ 197,247,094	$ 30,342,074	$(14,757,979)	$ 212,831,189

5. CAPITAL ASSETS (Continued)

The Authority maintains detailed records that track fixed assets by category. The following schedules list capital asset balances for individual programs at December 31, 2011 and 2010:

Programs	Land	Property	Equipment	Depreciation	Net
Conventional Low-Rent Housing Program	$ 25,846,545	$ 665,048,090	$ 20,656,035	$ (505,361,598)	$ 206,189,072
Housing Choice Voucher and					
Moderate Rehabilitation Programs	0	351,492	1,313,014	(806,962)	857,544
Campus Project	1,848,000	0	0	0	1,848,000
Title V	62,000	558,000	-	(558,000)	62,000
Section 8 New Construction Housing					
Assistance Payment Programs:					
Ambleside	59,840	6,220,200	369,221	(5,526,101)	1,123,160
Severance	356,767	4,334,458	317,238	(1,086,946)	3,921,517
Quarrytown	203,990	2,294,281	328,903	(680,568)	2,146,606
Other	0	15,395,780	487,203	(1,240,117)	14,642,866
Total	$ 28,377,142	$ 694,202,301	$ 23,471,614	$ (515,260,292)	$ 230,790,765

	2010				
Programs	**Land**	**Property**	**Equipment**	**Accumulated Depreciation**	**Net**
Conventional Low-Rent Housing Program	$ 25,668,687	$ 655,504,703	$ 19,647,935	$ (498,590,039)	$ 202,231,286
Homeownership Program	86,730	804,658	72,604	(682,317)	281,675
Housing Choice Voucher and					
Moderate Rehabilitation Programs	0	277,203	1,258,876	(1,187,125)	348,954
Campus Project	1,848,000	0	0	0	1,848,000
Title V	62,000	558,000	18,704	(576,704)	62,000
Section 8 New Construction Housing					
Assistance Payment Programs:					
Ambleside	59,840	6,220,200	371,291	(5,362,393)	1,288,938
Severance	356,767	4,322,893	314,635	(889,592)	4,104,703
Quarrytown	203,990	2,268,708	331,658	(590,807)	2,213,549
Other	0	1,221,345	220,852	(990,113)	452,084
Total	$ 28,286,014	$ 671,177,710	$ 22,236,555	$ (508,869,090)	$ 212,831,189

6. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses at December 31, 2011 and 2010 consist of the following items:

	2011	2010
Payroll and Related Accruals	$ 6,685,818	$ 6,983,285
Deferred Revenue	1,562,315	2,140,089
Workers' Compensation—Current Portion	1,155,000	1,140,000
Other Litigation Reserves	399,840	593,690
Interest Payable	1,172,589	1,214,113
Other	1,050,253	1,063,684
Total	$ 12,025,815	$ 13,134,861

7. DEBT AND LEASE OBLIGATIONS

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

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

The following is a summary of Ambleside's future debt service requirements for bonds payable as of December 31, 2011:

	Principal	Interest	Total
2012	$ 465,000	$ 253,400	$ 718,400
2013	495,000	220,325	715,325
2014	535,000	184,975	719,975
2015	580,000	146,825	726,825
2016	620,000	105,225	725,225
2017-2018	1,040,000	74,725	1,114,725
Total Payments	3,735,000	985,475	4,720,475
Less—Unamortized Bond Discount	(145,490)	0	(145,490)
Total	$ 3,589,510	$ 985,475	$ 4,574,985

7. DEBT AND LEASE OBLIGATIONS (Continued)

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

Payments under the agreement are as follows:

	Principal	Interest	Total
2012	$ 2,631,316	$ 1,022,100	$ 3,653,416
2013	2,743,313	910,103	3,653,416
2014	2,860,076	793,340	3,653,416
2015	2,981,809	671,607	3,653,416
2016	3,108,724	544,692	3,653,416
2017-2019	11,046,723	826,877	11,873,600
Total Capital Lease Payments	$ 25,371,961	$ 4,768,719	$ 30,140,680

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

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

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

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

	Principal	Interest	Total
2012	$ 3,000,000	$ 101,250	$ 3,101,250
Unamortized Bond Premuims	26,495	0	26,495
	$ 3,026,495	$ 101,250	$ 3,127,745

7. DEBT AND LEASE OBLIGATIONS (Continued)

First Mortgage Note-On October 22, 2007 the Authority borrowed $4,000,000 on a first mortgage note from First Merit Bank to finance the purchase of the Severance Tower property. The interest rate is 6 percent through November 14, 2010. From November 15, 2010 through November 14, 2013, the annual interest rate shall be a fixed rate equal to one hundred and fifty basis points (1.5 percent) above the banks Three Year Cost of Funds Index in effect on November 15, 2010. From November 15, 2013 through November 14, 2016, the annual interest rate shall be a fixed rate equal to one hundred fifty basis points (1.5 percent) above the banks Three Year Cost of Funds Index in effect on November 14, 2013. From November 15, 2016 until the note is paid in full, the annual interest rate shall be a fixed rate equal to one hundred fifty basis points (1.5 percent) above the banks Three Year Cost of Funds Index in effect on November 15, 2016. Starting on December 15, 2007, the note requires monthly payments of principal and interest of $28,850 through November 15, 2017 at which time the entire unpaid principal balance hereof and all accrued interest, if any, shall be due and payable in full. The required installments of principal and interest shall be adjusted with each change in interest rate. At December 31, 2011, $3,467,752 in debt remained outstanding. An amortization of the loan after 2012 is not available.

Payments under the agreement are as follows:

	Principal	Interest	Total
2012	$ 119,443	$ 91,904	$ 211,347
Amount Remaining	3,348,309	0	3,348,309
	$ 3,467,752	$ 91,904	$ 3,559,656

Ohio Bond Financing - On July 17, 2007, the Authority issued a Capital Fund backed bond with three other authorities. The Authority's debt from the bond issuance is $15,315,000 and after providing for a debt service reserve and upfront costs, the Authority will have $14,003,165 to spend on improvements to facilities. The bonds have a 20 year term with interest rates from 3.9 percent to 4.67 percent . A bond premium was also received and will be amortized over the life of the bonds on a straight line basis. Payments will be made in April and October starting in October of 2007 and will be made directly from HUD. At December 31, 2011, total debt and unamortized bond premium was $13,439,625.

7. DEBT AND LEASE OBLIGATIONS (Continued)

Payments under the agreement are as follows:

	Principal	Interest	Total
2012	$ 550,000	$ 638,001	$ 1,188,001
2013	575,000	612,688	1,187,688
2014	600,000	584,750	1,184,750
2015	635,000	553,875	1,188,875
2016	665,000	521,375	1,186,375
2017-2021	3,895,000	2,056,875	5,951,875
2022-2026	5,030,000	946,750	5,976,750
2027	1,170,000	29,250	1,199,250
Total	13,120,000	5,943,564	19,063,564
Unamortized Bond Premium	319,625	0	319,625
Total	$ 13,439,625	$ 5,943,564	$ 19,383,189

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

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

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

7. DEBT AND LEASE OBLIGATIONS (Continued)

	Principal	Interest	Total
2012	$ 0	$ 1,141,212	$ 1,141,212
2013	0	1,141,212	1,141,212
2014	485,000	1,137,877	1,622,877
2015	500,000	1,124,124	1,624,124
2016	510,000	1,108,571	1,618,571
2017-2021	1,650,000	5,247,591	6,897,591
2022-2026	0	4,504,382	4,504,382
2027-2031	4,835,000	3,483,134	8,318,134
2032-2039	8,020,000	2,607,696	10,627,696
Total Payments	16,000,000	21,495,799	37,495,799
Less Amortized Bond Discount	(57,075)	0	(57,075)
Total	$ 15,942,925	$ 21,495,799	$ 37,438,724

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

	Principal	Interest	Total
2012	$ 113,356	$ 178,547	$ 291,903
2013	3,096,810	29,608	3,126,418
Total	$ 3,210,166	$ 208,155	$ 3,418,321

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

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

7. DEBT AND LEASE OBLIGATIONS (Continued)

Capital Fund Financing 2009 (Continued)

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

Payments will be made in April and October each year and began in April 2010. The payments will be made directly from HUD.

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

	Principal	Interest	Total
2011	$ 611,670	$ 1,259,464	$ 1,871,134
2012	651,460	1,219,680	1,871,140
2013	693,830	1,177,309	1,871,139
2014	738,960	1,132,182	1,871,142
2015	787,010	1,084,119	1,871,129
2016-2020	4,772,820	4,582,856	9,355,676
2021-2025	6,540,420	2,815,250	9,355,670
2026-2029	5,035,860	577,546	5,613,406
Total	$ 19,832,030	$ 13,848,406	$ 33,680,436

A summary of the Authority's long-term debt and capital lease in 2011 follows:

	January 1, 2011	Increase	Decrease	December 31, 2011	Due Within One Year
Ambleside Bonds	$ 4,007,077	$ 0	$ (417,567)	$ 3,589,510	$ 446,325
Bond Anticipation Note -2009	3,066,236	0	(39,741)	3,026,495	3,026,495
Unamortized Bond Discount	(62,384)	0	5,309	(57,075)	0
General Revenue Bond	3,145,000	0	0	3,145,000	0
Build America Bonds	12,855,000	0	0	12,855,000	0
Ohio Bond Financing	13,985,585	0	(545,960)	13,439,625	570,959
Mortgage Note - Severance	3,643,798	0	(176,046)	3,467,752	119,443
First Mortgage Note-Quarrytown	3,317,684	0	(107,518)	3,210,166	113,356
Capital Lease	27,895,853	0	(2,523,892)	25,371,961	2,631,316
Modernization Express Loan A	12,786,830	0	(359,870)	12,426,960	383,280
Modernization Express Loan B	7,619,520	0	(214,450)	7,405,070	228,390
Total	$ 92,260,199	$ 0	$ (4,379,735)	$ 87,880,464	$ 7,519,564

7. DEBT AND LEASE OBLIGATIONS (Continued)

Other Lease Obligations**—**The Authority entered into agreements to lease three separate facilities to house warehouse, office space and centralized maintenance operations. Total expense recognized under these operating leases was $606,296 and $466,344 in 2011 and 2010, respectively. The leases will all expire by December 2012. The Authority also leases office equipment under various operating leases. Total expense recognized under these operating leases was $576,806 in 2011 and $543,168 in 2010.

Future minimum lease payments are as follows:

	Office Space	Office Equipment	Total
2012	$ 183,483	$ 222,079	$ 405,562
2013	0	113,915	113,915
2014	0	4,986	4,986

8. CONDUIT DEBT OBLIGATION

In November 2011, the Authority issued Housing Revenue Bonds, Series 2011, in the amount of $10,000,000. The bonds were issued to make a loan to Euclid-Lee Senior L.P., an Ohio limited partnership. The bonds are payable and secured by Neighborhood Stabilization Program 2 funds (NSP 2) and Replacement Housing Funds (RHF). The proceeds from the bonds will be used for the construction of the Euclid Lee Senior Development for low income elderly housing.

The bonds do not constitute a debt or pledge of the faith and credit of the Authority and accordingly have not been reported in the accompanying financial statements.

9. RETIREMENT AND OTHER BENEFIT PLANS

Ohio Public Employees Retirement System

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

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

2. The Member-Directed Plan (MD) - a benefit contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and (vested) employer contributions plus any investments earnings.

3. The Combined Plan (CO) - a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

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

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2011, member and employer contribution rates were consistent across all three plans (TP, MD, and CO). Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. The employer pension contribution rate for the Authority was 14 percent of covered payroll. The Authority's required contributions to OPERS for the years ended December 31, 2011, 2010, and 2009, were $5,854,264, $5,685,138, and $5,458,322, respectively. The full amount has been contributed for 2011, 2010, and 2009.

10. POST-EMPLOYMENT BENEFITS

Plan Description

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

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

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

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

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

Funding Policy

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

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

10. POST-EMPLOYMENT BENEFITS (Continued)

Funding Policy (Continued)
OPERS' Post-Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0 percent for calendar year 2011 and the portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for calendar year 2011. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Actual Authority contributions for the years ended December 31, 2011, 2010, and 2009, which were used to fund post-employment health care benefits were $1,672,647, $2,200,176, and $2,251,845, respectively. The full amount has been contributed for 2011, 2010, and 2009.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 2, 2008, which allowed additional funds to be allocated to the health care plan.

11. INSURANCE COVERAGE AND RISK RETENTION

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

As described in Note 1, the Authority is a member of HARRG, which is a comprehensive general liability insurance group operated as a joint venture by its 790 public housing authority members. Through HARRG, the Authority carries $5,000,000 of general liability coverage, with a $25,000 deductible, as well as $1,000,000 of law enforcement liability, with a $25,000 deductible, and $2,000,000 of public officials' errors and omissions coverage, with a $25,000 deductible.

The Authority is also a member of HAPI, which is a property insurance group operated as a joint venture by its 762 public housing authority members. Through HAPI, the Authority carries building and contents coverage with a per occurrence loss limit of $100,000,000 and with a $10,000 deductible.

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

11. INSURANCE COVERAGE AND RISK RETENTION (Continued)

***Workers' Compensation Benefits*—**The Authority is self-insured for workers' compensation benefits provided to its employees. An excess liability policy provides coverage for individual claims that are greater than $500,000 per individual occurrence with a $10,000,000 limit in the aggregate. The Authority has recorded a $3,549,000 liability for self-insured workers' compensation claims in its Conventional Program and is fully funded at December 31, 2011.

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

The changes in the Authority's liabilities for self-insured risks for the years ended December 31, 2011 and 2010 were as follows:

	Workers' Compensation Benefits	Employee Termination and Other
Balance—January 1, 2010	$ 3,058,000	$ 636,231
Incurred Claims—Net of Changes in Estimates	1,079,936	125,458
Payments	(1,017,936)	(167,999)
Balance—December 31, 2010	3,120,000	593,690
Incurred Claims—Net of Changes in Estimates	1,273,052	(190,010)
Payments	(844,052)	(3,840)
Balance—December 31, 2011	$ 3,549,000	$ 399,840

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

The Authority strictly adheres to a Risk Control Work Plan policy that incorporates nine standards for risk management. The policy, passed by resolution of the Board of Commissioners and supported by HARRG, seeks to implement risk management activities that include the assignment of a full time risk control administrator, establishment of an active risk control committee, together with a formal self inspection and preventive maintenance program. Other standards include conducting on-site risk control training and education, the development of emergency action plans and property conservation programs, and the establishment of an accident and incident investigation program. During 2011 and 2010, there were no significant reductions in the Authority's insurance coverage.

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

12. CONTINGENCIES

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

13. CONSTRUCTION COMMITMENTS

As of December 31, 2011, the Authority had the following significant construction commitments:

Project Type	Amount
Garden Valley Development- Demo	$ 2,561,204
Building Renovations	21,978,506
HVAC/Elevator Improvements	1,389,432
Total Construction Commitments	$ 25,929,142

14. INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT

The calculation of Invested in Capital Assets, Net of Related Debt is impacted by proceeds reflected in the debt balance reported that is not yet spent, but rather is being held by the trustee bank at December 31, 2011. In addition, impacting that calculation are the debt service funds held by the trustee bank as required by the Trustee Indenture.

Capital Assets	$ 230,790,765
Less Related Debt	(87,880,463)
Add Back in Unspent Debt Proceeds and Debt Services Funds Held by Trustee	9,587,608
Total Invested in Capital Assets, Net of Related Debt	$ 152,497,910

15. RESTRICTED NET ASSETS

Below is a summary of restricted net assets at December 31, 2011:

Unspent funding provided by HUD to make HAP payments in the Section 8 Housing Choice Voucher Program	$ 12,790,655
Nonroutine maintenance and debt service reserves	2,836,816
Total Restricted Net Assets at December 31, 2011	$ 15,627,471

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CUYAHOGA METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011

Federal Grantor/Program/Title	**CFDA Number**	**Federal Expenditures**
U.S. Department of Housing and Urban Development		
Direct Programs		
Conventional Low-Income Housing Program - Subsidy	14.850	$ 68,240,078
Section 8 Project Based Cluster		
Section 8 New Construction and Moderate Rehabilitation Programs:		
New Construction	14.182	3,198,977
Moderate Rehabilitation	14.856	1,514,092
Total Section 8 Project Based Cluster		4,713,069
Housing Choice Voucher Program	14.871	105,181,995
Capital Fund Program Cluster:		
Capital Fund Program	14.872	24,564,915
ARRA - Capital Fund Program Competitve	14.884	22,478,280
ARRA - Capital Fund Program Formula	14.885	13,901,155
Total Capital Fund Program Cluster		60,944,350
Supportive Housing Program	14.235	337,302
Resident Opportunities and Supportive Services	14.870	61,072
Total Direct Programs		239,477,866
Passed through from City of Cleveland		
ARRA - Neighborhood Stabilization Program, Recovery Act Funded	14.228	1,611,921
Total Pass-through Programs		1,611,921
Total U.S. Department of Housing and Urban Development		241,089,787
U.S. Department of Justice		
Direct Program		
ARRA - Public Safety Partnership and Community Policing Grants	16.710	150,397
Total U.S. Department of Justice		150,397
U.S. Department of Labor		
Direct Program		
ARRA - Youthbuild	17.274	341,936
Total U.S. Department of Labor		341,936
TOTAL EXPENDITURES OF FEDERAL AWARDS		$ 241,582,120

1. BASIS OF PRESENTATION

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

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

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

2. SUBRECIPIENTS

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

Program Title	Subrecipient	Federal CFDA No.	2011 Grant Expenditures
Conventional Low-Rent	Progressive Action Council and Management Company	14.850	$ 300,000

* * * * * *

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

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

Regional Inspector General for Audit
Department of Housing and Urban
Development

We have audited the financial statements of the business-type activities of the Cuyahoga Metropolitan Housing Authority, Ohio (the "Authority), as of and for the year ended December 31, 2011, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated June 29, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

This report is intended solely for the information and use of management, the Board of Commissioners, others within the entity, 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.

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

June 29, 2012

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

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

Regional Inspector General of Audit
Department of Housing and Urban Development

Compliance

We have audited the Cuyahoga Metropolitan Housing Authority, Ohio's (the "Authority") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2011. The 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 Authority's management. Our responsibility is to express an opinion on the 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 of the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

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

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

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

We noted certain matters that we reported to the management of the Cuyahoga Metropolitan Housing Authority, Ohio, in a separate letter dated June 29, 2012.

This report is intended solely for the information and use of management, the Board of Commissioners, others within the entity, 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.

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

June 29, 2012

CUYAHOGA METROPOLITAN HOUING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2011

1. SUMMARY OF AUDITOR'S RESULTS

2011(i)	Type of Financial Statement Opinion	Unqualified
2011(ii)	Were there any material control weakneses reported at the financial statement level (GAGAS)?	No
2011(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2011(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS?)	No
2011(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2011(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
2011(v)	Type of Major Programs' Compliance Opinion	Unqualified
2011(vi)	Any there any reportable findings under .510?	No
2011(vii)	Major Programs (list): Section 8 Project Based Cluster: Section 8 New Construction - CFDA #14.182 Section 8 Moderate Rehabilitation - CFDA #14.856 Capital Fund Cluster: Public Housing Capital Fund Program - CFDA #14.872 ARRA - Public Housing Capital Fund Competitive -CFDA #14.884 ARRA - Public Housing Capital Fund Stimulus Formula Grant - CFDA #14.885	
2011(viii)	Dollar Threshold: Type A/B Programs	Type A: > $3,000,000 Type B: all others
2011(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

The audit report for the prior year ended December 31, 2010, contained no findings or citations.

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Review of the Housing Choice Voucher Program for the Period January 2009 through September 2010

HUD performed a review of the Housing Choice Voucher Program for the period January 2009 through September 2010 and rendered its report dated March 29, 2012. The report detailed three findings. The findings resulting from the review are summarized below:

- Finding 1 – The Authority did not comply with HUD's requirements and its program administrative plan when issuing housing assistance and utility allowance payments.

- Finding 2 – The Authority did not follow its requirements or HUD's requirements regarding conflict-of-interest provisions.

- Finding 3 – The Authority did not follow HUD's requirements regarding its waiting list.

Status—The Authority provided documentation and responses to HUD regarding the findings noted above. The target completion date for resolving the findings is March 1, 2013.

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Dave Yost · Auditor of State

CUYAHOGA METROPOLITAN HOUSING AUTHORITY

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 25, 2012

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