

**CUYAHOGA METROPOLITAN
HOUSING AUTHORITY**

AUDIT REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2013**

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, 2013 through December 31, 2013. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

July 16, 2014

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CUYAHOGA METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2013

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-12
Financial Statements:	
Statement of Net Position	13
Statement of Revenues, Expenses, and Changes in Net Position	14
Statement of Cash Flows	15
Notes to the Financial Statements	16-35
Supplemental Data:	
Supplemental Schedule of Modernization Costs Expended	36
Financial Data Schedules:	
Entity Wide Balance Sheet Summary	37-40
Entity Wide Revenue and Expense Summary	41-46
Schedule of Expenditures of Federal Awards	47
Notes to the Schedule of Expenditures of Federal Awards	48
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	49-50
Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	51-52
Schedule of Findings and Questioned Costs	53
Schedule of Prior Year Findings and Questioned Costs	54
Schedule of Other Reports	55

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

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, 2013 and December 31, 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cuyahoga Metropolitan Housing Authority, Ohio, as of December 31, 2013 and December 31, 2012, and the changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis as listed in the table of contents 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Cuyahoga Metropolitan Housing Authority, Ohio's basic financial statements. The Supplemental Schedule of Modernization Costs Expended and the Financial Data Schedules are presented for purposes of additional analysis and are not part of the basic financial statements. The 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 basic financial statements.

The Supplemental Schedule of Modernization Costs Expended, the Financial Data Schedules, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Schedule of Modernization Costs Expended, the Financial Data Schedules, and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2014, 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* in considering the Authority's internal control over financial reporting and compliance.

James G. Zupka,

CPA, President

James G. Zupka, CPA, Inc.

Certified Public Accountants

Digitally signed by James G. Zupka, CPA, President
DN: cn=James G. Zupka, CPA, President, o=James G.
Zupka, CPA, Inc., ou=Accounting,
email=jgzcpa@sbcglobal.net, c=US
Date: 2014.06.30 09:54:51 -04'00'

June 12, 2014

**CUYAHOGA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Unaudited)**

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

The following discussion and analysis provides an overview of the Authority’s financial activities and should be read in conjunction with the Authority’s financial statements which begin on page 13. If you have any questions, please contact Amy M. Waxman, Director of Finance, 8120 Kinsman Road, Cleveland, Ohio 44104 or telephone 216-271-2599.

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 Position
- Statements of Revenues, Expenses, and Changes in Net Position
- 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, 2013 and 2012, and the results of its operations and cash flows for the years then ended.

Management of the Authority continued its efforts to strengthen its internal controls and compliance of its policies. In 2011, 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 of Staff, Director of Finance, Deputy Director of Finance, 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 has an 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.

**CUYAHOGA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Unaudited)**

2013 Financial Highlights

- The Authority's net position decreased by \$18.8 million (or 7.6 percent) during 2013. Net position was \$227.7 million and \$246.5 million at December 31, 2013 and 2012, respectively.
- Total operating and non-operating revenues decreased by \$15.4 million (6.9 percent) during 2013, and were \$208.5 million and \$223.9 million for 2013 and 2012, respectively.
- The total expenses of all Authority programs increased by \$1.4 million (0.6 percent). Total expenses were \$227.3 million and \$225.9 million for 2013 and 2012, respectively.
- The Authority's unrestricted net position decreased by \$5.6 million (or 6.1 percent) during 2013, and was \$85.5 million and \$91.1 million for 2013 and 2012, 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 Section 8 New Construction Program - an operating program for the operation of low-income housing developments where the Authority or private developers contract directly with HUD to develop low-income housing.

**CUYAHOGA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Unaudited)**

AUTHORITY-WIDE FINANCIAL STATEMENT

Statement of Net Position

The Statement of Net Position 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 Position compared to the prior two years.

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

	December 31		
	2013	2012	2011
<u>Assets</u>			
Current and Other Assets	\$ 125.7	\$ 134.3	\$ 90.4
Capital Assets	208.0	221.9	230.8
Total Assets	333.7	356.2	321.2
<u>Liabilities</u>			
Accounts Payable and Other Current Liabilities	33.6	34.7	39.7
Long-term Liabilities	72.4	75.0	82.8
Total Liabilities	106.0	109.7	122.5
<u>Net Position</u>			
Net Investment in Capital Assets	134.2	144.5	152.5
Restricted	8.0	10.9	15.6
Unrestricted	85.5	91.1	30.6
Total Net Position	\$ 227.7	\$ 246.5	\$ 198.7

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

Major Factors Affecting the Statement of Net Position

December 31, 2013 compared to December 31, 2012

Current and other assets decreased by \$8.6 million and current liabilities decreased by \$1.1 million. The Authority's current ratio decreased in 2013 to 1.7 from 2.1 in 2012. There are sufficient current assets (primarily cash, investments, and receivables from HUD) to extinguish current liabilities. Capital assets decreased to \$208.0 million in 2013 from \$221.9 in 2012. The \$13.9 million decrease is attributed to capital asset additions of \$8.4 million offset by depreciation expense of \$22.3 million. For additional detail see "Capital Asset and Debt Administration".

Long term liabilities decreased \$2.6 million in 2013. The decrease is primarily the result of the normal pay down on long-term debt and capital lease obligations.

**CUYAHOGA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Unaudited)**

December 31, 2012 compared to December 31, 2011

Current and other assets decreased by \$17.0 million and current liabilities decreased by \$5 million. The Authority's current ratio decreased from 2.2 to 1 in 2011 and from 2.1 to 1 in 2012. As such, there are sufficient current assets (primarily cash, investments and receivables from HUD) to extinguish current liabilities. Other assets increased by \$61.8 million as the Authority recognized notes receivable (see Note 7 to the financial statements).

Capital assets decreased to \$221.9 million in 2012 from \$230.8 in 2011. The \$8.9 million decrease is attributed primarily to capital asset additions of \$11.8 million offset by depreciation expense of \$20.5 million. For additional detail see "Capital Asset and Debt Administration".

Long term liabilities decreased \$7.8 million in 2012. 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 position provides a clearer picture of the change in financial well-being.

The following presents details on the change in unrestricted net position during the years ended December 31, 2013 and 2012:

Table 2 - Changes in Unrestricted Net Position

(in millions)

	2013	2012
Unrestricted Net Position—Beginning of Year	\$ 91.1	\$ 30.6
Total Change in Net Position	(18.8)	(2.0)
Adjustments:		
Depreciation (1)	22.3	20.5
Adjustment for Retirement of Capital Assets	0.0	0.3
Adjusted Change in Net Position	3.5	18.8
Changes in Unexpended Borrowing on Debt - Net	1.0	3.7
Additions to Long-term Debt, Net of Payments on Long-term Debt	(4.6)	(4.5)
Capital Expenditures	(8.4)	(11.9)
(Increase) Decrease in Restricted Net Position	2.9	4.6
Prior Period Adjustment	0.0	49.8
Unrestricted Net Position—End of Year	\$ 85.5	\$ 91.1

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

**CUYAHOGA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Unaudited)**

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position 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 position is as follows for the years ended December 31, 2013, 2012, and 2011:

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

	2013	2012	2011
<u>Operating Revenues</u>			
Dwelling Rent from Tenants	\$ 16.6	\$ 15.6	\$ 15.1
HUD Operating Subsidies and Grants	176.5	184.9	215.8
Grants - Other	0.8	0.6	2.3
Other Revenues	3.3	4.5	5.6
Total Operating Revenues	197.2	205.6	238.8
<u>Operating Expenses</u>			
Housing Assistance Payments	93.0	93.2	92.7
Depreciation	22.3	20.5	17.5
Administrative	34.1	34.6	34.7
Building Maintenance	28.4	28.3	25.5
Utilities	17.4	17.5	18.6
Nonroutine Maintenance	10.1	8.4	31.2
Tenant Services	4.2	4.3	3.7
General	5.1	5.7	5.9
Protective Services	8.4	8.6	8.9
Other	0.3	0.4	0.3
Total Operating Expenses	223.3	221.5	239.0
Operating Loss	(26.1)	(15.9)	(0.2)
<u>Non-Operating Revenues (Expenses)</u>			
Capital Grants from HUD	11.0	18.2	23.7
Interest Income	0.1	0.1	0.1
Interest Expense	(4.0)	(4.4)	(4.6)
(Loss) on Disposition	0.2	0.0	(0.2)
Total Non-Operating Revenues—Net	7.3	13.9	19.0
Change in Net Position	(18.8)	(2.0)	18.8
Net Position—Beginning of Year	246.5	198.7	179.9
Prior Period Adjustment	0.0	49.8	0.0
Net Position—End of Year	\$ 227.7	\$ 246.5	\$ 198.7

**CUYAHOGA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Unaudited)**

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

December 31, 2013 compared to December 31, 2012

Operating revenues decreased \$8.5 million or 4.1 percent in 2013. The primary decrease was the reduced Operating Fund subsidy of \$8.4 million. Operating Fund subsidy was funded at 82 percent in 2013 compared to 94.9 percent in 2012. Other revenues decreased by \$1.2 million. Grants - Other increased by \$0.2 million.

Operating expenses increased \$1.8 million or 0.8 percent with decreases in Administrative (\$.5 million), General (\$.6 million), Protective Services (\$.2 million), Other (\$.1 million), Tenant Services (\$.1 million), Housing Assistance Payments (\$.2 million) and Utility expense (\$.1 million). These decreases were offset by increased depreciation (\$1.8 million), Building Maintenance (\$.1 million) costs, and Non-routine Maintenance (\$1.7 million).

HUD capital grants decreased \$7.2 million or 39 percent. The decrease in subsidy can be attributed to completion of Capital Fund 2009 American Reinvestment and Recovery Act projects and less subsidy received. Interest income remained flat as a result of continued lower interest rates being offered by the banking industry. Interest expense decreased \$.4 million.

December 31, 2012 compared to December 31, 2011

Operating revenues decreased \$33.2 million or 13.9 percent in 2012. The primary decrease was the result of the Capital Fund 2009 American Reinvestment and Recovery Act funds of \$31.0 million and reduced Operating Fund subsidy of \$4.1 million. Operating fund subsidy was funded at 94.9 percent in 2012 compared to 100 percent in 2011. Other revenues decreased by \$1.1 million primarily due to activity related to the Garden Valley Project, now known as Heritage View Homes. Grants - Other decreased by 1.7 million as a result of the NSP II Project that began in 2011.

Operating expenses decreased \$17.5 million or 7.3 percent with decreases in administrative (\$1.1 million), non-routine maintenance (\$22.8 million), and utility expense (\$1.1 million). These decreases were offset by increased depreciation (\$3.0 million), Tenant Services (\$.6 million), Building Maintenance (\$2.8 million) costs, and Housing Assistance payments (\$.5 million).

HUD capital grants decreased \$5.5 million or 23.2 percent. The decrease in subsidy can be attributed to completion of Capital Fund 2009 American Reinvestment and Recovery Act projects and less subsidy received. Interest income remained flat as a result of continued lower interest rates being offered by the banking industry. Interest expense decreased \$.2 million with the pay down of outstanding debt.

Capital Assets and Debt Administration

Capital Assets

At December 31, 2013, the Authority had \$208.0 million invested in a variety of capital assets (as reflected in the following schedule), which represents a net decrease of \$13.9 million from December 31, 2012.

**CUYAHOGA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Unaudited)**

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

	(in millions)		
	December 31		
	2013	2012	2011
Land	\$ 28.9	\$ 28.9	\$ 28.4
Buildings	700.6	695.0	679.2
Equipment—Administrative	8.6	9.6	7.1
Equipment—Operating	16.9	14.7	16.3
Construction in Progress	8.9	8.7	15.0
Total	<u>763.9</u>	<u>756.9</u>	<u>746.0</u>
Accumulated Depreciation	(555.9)	(535.0)	(515.2)
Capital Assets—Net	<u>\$ 208.0</u>	<u>\$ 221.9</u>	<u>\$ 230.8</u>

The following reconciliation summarizes the 2013 and 2012 change in capital assets, which is presented in detail in Note 6 to the financial statements.

Table 5 - Changes in Capital Assets

	(in millions)	
	2013	2012
Beginning Balance	\$ 221.9	\$ 230.8
Additions	8.4	11.9
Retirements—Net	0.0	(0.3)
Depreciation Expense	(22.3)	(20.5)
Capital Assets—End of Year	<u>\$ 208.0</u>	<u>\$ 221.9</u>

December 2013 compared to December 2012

Capital additions in 2013 were primarily for estate improvements through the Modernization Program and the construction of new units.

Some of the major projects were:

- Roof replacement at Wilson Family buildings (7).
- Roof replacement at Oakwood Villas (5).
- Roof replacement at Lorain Square High Rise and Bellaire A Building High Rise.
- Generator replacement at Beachcrest.
- Asbestos abatement and interior demolition of third floor at King Kennedy Stokes Mall.
- Replacement of electrical panel at 115 Scattered Sites Homes and 45 Wade Family units.
- Installation of stove outlets at Outhwaite, Carver Park, and Lakeview.
- Installation of security camera system at Woodhill Homes Estates and Bellaire Townhomes.
- Completed construction of four new townhomes and duplex at East 115th and Woodland Avenue.
- Completed three new UFAS units (ADA accessible) at various CMHA sites.
- Renovated 90 vacant and deteriorated units at various estates under the BOA Program.
- Completed the construction of a 43-unit, three-story apartment building at Miles and East 119th (Miles Pointe).

**CUYAHOGA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Unaudited)**

Projects initiated in 2012 still under Construction

- Demolished 37 buildings at Cedar Extension Family Estate and ground preparation for new construction.
- Construction of eight new townhome buildings at Fairfax. Two buildings were completed in 2012 and the remaining six buildings will be ready for occupancy in the spring of 2014.
- Initiated the design for a new 4-story, 60-unit apartment building at Cedar Extension under the RAD Program. (Construction to begin in the summer of 2014).
- Initiated the design for a new 4-story, 60-unit apartment building at Heritage View under the RAD Program. (Construction to begin in the summer of 2014).
- Initiated the design for a major modernization of a 22-story Bohn Tower property under the RAD Program (Construction to begin in the summer of 2014).

December 2012 compared to December 2011

Capital additions in 2012 were primarily for estate improvements through the Modernization Program and the construction of new units. These expenditures totaled \$34.5 million.

Some of the major projects were:

- Installation of a new security camera system at King Kennedy, Outhwaite, and Lakeview Estates.
- Installed generators at Bellaire B and Addison Hi-Rise.
- Installed new boilers at Miles Hi-Rise and Springbook Hi-Rise.
- New rooftop HVAC unit at King Kennedy Day Care facility.
- Installed new roofs on five apartment buildings on Bellaire Road.
- Under the BOA Program, over 55 long standing vacant units were renovated.
- Constructed a new service/maintenance garage at Heritage View Homes.

In addition, other major projects initiated in 2012 included the construction of four new townhomes and one duplex at East 115th Street and Woodland Avenue, and construction was started on three new UFAS single homes at Walton and Erin.

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 2012, 41 units at various family and elderly sites were completed. This included site and common area renovations as well.

**CUYAHOGA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
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Debt Outstanding

As of December 31, 2013, the Authority had \$78.7 million in long-term debt and capital lease obligations compared to \$83.4 million at December 31, 2012, for a \$4.7 million decrease. The following summarizes these obligations:

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

	December 31		
	2013	2012	2011
Energy Program—Capital Lease	\$ 20.0	\$ 22.7	\$ 25.4
Ohio Bond Financing	12.2	12.9	13.4
Bond Anticipation Note, Series 2009	0.0	0.0	3.0
Bond Anticipation Note, Series 2012	0.0	3.0	3.0
Bond Anticipation Note, Series 2013	3.1	0.0	0.0
General Revenue Bonds	3.2	3.1	3.1
Build America Bonds	12.9	12.9	12.9
Modernization Express Loan A	11.6	12.1	12.4
Modernization Express Loan B	6.9	7.2	7.4
Severance Financing	3.1	3.3	3.5
Quarrytown Mortgage Note	3.0	3.1	3.2
Ambleside Refinancing	2.7	3.1	3.6
Total	<u>\$ 78.7</u>	<u>\$ 83.4</u>	<u>\$ 90.9</u>

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 82 percent. Future years' funding levels are expected to be approximately 89 percent. The Capital Fund Program is projected to receive \$245,000 less during 2014 compared to 2013. The Administrative fee funding for the Housing Choice Voucher Program was funded at 69 percent and levels are expected to increase in 2014 to 75 percent.
- Local labor supply and demand, which can affect salary and wage rates of the Authority.
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income.
- Inflationary pressure on utility rates, supplies and other costs, which affects the costs of the programs.
- Employee health insurance costs continue to rise.

Contact the Authority

Questions concerning this report or requests for additional information should be directed to Amy M. Waxman, Director of Finance, 8120 Kinsman Road, Cleveland, Ohio 44104.

CUYAHOGA METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>		<u>2013</u>	<u>2012</u>
<u>ASSETS</u>			<u>LIABILITIES</u>		
<u>Current Assets</u>			<u>Current Liabilities</u>		
Cash and Cash Equivalents	\$ 29,647,151	\$ 41,611,506	Accounts Payable - Vendors	\$ 10,903,172	\$ 9,331,361
Cash - Restricted	17,808,436	22,104,101	Accounts Payable - HUD	182,608	725,602
Accounts Receivable Tenants - Net of Allowance for doubtful accounts of \$273,497 and \$455,899	291,331	291,207	Accrued Expenses	12,317,297	12,063,707
Accounts Receivable - HUD	6,788,422	4,691,765	Security and Other Deposits	1,855,279	1,712,748
Accounts Receivable - Other Governments	198,884	428,739	Current Portion of Long-Term Debt	5,480,680	8,060,224
Accounts Receivable - Other Governments	1,186,213	529,695	Current Portion of Capital Leases	2,860,076	2,743,313
Inventory	223,441	189,343	Total Current Liabilities	33,599,112	34,636,955
Prepaid Expenses and Other Current Assets	1,307,392	1,438,895	<u>Non-Current Liabilities</u>		
Total Current Assets	57,451,270	71,285,251	Long-Term Debt - Net of Current Portion	53,253,099	52,568,224
<u>Non-Current Assets</u>			Capital Leases - Net of Current Portion	17,137,257	19,997,332
Capital Assets:			Workers' Compensation Liability	1,994,000	2,464,000
Assets Not Depreciated	37,815,095	37,652,003	Total Non-Current Liabilities	72,384,356	75,029,556
Property and Equipment - Net	170,236,811	184,334,859	TOTAL LIABILITIES	105,983,468	109,666,511
Total Capital Assets	208,051,906	221,986,862	<u>NET POSITION</u>		
Notes and Mortgage Receivable	66,889,459	61,818,617	Net Investment in Capital Assets	134,188,631	144,490,263
Investment in Joint Ventures	1,337,665	1,125,423	Restricted	8,042,322	10,951,859
Total Non-Current Assets	276,279,030	284,930,902	Unrestricted	85,515,879	91,107,520
TOTAL ASSETS	\$ 333,730,300	\$ 356,216,153	TOTAL NET POSITION	\$ 227,746,832	\$ 246,549,642

See notes to the financial statements.

CUYAHOGA METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<u>Operating Revenues</u>		
Tenant Revenue	\$ 16,588,664	\$ 15,613,164
HUD Operating Subsidies and Grants	176,523,702	184,898,307
Other Operating Grants	829,839	641,483
Other Revenues	3,270,036	4,475,786
Total Operating Revenues	<u>197,212,241</u>	<u>205,628,740</u>
<u>Operating Expenses</u>		
Housing Assistance Payments	93,049,410	93,192,289
Depreciation	22,265,973	20,538,415
Administrative	34,108,456	34,562,544
Building Maintenance	28,424,287	28,290,775
Utilities	17,366,302	17,479,765
Nonroutine Maintenance	10,103,178	8,429,891
Tenant Services	4,191,843	4,288,476
General	5,100,668	5,699,199
Protective Services	8,381,719	8,581,623
Other	345,471	427,858
Total Operating Expenses	<u>223,337,307</u>	<u>221,490,835</u>
Operating Loss	<u>(26,125,066)</u>	<u>(15,862,095)</u>
<u>Nonoperating Revenues (Expenses)</u>		
HUD Capital Grants	11,034,160	18,170,294
Interest Income	96,010	102,562
Interest Expense	(4,016,863)	(4,386,004)
(Loss) on Disposition of Capital Assets	208,949	(33,833)
Total Nonoperating Revenues - Net	<u>7,322,256</u>	<u>13,853,019</u>
Change in Net Position	(18,802,810)	(2,009,076)
Net Position - Beginning of Year	246,549,642	198,770,923
Prior Period Adjustment	0	49,787,795
Net Position - End of Year	<u>\$ 227,746,832</u>	<u>\$ 246,549,642</u>

See notes to the financial statements.

CUYAHOGA METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<u>Cash Flows From Operating Activities</u>		
HUD Operating Subsidies and Grants	\$ 175,999,315	\$ 184,519,246
Other Operating Grants	829,839	641,483
Cash Received from Tenant Rents	16,588,540	15,665,958
Cash Payments to Suppliers for Goods and Services	(55,586,654)	(57,714,824)
Cash Paid for Salaries and Benefits	(50,982,071)	(51,785,633)
Housing Assistance Payments	(93,049,410)	(93,192,289)
Other Receipts	2,773,662	6,259,020
Net Cash Provided by Operating Activities	(3,426,779)	4,392,961
<u>Cash Flows From Capital and Related Financing Activities</u>		
Proceeds from Note Payable	3,189,420	0
HUD Capital Grants	8,918,896	25,966,718
Property and Equipment Additions	(8,331,017)	(11,768,345)
Repayment of Debt and Capital Lease Obligations	(7,827,401)	(4,511,370)
Interest Paid on Debt and Capital Lease Obligations	(4,016,863)	(4,386,004)
Proceeds from Sale of Capital Assets	208,949	0
Net Cash Used in Capital and Related Financing Activities	(7,858,016)	5,300,999
<u>Cash Flows From Investing Activities</u>		
Notes Receivable	(5,070,842)	(11,077,397)
Interest Income	95,617	106,271
Net Cash Provided by Investing Activities	(4,975,225)	(10,971,126)
Increase (Decrease) in Cash and Cash Equivalents	(16,260,020)	(1,277,166)
Cash and Cash Equivalents - Beginning of Year	63,715,607	64,992,773
Cash and Cash Equivalents - End of Year*	\$ 47,455,587	\$ 63,715,607
* The amount includes \$ 29,647,151 and \$ 41,611,506 unrestricted cash and cash equivalents, and \$ 17,808,436 and \$ 22,104,101 of restricted cash in 2013 and 2012, respectively.		
<u>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities</u>		
Operating Loss	\$ (26,125,066)	\$ (15,862,095)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:		
Depreciation	22,265,973	20,538,415
(Increase) Decrease in Assets:		
Accounts Receivable Tenants	(124)	52,794
Accounts Receivable - HUD Operating	18,607	21,293
Accounts Receivable—Other	(426,663)	1,742,092
Inventory	(34,098)	37,011
Prepaid Expenses and Other Assets	(80,346)	134,420
Increase (Decrease) in Liabilities:		
Accounts Payable	1,571,811	(2,290,888)
Intergovernmental	(542,994)	(117,879)
Accrued Expenses and Other	253,590	37,892
Security and Other Deposits	142,531	29,906
Workers' Compensation	(470,000)	70,000
Net Cash Provided by Operating Activities	\$ (3,426,779)	\$ 4,392,961

See notes to the financial statements.

CUYAHOGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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”), and the Replacement Housing Fund and Urban Revitalization Development Grant (“URD”, “HOPE VI”).

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.

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.

CUYAHOGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(CONTINUED)

1. DEFINITION OF THE ENTITY (Continued)

Western Reserve Revitalization and Management Company—The Authority has established Western Reserve Revitalization and Management Company (“Western Reserve”), a 501(c)(3) corporation, as a wholly-owned subsidiary. Western Reserve was established for public, charitable, and educational purposes to revitalize neighborhoods in Cuyahoga County and, in particular, the City of Cleveland and the City of East Cleveland, through planning and rebuilding; to assist the Authority in the planning, undertaking, developing, construction, and operation of housing for families who are low income; to develop, construct, renovate, acquire, own, lease, manage, and sell interest in real and personal property; and to promote and participate in other housing related or educational activities that assist residents of the Authority.

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 Director of Finance, and the budget is approved by the Board of Commissioners.

Other Grants – During 2013 and 2012, the Authority received federal, state, and local funding under the Resident Opportunities and Supportive Services Program, the Foster Care Grant, the City of Cleveland HOME funds, the George Gund Foundation, The Cleveland Foundation, the Youth Health Program, the Supportive Housing Program, the 21st Century Grant, the Disaster Voucher Program, the YouthBuild Program, 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 the 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 2013 and 2012.

CUYAHOGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(CONTINUED)

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 839 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, Connecticut 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.

GASB Statement No. 34 (as amended by GASB Statement No. 63) requires the following, which collectively make up the Authority’s basic financial statements:

Basic Financial Statements:

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

CUYAHOGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pursuant to GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the Authority follows GASB guidance as applicable to enterprise funds.

The Authority's basic financial statements consist of a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, 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 is accrued up to 120 hours per year and carried over from year to year to a maximum of 960 hours (120 days). Upon retirement, employees can convert accumulated but unused sick time into a cash payment at the rate of one day for every two days accumulated.

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

CUYAHOGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- H. Debt Issuance Costs and Original Issue Discounts—Prior to 2012, bond premiums, original issuance discounts, and bond issuance costs were amortized over the life of the underlying debt using the straight-line method. Based on the implementation of GASB Statement No. 65 in 2012, bond issuance costs are now be expensed.
- 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.

3. IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

For 2013, the Authority has implemented Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus – an Amendment of GASB Statements No. 14 and No. 34*.

The objective of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-an Amendment of GASB Statements No. 14 and No. 34*, is to improve financial reporting for a governmental financial reporting entity. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2012 and have been implemented by the Authority.

4. 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.

CUYAHOGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(CONTINUED)

4. DEPOSITS AND INVESTMENTS (Continued)

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 5 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 the 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 \$39,659,345 (included in the carrying amount is \$10,200 in petty cash), and the bank balance was \$40,501,086, the difference representing outstanding checks and other in-transit items. Of the bank balance, \$2,636,982 was covered by Federal Depository Insurance, \$37,439,623 was collateralized by securities pledged in the name of the Authority or by pooled collateral as permitted by the Ohio Revised Code, and \$424,481 was uninsured and uncollateralized.

Investments—The Authority has a formal investment policy. Investments held by the Authority at December 31, 2013 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 no later than one year, unless matched to a specific cash flow. The maturity can extend to 3 years if the investment is for operating reserves. This maximum maturity policy applied to all Housing Authority funds.

Interest Rate Risk – The Authority staggers maturity dates of investments to avoid losses from rising interest rates.

CUYAHOGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(CONTINUED)

4. DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk – The Authority does not limit the amount of funds that may be on deposit with any one financial institution; however, 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.

<u>Description</u>	<u>Total Fair Value/ Carrying Value</u>	<u>Credit Quality Rating</u>
Money Market Funds	\$ 4,651,347	P-1 *
Money Market Funds	3,144,895	AAAm **
Total Primary Government Investments	<u>\$ 7,796,242</u>	

* Rating Offered by Moody's

** Rating offered by Standard & Poor's

A reconciliation of cash and investments as shown on the Statement of Net Position at December 31, 2013 and 2012 to the deposits and investments included in this note is as follows:

	<u>2013</u>	<u>2012</u>
Cash and Cash Equivalents	\$ 29,647,151	\$ 41,611,506
Cash - Restricted	17,808,436	22,104,101
Total	<u>\$ 47,455,587</u>	<u>\$ 63,715,607</u>
Carrying Amount of Deposits	\$ 39,659,345	\$ 52,947,429
Carrying Amount of Investments	7,796,242	10,768,178
Total	<u>\$ 47,455,587</u>	<u>\$ 63,715,607</u>

CUYAHOGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(CONTINUED)

5. RESTRICTED CASH AND INVESTMENTS

At December 31, 2013 and 2012, 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:

	<u>2013</u>	<u>2012</u>
Conventional Program:		
Tenant Security Deposits	\$ 1,374,415	\$ 1,289,296
Industrial Commission of Ohio Escrow Fund	3,043,000	3,567,000
Housing Choice Voucher Restricted HAP:		
Restricted HAP	4,137,417	7,849,202
FSS Escrow Deposits	337,482	281,612
Ohio Bond Financing:		
Net Proceeds	1,862,518	1,862,487
Debt Service Reserve	1,106,609	1,107,811
Capital Fund Revenue Loan A:		
Net Proceeds	10,746	10,742
Debt Service Reserve	1,175,410	1,174,969
Capital Fund Revenue Loan B:		
Net Proceeds	12,137	1,016,333
Debt Service Reserve	700,415	700,152
Ambleside:		
Tenant Security Deposits	37,457	35,864
Nonroutine Maintenance Reserves	1,361,591	751,234
Debt Amortization Funds	1,171,748	1,093,375
Severance:		
Tenant Security Deposits	40,323	38,758
Nonroutine Maintenance Reserves	105,160	104,969
Quarrytown:		
Tenant Security Deposits	43,691	44,081
Nonroutine Maintenance Reserves	599,259	598,185
Woody Woods:		
Tenant Security Deposits	21,911	23,137
Riverside Park:		
Replacement Reserve	539,927	513,493
Heritage View Homes I:		
Replacement Reserve	64,914	24,301
Heritage View Homes II:		
Replacement Reserve	34,202	17,100
Heritage View Homes III:		
Replacement Reserve	28,104	0
Total	<u>\$ 17,808,436</u>	<u>\$ 22,104,101</u>

CUYAHOGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(CONTINUED)

6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013 was as follows:

	January 1, 2013	Additions	Transfers	Deletions	December 31, 2013
Capital Assets Not Being Depreciated:					
Land	\$ 28,889,183	\$ 0	\$ 0	\$ 0	\$ 28,889,183
Construction in Progress (Net Change)	8,762,820	7,798,290	0	(7,635,198)	8,925,912
Total Capital Assets Not Being Depreciated	37,652,003	7,798,290	0	(7,635,198)	37,815,095
Capital Assets Being Depreciated:					
Buildings and Improvements	694,816,433	6,390,759	0	(592,558)	700,614,634
Furniture, Equipment, and Machinery - Dwelling	14,669,306	1,419,069	909,795	(73,370)	16,924,800
Furniture, Equipment, and Machinery - Admin	9,657,807	358,097	(909,795)	(479,293)	8,626,816
Leasehold Improvements	277,202	0	0	(277,202)	0
Subtotal Capital Assets Being Depreciated	719,420,748	8,167,925	0	(1,422,423)	726,166,250
Accumulated Depreciation:					
Buildings and Improvements	(516,180,517)	(20,117,934)	0	628,454	(535,669,997)
Furniture and Equipment	(18,628,170)	(2,148,039)	0	516,767	(20,259,442)
Leasehold Improvements	(277,202)	0	0	277,202	0
Subtotal Accumulated Depreciation	(535,085,889)	(22,265,973)	0	1,422,423	(555,929,439)
Depreciable Assets, Net	184,334,859	(14,098,048)	0	0	170,236,811
Total Capital Assets—Net	\$ 221,986,862	\$ (6,299,758)	\$ 0	\$ (7,635,198)	\$ 208,051,906

Capital asset activity for the year ended December 31, 2012 was as follows:

	January 1, 2012	Additions	Transfers	Deletions	December 31, 2012
Capital Assets Not Being Depreciated:					
Land	\$ 28,377,142	\$ 512,041	\$ 0	\$ 0	\$ 28,889,183
Construction in Progress (Net Change)	15,060,335	16,335,941	0	(22,633,456)	8,762,820
Total Capital Assets Not Being Depreciated	43,437,477	16,847,982	0	(22,633,456)	37,652,003
Capital Assets Being Depreciated:					
Buildings and Improvements	678,864,762	16,028,171	0	(76,500)	694,816,433
Furniture, Equipment, and Machinery - Dwelling	16,348,022	1,024,119	(2,083,834)	(619,001)	14,669,306
Furniture, Equipment, and Machinery - Admin	7,123,594	501,529	2,083,834	(51,150)	9,657,807
Leasehold Improvements	277,202	0	0	0	277,202
Subtotal Capital Assets Being Depreciated	702,613,580	17,553,819	0	(746,651)	719,420,748
Accumulated Depreciation:					
Buildings and Improvements	(497,986,776)	(18,234,110)	0	40,369	(516,180,517)
Furniture and Equipment	(16,996,314)	(2,304,305)	0	672,449	(18,628,170)
Leasehold Improvements	(277,202)	0	0	0	(277,202)
Subtotal Accumulated Depreciation	(515,260,292)	(20,538,415)	0	712,818	(535,085,889)
Depreciable Assets, Net	187,353,288	(2,984,596)	0	(33,833)	184,334,859
Total Capital Assets—Net	\$ 230,790,765	\$ 13,863,386	\$ 0	\$ (22,667,289)	\$ 221,986,862

CUYAHOGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(CONTINUED)

7. NOTES AND MORTGAGES RECEIVABLE

Notes and mortgages receivable are comprised of the following types of loans:

Mixed Finance Construction Loans – the Authority advances loans to third-party developers in conjunction with multi-lender Mixed Finance arrangements for new construction. A lump sum payment of principal and interest, if applicable, is due at maturity, which is 40 to 50 years. These loans are secured by the notes and mortgages on the respective properties. There are other loans where principal and interest are paid based on the cash flow of the respective properties.

Allowances – At December 31, 2013 and 2012, Notes and Mortgages Receivable total \$67.6 million and \$62.3 million, respectively. The balance includes amounts for construction loans. No allowance for uncollectible amounts is deemed necessary against these receivables at December 31, 2013 and 2012. All notes and mortgages are collateralized by the respective properties. These loans are due at maturity ranging from 40 to 50 years and no facts are currently known that would lead the Authority to believe that default on these loans is probable. The debt may be satisfied through repayment in full or by transfer of property to the Authority.

Interest Income – Interest is due at the maturity date of these loans. Due to the length of time preceding the required payment of interest, interest earned on the notes and mortgage receivables has been deferred and not recognized in the Statements of Revenues, Expenses, and Changes in Net Position. Interest receivable accrued to date under terms of the notes but not given accounting recognition in these financial statements is summarized.

Notes and mortgages receivable at December 31, 2013 consisted of the following:

	<u>Principal</u>	<u>Deferred Interest</u>	<u>Balance</u>
Notes Receivable	\$ 9,770,170	\$ 24,980	\$ 9,795,150
Mortgage Receivable	57,119,289	689,111	57,808,400
Total	<u>\$ 66,889,459</u>	<u>\$ 714,091</u>	<u>\$ 67,603,550</u>

8. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses at December 31, 2013 and 2012 consist of the following items:

	<u>2013</u>	<u>2012</u>
Payroll and Related Accruals	\$ 6,846,650	\$ 6,853,432
Unearned Revenue	939,277	1,279,840
Workers' Compensation—Current Portion	1,049,000	1,103,000
Other Litigation Reserves	737,000	483,750
Interest Payable	1,060,890	1,104,410
Other	1,684,480	1,239,272
Total	<u>\$ 12,317,297</u>	<u>\$ 12,063,704</u>

CUYAHOGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(CONTINUED)

9. 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, 2013:

	Principal	Interest	Total
2014	\$ 535,000	\$ 184,975	\$ 719,975
2015	580,000	146,825	726,825
2016	620,000	105,225	725,225
2017	660,000	61,425	721,425
2018	380,000	13,300	393,300
Total Payments	<u>2,775,000</u>	<u>511,750</u>	<u>3,286,750</u>
Less—Unamortized Bond Discount	(106,810)	0	(106,810)
Total	<u><u>\$ 2,668,190</u></u>	<u><u>\$ 511,750</u></u>	<u><u>\$ 3,179,940</u></u>

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
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	3,241,040	412,376	3,653,416
2018	3,378,989	274,427	3,653,416
2019-2020	4,426,695	140,075	4,566,770
Total	<u><u>\$ 19,997,333</u></u>	<u><u>\$ 2,836,517</u></u>	<u><u>\$ 22,833,850</u></u>

CUYAHOGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(CONTINUED)

9. DEBT AND LEASE OBLIGATIONS (Continued)

Bond Anticipation Note, Series 2008, Series 2009 & 2013 – 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 matured September 1, 2012 and had an interest rate of 4.5 percent. The note was sold at a premium of \$117,570. Interest on the note was payable March 1 and September 1, commencing on March 1, 2010.

On August 30, 2012, the Notes Series 2009 was fully redeemed and the Note Series 2012 was issued for \$3,060,000. This note matured March 1, 2013 and had an interest rate of 1.75 percent.

On February 27, 2013, the Note Series 2012 was fully redeemed and Note Series 2013 was issued for \$3,120,000 with a bond premium of \$69,420, which will be amortized over the term of the note. This note matures March 1, 2016, with principal due upon maturity. Interest rate is 2 percent and is payable each September 1 and March 1. At December 31, 2013, the debt and unamortized bond premium was \$3,170,137.

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

	Principal	Interest	Total
2014	\$ 0	\$ 62,400	\$ 62,400
2015	0	62,400	62,400
2016	3,120,000	31,200	3,151,200
Total	3,120,000	156,000	3,276,000
Unamortized Bond Premium	50,137	0	50,137
Total	\$ 3,170,137	\$ 156,000	\$ 3,326,137

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 Bank's 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 Bank's 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 Bank's 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, 2013, \$3,105,524 in debt remained outstanding. Future interest rates are variable with obligations determined on an annual basis; therefore, no future payment projection is offered within this summary.

CUYAHOGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(CONTINUED)

9. DEBT AND LEASE OBLIGATIONS (Continued)

Payments under the agreement are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 185,000	\$ 122,615	\$ 307,615
Amount Remaining	2,920,524	0	2,920,524
	<u>\$ 3,105,524</u>	<u>\$ 122,615</u>	<u>\$ 3,228,139</u>

Ohio Bond Financing - On July 17, 2007, the Authority issued a Capital Fund backed bond with three other housing 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, 2013, total debt and unamortized bond premium was \$12,272,708.

Payments under the agreement are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	700,000	487,250	1,187,250
2018	740,000	451,250	1,191,250
2019-2023	4,315,000	1,646,625	5,961,625
2024-2027	4,340,000	447,750	4,787,750
Total	<u>11,995,000</u>	<u>4,692,875</u>	<u>16,687,875</u>
Unamortized Bond Premium	277,708	0	277,708
Total	<u>\$ 12,272,708</u>	<u>\$ 4,692,875</u>	<u>\$ 16,965,583</u>

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

CUYAHOGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(CONTINUED)

9. DEBT AND LEASE OBLIGATIONS (Continued)

The Build America Bonds, Series 2009B is a new type of bond created under The American 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.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	530,000	1,090,858	1,620,858
2018	550,000	1,071,293	1,621,293
2019-2023	570,000	4,993,888	5,563,888
2024-2028	0	4,126,930	4,126,930
2029-2033	4,835,000	2,989,120	7,824,120
2034-2039	<u>8,020,000</u>	<u>1,570,714</u>	<u>9,590,714</u>
Total Payments	16,000,000	19,213,375	35,213,375
Less Amortized Bond Discount	<u>(41,288)</u>	<u>0</u>	<u>(41,288)</u>
Total	<u>\$ 15,958,712</u>	<u>\$ 19,213,375</u>	<u>\$ 35,172,087</u>

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.

On February 1, 2013, a First Loan Modification Agreement was entered into, extending the maturity date to May 1, 2013. On May 1, 2013, a Second Loan Modification Agreement was entered into, amending the maturity date of the note to September 3, 2013. On September 2, 2013, a Third Loan Modification was entered into, extending the maturity date to November 5, 2013. On November 5, 2013, a Fourth Loan Modification was entered into, extending the maturity date to October 3, 2014, at which time all unpaid principal and accrued interest shall be due and payable.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	<u>\$ 2,989,607</u>	<u>\$ 39,315</u>	<u>\$ 3,028,922</u>

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 \$18,568,900

Loan A in the amount of \$13,082,970, provided \$11,700,426 net proceeds after debt service reserves and up-front costs. These proceeds were 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.

CUYAHOGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(CONTINUED)

9. DEBT AND LEASE OBLIGATIONS (Continued)

Capital Fund Financing 2009 (Continued)

Loan B in the amount of \$7,795,990 provided \$7,000,256 net proceeds after debt service reserves and up-front costs. These proceeds were 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
2014	\$ 693,830	\$ 1,177,309	\$ 1,871,139
2015	738,960	1,132,182	1,871,142
2016	787,010	1,084,119	1,871,129
2017	838,210	1,032,930	1,871,140
2018	892,720	978,414	1,871,134
2019-2023	5,413,870	3,941,810	9,355,680
2024-2028	7,418,870	1,936,796	9,355,666
2029	1,785,430	85,701	1,871,131
Total	\$ 18,568,900	\$ 11,369,261	\$ 29,938,161

A summary of the Authority's long-term debt and capital lease in 2013 follows:

	January 1, 2013	Increase	Decrease	December 31, 2013	Due Within One Year
Ambleside Bonds	\$ 3,270,000	\$ 0	\$ (495,000)	\$ 2,775,000	\$ 535,000
Unamortized Bond Discount - Ambleside	(126,815)	0	20,005	(106,810)	(21,430)
Bond Anticipation Note - 2012	3,060,000	0	(3,060,000)	0	0
Bond Anticipation Note - 2013	0	3,120,000	0	3,120,000	0
Unamortized Bond Premium - 2013	0	69,420	(19,283)	50,137	0
General Revenue Bond	3,145,000	0	0	3,145,000	485,000
Unamortized Bond Discount - Bond	(49,789)	0	8,501	(41,288)	(7,286)
Build America Bonds	12,855,000	0	0	12,855,000	0
Ohio Bond Financing	12,570,000	0	(575,000)	11,995,000	600,000
Unamortized Bond Premium - Ohio Bond	298,667	0	(20,959)	277,708	20,959
Mortgage Note - Severance	3,289,215	0	(183,691)	3,105,524	185,000
First Mortgage Note - Quarrytown	3,096,810	0	(107,203)	2,989,607	2,989,607
Capital Lease	22,740,645	0	(2,743,312)	19,997,333	2,860,076
Modernization Express Loan A	12,043,680	0	(408,210)	11,635,470	434,760
Modernization Express Loan B	7,176,680	0	(243,250)	6,933,430	259,070
Total	\$ 83,369,093	\$ 3,189,420	\$ (7,827,402)	\$ 78,731,111	\$ 8,340,756

**CUYAHOGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(CONTINUED)**

9. DEBT AND LEASE OBLIGATIONS (Continued)

Other Lease Obligations—The Authority leases office equipment under various operating leases. Total expense recognized under these operating leases was \$726,490 in 2013 and \$579,783 in 2012.

Future minimum lease payments are as follows:

	<u>Office Equipment</u>
2014	\$ 254,333
2015	254,333
2016	190,751

10. 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.

In October 2012, the Authority issued Housing Revenue Bonds, Series 2012, in the amount of \$7,000,000. The bonds were issued to make a loan to Fairfax Intergenerational Housing, LP, an Ohio limited partnership. The bonds are payable and secured by Neighborhood Stabilization Program 2 funds (NSP 2), City of Cleveland HOME funds, notes receivable, and tax credit equity. The proceeds from the bonds will be used for the construction of the Fairfax Intergenerational Housing Development for low income housing for seniors raising related children.

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.

11. 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 defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and (vested) employer contributions plus any 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, but less than, 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.

CUYAHOGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(CONTINUED)

11. RETIREMENT AND OTHER BENEFIT PLANS (Continued)

Ohio Public Employees Retirement System (Continued)

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 <http://www.opers.org/investments/cafr.shtml>

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2013, 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, 2013, 2012, and 2011, were \$5,779,329, \$5,835,360, and \$5,854,803, respectively. The full amount has been contributed for 2013, 2012, and 2011.

12. 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, by calling 614-222-5601 or 1-800-222-7377, or by visiting the OPERS website at <http://www.opers.org/investments/cafr.shtml>

CUYAHOGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(CONTINUED)

12. POST-EMPLOYMENT BENEFITS (Continued)

Funding Policy

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care coverage 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 coverage.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013, the Authority contributed at a rate of 14.00 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00 percent of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post-Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees 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 1.0 percent for calendar year 2013. The OPERS Board of Trustees 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, 2013, 2012, and 2011, which were used to fund post-employment health care benefits were \$467,987, \$1,669,931, and \$1,673,671, respectively. The full amount has been contributed for 2013, 2012, and 2011.

Effective January 1, 2013, the portion of employer contributions allocated to health care was lowered to 1 percent for both plans, as recommended to the OPERS Actuary. Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care coverage, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

13. 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 839 public housing authority members. Through HARRG, the Authority carries \$5,000,000 of general liability coverage, with a \$25,000 deductible, and \$2,000,000 of public officials' liability coverage, with a \$5,000 retention.

The Authority is also a member of HAPI, which is a property insurance group operated as a joint venture by its 845 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.

CUYAHOGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(CONTINUED)

13. INSURANCE COVERAGE AND RISK RETENTION (Continued)

The Authority's commercial automobile coverage includes liability insurance with a combined single limit of \$1,000,000 per accident. Physical damage claims are paid net of a \$1,000 deductible. The Authority is self-insured for the following risks:

Workers' Compensation Benefits—The Authority is self-insured for workers' compensation benefits provided to its employees. An excess liability policy provides coverage for individual claims that are greater than \$500,000 per individual occurrence with a \$10,000,000 limit in the aggregate. The Authority has recorded a \$3,043,000 liability for self-insured workers' compensation claims in its Conventional Program and is fully funded at December 31, 2013.

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, 2013 and 2012 were as follows:

	Workers' Compensation Benefits	Employee Termination and Other
Balance—January 1, 2012	\$ 3,549,000	\$ 399,840
Incurred Claims—Net of Changes in Estimates	855,112	97,639
Payments	(837,112)	(13,729)
Balance—December 31, 2012	3,567,000	483,750
Incurred Claims—Net of Changes in Estimates	314,672	255,750
Payments	(838,672)	(2,500)
Balance—December 31, 2013	\$ 3,043,000	\$ 737,000

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 2013 and 2012, 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.

CUYAHOGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(CONTINUED)

14. 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.

15. CONSTRUCTION COMMITMENTS

As of December 31, 2013, the Authority had the following significant construction commitments:

<u>Project Type</u>	<u>Amount</u>
Building Renovations	\$ 26,697,149
HVAC/Elevator Improvements	93,998
Total Construction Commitments	\$ 26,791,147

16. NET INVESTMENT IN CAPITAL ASSETS

The calculation of Net Investment in Capital Assets 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, 2013. In addition, impacting that calculation are the debt service funds held by the trustee bank as required by the Trustee Indenture.

Capital Assets	\$ 208,051,906
Less Related Debt	(78,731,112)
Add Back in Unspent Debt Proceeds and Debt Services Funds Held by Trustee	4,867,837
Total Investment in Capital Assets, Net of Related Debt	\$ 134,188,631

17. RESTRICTED NET POSITION

Below is a summary of restricted net position at December 31, 2013:

Unspent funding provided by HUD to make HAP payments in the Section 8 Housing Choice Voucher Program	\$ 4,137,417
Nonroutine maintenance and debt service reserves	3,904,905
Total Restricted Net Position at December 31, 2013	\$ 8,042,322

18. SUBSEQUENT EVENTS

In June 2014, the Authority approved bond issuances of \$7,000,000, \$10,000,000, and \$9,500,000, the proceeds of which will be used to acquire, renovate, improve, and equip affordable housing units through HUD's Rental Assistance Demonstration Program.

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**CUYAHOGA METROPOLITAN HOUSING AUTHORITY
 SUPPLEMENTAL SCHEDULE OF MODERNIZATION COSTS EXPENDED -
 PROJECTS CLOSED THROUGH DECEMBER 31, 2013**

Annual Contributions Contract C-5031

1. The total amount of modernization costs of the Capital Fund and Replacement Housing Program grants are shown below:

Modernization Project Number	<u>OH12P003 502-06</u>	<u>OH12P003 502-03</u>	<u>OH12P003 501-07</u>
Funds Approved	\$ 729,328	\$ 5,488,619	\$ 25,871,532
Funds Expended	<u>729,328</u>	<u>5,488,619</u>	<u>25,871,532</u>
Excess of Funds Approved	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Funds Advanced	\$ 729,328	\$ 5,488,619	\$ 25,871,532
Funds Expended	<u>729,328</u>	<u>5,488,619</u>	<u>25,871,532</u>
Excess of Funds Advanced	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

2. All modernization work in connection with the Capital Fund Program has been completed.
3. The entire actual modernization cost or liabilities incurred by the Authority have been fully paid.
4. There are no discharged mechanics, laborers, contractors, or material-mens liens against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work.

CUYAHOGA METROPOLITAN HOUSING AUTHORITY
ENTITY WIDE BALANCE SHEET SUMMARY
DECEMBER 31, 2013

	Project Total	14,199 Multifamily Property Disposition	14,256 Neighborhood Stabilization Program (Recovery Act Funded)	16,710 Public Safety Partnership and Community Policing Grants	14,870 Resident Opportunity and Supportive Services	14,871 Housing Choice Vouchers	14,879 Maimstream Vouchers	14-866 Revitalization of Severely Distressed Public Housing	14,884 Competitive Capital Fund Stimulus Grant
111 Cash - Unrestricted	29,202,060					1,132,392	60,409	118,658	539,479
112 Cash - Restricted - Modernization and Development	4,844,952								
113 Cash - Other Restricted	690,080					4,137,417			3,237,758
114 Cash - Tenant Security Deposits	1,374,415	21,911				337,482			121,471
100 Total Cash	36,111,457	21,911	-	-	-	5,607,291	60,409	118,658	3,898,708
122 Accounts Receivable - HUD Other Projects	6,591,036				99,769			60,001	
124 Accounts Receivable - Other Government				43,768					
125 Accounts Receivable - Miscellaneous	23,319					181,814	431		
126 Accounts Receivable - Tenants	536,671	7,031							21,126
126.1 Allowance for Doubtful Accounts - Tenants	-260,966	-1,810							-10,721
128 Fraud Recovery						264,099			
128.1 Allowance for Doubtful Accounts - Fraud						-264,099			
129 Accrued Interest Receivable									6,182
120 Total Receivables, Net of Allowances for Doubtful Accounts	6,890,060	5,221	-	43,768	99,769	181,814	431	60,001	16,587
142 Prepaid Expenses and Other Assets	382,570	688				239,262			16,902
143 Inventories									
144 Inter Program Due From	9,890								
150 Total Current Assets	43,393,977	27,820	-	43,768	99,769	6,028,367	60,840	178,659	3,932,197
161 Land	23,643,925								620,597
162 Buildings	667,525,945	628,787							12,875,853
163 Furniture, Equipment & Machinery - Dwellings	15,624,566	15,489							1,077,373
164 Furniture, Equipment & Machinery - Administration						1,440,341			
166 Accumulated Depreciation	-536,455,736	-463,935				-853,404			-8,265,084
167 Construction in Progress	6,539,978							240,000	1,020,114
160 Total Capital Assets, Net of Accumulated Depreciation	176,878,678	180,341	-	-	-	586,937	-	240,000	7,328,853
171 Notes, Loans and Mortgages Receivable - Non-Current			5,370,170						
174 Other Assets	60,119,289								
180 Total Non-Current Assets	236,997,967	180,341	5,370,170	-	-	586,937	-	240,000	7,328,853
190 Total Assets	280,391,944	208,161	5,370,170	43,768	99,769	6,615,304	60,840	418,659	11,261,050
200 Deferred Outflow of Resources									
290 Total Assets and Deferred Outflow of Resources	280,391,944	208,161	5,370,170	43,768	99,769	6,615,304	60,840	418,659	11,261,050

CUYAHOGA METROPOLITAN HOUSING AUTHORITY
ENTITY WIDE BALANCE SHEET SUMMARY
DECEMBER 31, 2013

	14.235 Supportive Housing Program	Other Federal Program	State/Local	Business Activities	Component Unit - Blended	14.856 Lower Income Housing Assistance Program Section 8 Moderate	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted			163,631	4,385,633	1,339,392	121,108	3,614,023	40,676,785	-11,029,634	29,647,151
112 Cash - Restricted - Modernization and Development								4,844,952		4,844,952
113 Cash - Other Restricted							3,043,000	11,108,205		11,108,205
114 Cash - Tenant Security Deposits								1,855,279		1,855,279
100 Total Cash	-	-	163,631	4,385,633	1,339,392	121,108	6,657,023	58,485,221	-11,029,634	47,455,587
122 Accounts Receivable - HUD Other Projects	32,050					5,566		6,788,422		6,788,422
124 Accounts Receivable - Other Government			155,116					198,884		198,884
125 Accounts Receivable - Miscellaneous					670,020	691	309,938	1,186,213		1,186,213
126 Accounts Receivable - Tenants								564,828		564,828
126.1 Allowance for Doubtful Accounts - Tenants								-273,497		-273,497
128 Fraud Recovery								264,099		264,099
128.1 Allowance for Doubtful Accounts - Fraud								-264,099		-264,099
129 Accrued Interest Receivable							1,918	8,100		8,100
120 Total Receivables, Net of Allowances for Doubtful Accounts	32,050	-	155,116	-	670,020	6,257	311,856	8,472,950	-	8,472,950
142 Prepaid Expenses and Other Assets					584		13,714,127	14,354,133	-13,054,841	1,299,292
143 Inventories							223,441	223,441		223,441
144 Inter Program Due From				5,677	328,730		8,833,676	9,177,973	-9,177,973	-
150 Total Current Assets	32,050	-	318,747	4,391,310	2,338,726	127,365	29,740,123	90,713,718	-33,262,448	57,451,270
161 Land				1,848,000			2,776,661	28,889,183		28,889,183
162 Buildings				567,781	15,939,950		3,076,318	700,614,634		700,614,634
163 Furniture, Equipment & Machinery - Dwellings					207,372		6,858,372	16,924,800		16,924,800
164 Furniture, Equipment & Machinery - Administration				328,103			-8,338,253	8,626,816		8,626,816
166 Accumulated Depreciation				-238,565	-1,314,462		271,341	-555,929,439		-555,929,439
167 Construction in Progress				854,479				8,925,912		8,925,912
160 Total Capital Assets, Net of Accumulated Depreciation	-	-	-	3,359,798	14,832,860	-	4,644,439	208,051,906	-	208,051,906
171 Notes, Loans and Mortgages Receivable - Non-Current				1,400,000				66,889,459		66,889,459
174 Other Assets							1,337,665	1,337,665		1,337,665
180 Total Non-Current Assets	-	-	-	4,759,798	14,832,860	-	5,982,104	276,279,030	-	276,279,030
190 Total Assets	32,050	-	318,747	9,151,108	17,171,586	127,365	35,722,227	366,992,748	-33,262,448	333,730,300
200 Deferred Outflow of Resources								-		-
290 Total Assets and Deferred Outflow of Resources	32,050	-	318,747	9,151,108	17,171,586	127,365	35,722,227	366,992,748	-33,262,448	333,730,300

**CUYAHOGA METROPOLITAN HOUSING AUTHORITY
ENTITY WIDE BALANCE SHEET SUMMARY
DECEMBER 31, 2013**

	Project Total	14,199 Multifamily Property Disposition	14,256 Neighborhood Stabilization Program (Recovery Act Funded)	16,710 Public Safety Partnership and Community Policing Grants	14,870 Resident Opportunity and Supportive Services	14,871 Housing Choice Vouchers	14,879 Mainstream Vouchers	14,866 Revitalization of Severely Distressed Public Housing	14,182 N/C/S/R Section 8 Programs	14,884 Competitive Capital Fund Stimulus Grant
311 Bank Overdraft	11,024,068									
312 Accounts Payable <= 90 Days	8,429,217	17,143			1,200	86,135			450,110	
321 Accrued Wage/Payroll Taxes Payable	3,101,117	1,622		16,628	19,512	616,259			141,131	
325 Accrued Interest Payable	636,020								23,666	
331 Accounts Payable - HUD PHA Programs							60,840			
341 Tenant Security Deposits	1,374,415	21,911				337,482			121,471	
342 Deferred Revenues								126,130		
343 Current Portion of Long-term Debt - Capital	4,174,865								3,688,177	
346 Accrued Liabilities - Other	1,759,126	275				73,240			4,127	
347 Inter Program - Due To	7,431,741	215,759	70,114	27,140	79,057	131,134		60,001	1,090,491	
310 Total Current Liabilities	37,930,569	256,710	70,114	43,768	99,769	1,244,250	60,840	186,131	5,519,173	-
351 Long-term Debt, Net of Current - Capital Projects/Mortgage	46,664,077								5,075,144	
353 Non-current Liabilities - Other										
350 Total Non-Current Liabilities	46,664,077	-	-	-	-	-	-	-	5,075,144	-
300 Total Liabilities	84,594,646	256,710	70,114	43,768	99,769	1,244,250	60,840	186,131	10,594,317	-
400 Deferred Inflow of Resources										
508.4 Net Investment in Capital Assets	130,907,573	180,341				586,937		240,000	-1,434,468	
511.4 Restricted Net Position	667,147					4,137,417			3,237,758	
512.4 Unrestricted Net Position	64,222,578	-228,890	5,300,056			646,700		-7,472	-1,136,557	
513 Total Equity - Net Assets / Position	195,797,298	-48,549	5,300,056	-	-	5,371,054	-	232,528	666,733	-
600 Total Liab., Def. Inflow of Res., and Equity - Net Assets / Position	280,391,944	208,161	5,370,170	43,768	99,769	6,615,304	60,840	418,659	11,261,050	-

CUYAHOGA METROPOLITAN HOUSING AUTHORITY
ENTITY WIDE BALANCE SHEET SUMMARY
DECEMBER 31, 2013

	14.235 Supportive Housing Program	Other Federal Program	State/Local	Business Activities	Component Unit - Blended	14.856 Lower Income Housing Assistance Program Section 8 Moderate	COCC	Subtotal	ELIM	Total
311 Bank Overdraft						5,566		11,029,634	-11,029,634	-
312 Accounts Payable <= 90 Days	26,247		79	425,638	498,194	31	969,178	10,903,172		10,903,172
321 Accrued Wage/Payroll Taxes Payable			21,880				2,928,501	6,846,650		6,846,650
325 Accrued Interest Payable				20,800			380,404	1,060,890		1,060,890
331 Accounts Payable - HUD PHA Programs						121,768		182,608		182,608
341 Tenant Security Deposits								1,855,279		1,855,279
342 Deferred Revenues			230,055	166,420	13,053,841		417,672	13,994,118	-13,054,841	939,277
343 Current Portion of Long-term Debt - Capital Projects/Mortgage							477,714	8,340,756		8,340,756
346 Accrued Liabilities - Other							1,633,712	3,470,480		3,470,480
347 Inter Program - Due To	5,803		66,733					9,177,973	-9,177,973	-
310 Total Current Liabilities	32,050	-	318,747	612,858	13,552,035	127,365	6,807,181	66,861,560	-33,262,448	33,599,112
351 Long-term Debt, Net of Current - Capital Projects/Mortgage				3,170,137			15,480,998	70,390,356		70,390,356
353 Non-current Liabilities - Other							1,994,000	1,994,000		1,994,000
350 Total Non-Current Liabilities	-	-	-	3,170,137	-	-	17,474,998	72,384,356	-	72,384,356
300 Total Liabilities	32,050	-	318,747	3,782,995	13,552,035	127,365	24,282,179	139,245,916	-33,262,448	105,983,468
400 Deferred Inflow of Resources										
508.4 Net Investment in Capital Assets				189,661	14,832,860		-11,314,273	134,188,631		134,188,631
511.4 Restricted Net Position								8,042,322		8,042,322
512.4 Unrestricted Net Position				5,178,452	-11,213,309		22,754,321	85,515,879		85,515,879
513 Total Equity - Net Assets / Position	-	-	-	5,368,113	3,619,551	-	11,440,048	227,746,832	-	227,746,832
600 Total Liab., Def. Inflow of Res., and Equity - Net Assets / Position	32,050	-	318,747	9,151,108	17,171,586	127,365	35,722,227	366,992,748	-33,262,448	333,730,300

**CUYAHOGA METROPOLITAN HOUSING AUTHORITY
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
DECEMBER 31, 2013**

	Project Total	14.199 Multifamily Property Disposition	14.256 Neighborhood Stabilization Program (Recovery Act Funded)	16.710 Public Safety Partnership and Community Policing Grants	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	14.879 Mainstream Vouchers	14.866 Revitalization of Severely Distressed Public Housing	14.182 N/C/SR Section 8 Programs	14.884 Competitive Capital Fund Stimulus Grant
70300 Net Tenant Rental Revenue	14,524,416	235,400							1,661,435	
70400 Tenant Revenue - Other	160,456								6,957	
70500 Total Tenant Revenue	14,684,872	235,400	-	-	-	-	-	-	1,668,392	-
70600 HUD PHA Operating Grants	75,865,255				251,354	95,003,917	745,167	41,337	3,179,216	
70610 Capital Grants	10,675,220		334,940					24,000		
70710 Management Fee										
70720 Asset Management Fee										
70730 Book Keeping Fee										
70740 Front Line Service Fee										
70750 Other Fees										
70700 Total Fee Revenue	-	-	-	-	-	-	-	-	-	-
70800 Other Government Grants				173,476						
71100 Investment Income - Unrestricted	6,329									
71500 Other Revenue	982,354	4				74,610			146,809	
71600 Gain or Loss on Sale of Capital Assets	-4,866	-2,667								
72000 Investment Income - Restricted	1,053								81,189	
70000 Total Revenue	102,210,217	232,737	334,940	173,476	251,354	95,078,527	745,167	65,337	5,075,606	-
91100 Administrative Salaries	5,717,047	15,811				3,792,940			380,773	
91200 Auditing Fees	107,925	255				70,560			5,709	
91300 Management Fee	7,450,862					1,000,000			51,864	
91310 Book-keeping Fee	811,866								36,000	
91500 Employee Benefit contributions - Administrative	2,269,364	4,189				1,494,784			148,140	
91600 Office Expenses	2,511,744	6,325			33,048	1,166,686	107,354		514,202	
91700 Legal Expense	741,889	3,578				38,628			15,873	
91800 Travel	20,658					11,392			727	
91900 Other	1,085,931					24,058				
91000 Total Operating - Administrative	20,717,286	30,158	-	-	33,048	7,599,048	107,354	-	1,153,288	-
92000 Asset Management Fee	836,490									
92100 Tenant Services - Salaries	1,467,795	2,036			217,449				68,561	
92300 Employee Benefit Contributions - Tenant Services	565,700	472			857				25,249	
92400 Tenant Services - Other	1,177,118	1,182				4,235			8,539	
92500 Total Tenant Services	3,210,613	3,690	-	-	218,306	4,235	-	-	102,349	-

**CUYAHOGA METROPOLITAN HOUSING AUTHORITY
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
DECEMBER 31, 2013**

	14,235 Supportive Housing Program	Other Federal Program	State/Local	Business Activities	Component Unit - Blended	14,856 Lower Income Housing Assistance Program Section 8 Moderate	COCC	Subtotal	ELJM	Total
70300 Net Tenant Rental Revenue								16,421,251		16,421,251
70400 Tenant Revenue - Other								167,413		167,413
70500 Total Tenant Revenue	-	-	-	-	-	-	-	16,588,664	-	16,588,664
70600 HUD PHA Operating Grants	364,398					1,073,058		176,523,702		176,523,702
70610 Capital Grants								11,034,160		11,034,160
70710 Management Fee						8,502,726		8,502,726	-8,502,726	-
70720 Asset Management Fee						836,490		836,490	-836,490	-
70730 Book Keeping Fee						847,866		847,866	-847,866	-
70740 Front Line Service Fee						3,383,697		3,383,697	-3,383,697	-
70750 Other Fees						7,359,374		7,359,374	-7,359,374	-
70700 Total Fee Revenue	-	-	-	-	-	20,930,153		20,930,153	-20,930,153	-
70800 Other Government Grants			656,363					829,839		829,839
71100 Investment Income - Unrestricted				489			84	6,902		6,902
71500 Other Revenue				400,410	1,303,445		1,183,154	4,090,786	-820,750	3,270,036
71600 Gain or Loss on Sale of Capital Assets				-2,010			218,492	208,949		208,949
72000 Investment Income - Restricted							6,866	89,108		89,108
70000 Total Revenue	364,398	-	656,363	398,889	1,303,445	1,073,058	22,338,749	230,302,263	-21,750,903	208,551,360
91100 Administrative Salaries			304,650		74,235		8,874,921	19,160,377		19,160,377
91200 Auditing Fees					6,000		36,980	227,429		227,429
91300 Management Fee								8,502,726	-8,502,726	-
91310 Book-keeping Fee								847,866	-847,866	-
91500 Employee Benefit contributions - Administrative							2,761,573	6,678,050		6,678,050
91600 Office Expenses			173,107	368,719	203,462	137,261	2,695,051	7,916,959	-820,750	7,096,209
91700 Legal Expense				5,547	33,325		485,622	1,318,915	-618,249	700,666
91800 Travel							119,362	157,686		157,686
91900 Other							27,232	1,137,221	-1,049,182	88,039
91000 Total Operating - Administrative	-	-	477,757	374,266	317,022	137,261	15,000,741	45,947,229	-11,838,773	34,108,456
92000 Asset Management Fee								836,490	-836,490	-
92100 Tenant Services - Salaries			135,039					1,890,880		1,890,880
92300 Employee Benefit Contributions - Tenant Services								591,421		591,421
92400 Tenant Services - Other	364,398		43,567	107,876	211		1,559	1,709,542		1,709,542
92500 Total Tenant Services	364,398	-	178,606	107,876	211	-	1,559	4,191,843	-	4,191,843

**CUYAHOGA METROPOLITAN HOUSING AUTHORITY
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
DECEMBER 31, 2013**

	Project Total	14,199 Multifamily Property Disposition	14,256 Neighborhood Stabilization Program (Recovery Act Funded)	16,710 Public Safety Partnership and Community Policing Grants	14,870 Resident Opportunity and Supportive Services	14,871 Housing Choice Vouchers	14,879 Mainstream Vouchers	14,866 Revitalization of Severely Distressed Public Housing	14,182 N/C S/R Section 8 Programs	14,884 Competitive Capital Fund Stimulus Grant
93100 Water	2,437,017	13,699				1,457			178,508	
93200 Electricity	5,505,453	40,227				66,738			447,426	
93300 Gas	3,319,043	23,863				944			107,799	
93400 Fuel	159,208									
93600 Sewer	4,583,174	28,143				1,869			177,333	
93800 Other Utilities Expense						122				
93000 Total Utilities	16,003,895	105,932				71,130			910,866	
94100 Ordinary Maintenance and Operations - Labor	9,391,160	4,464				67,102			357,508	
94200 Ordinary Maintenance and Operations - Materials and	4,169,258	11,021				5,893			164,117	
94300 Ordinary Maintenance and Operations Contracts	10,730,324	69,434				12,657			687,524	
94500 Employee Benefit Contributions - Ordinary Maintenance	3,558,379	1,178				26,539			133,914	
94000 Total Maintenance	27,849,121	86,097				112,191			1,343,063	
95100 Protective Services - Labor	2,290,730					56,789			28,922	
95200 Protective Services - Other Contract Costs	5,387,182			173,476		747			211,665	
95300 Protective Services - Other	66,947					2,563			829	
95500 Employee Benefit Contributions - Protective Services	809,606					20,190			9,751	
95000 Total Protective Services	8,554,465			173,476		80,289			251,167	
96110 Property Insurance	1,476,582	13,879				131			65,590	
96120 Liability Insurance	402,048	2,795				38,647			17,401	
96130 Workmen's Compensation	359,750					10,057				
96140 All Other Insurance	213,390	1,696				19,862			4,701	
96100 Total Insurance Premiums	2,451,770	18,370				68,697			87,692	
96200 Other General Expenses	1,139,475					80,778				
96400 Bad debt - Tenant Rents	690,809	7,833							12,039	
96000 Total Other General Expenses	1,830,284	7,833				80,778			12,039	
96710 Interest of Mortgage (or Bonds) Payable	2,679,694								430,416	
96720 Interest on Notes Payable (Short and Long Term)										
96730 Amortization of Bond Issue Costs									6,740	
96700 Total Interest Expense and Amortization Cost	2,679,694								437,156	
96900 Total Operating Expenses	84,133,618	252,080		173,476	251,354	8,016,368	107,354		4,297,620	

**CUYAHOGA METROPOLITAN HOUSING AUTHORITY
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
DECEMBER 31, 2013**

	14.235 Supportive Housing Program	Other Federal Program	State/Local	Business Activities	Component Unit - Blended	14.856 Lower Income Housing Assistance Program, Section 8 Moderate	COCC	Subtotal	ELIM	Total
93100 Water							14,074	2,644,555		2,644,555
93200 Electricity							216,428	6,276,272		6,276,272
93300 Gas							21,966	3,473,615		3,473,615
93400 Fuel								159,208		159,208
93600 Sewer							22,011	4,812,530		4,812,530
93800 Other Utilities Expense								122		122
93000 Total Utilities	-	-	-	-	-	-	274,479	17,366,302	-	17,366,302
94100 Ordinary Maintenance and Operations - Labor							3,624,503	13,444,737		13,444,737
94200 Ordinary Maintenance and Operations - Materials and							339,940	4,690,229		4,690,229
94300 Ordinary Maintenance and Operations Contracts					20,364		723,594	12,243,897	-6,741,125	5,502,772
94500 Employee Benefit Contributions - Ordinary Maintenance							1,066,539	4,786,549		4,786,549
94000 Total Maintenance	-	-	-	-	20,364	-	5,754,576	35,165,412	-6,741,125	28,424,287
95100 Protective Services - Labor							1,244,233	3,794,150		3,794,150
95200 Protective Services - Other Contract Costs								5,599,594	-2,334,515	3,265,079
95300 Protective Services - Other				405			19,686	90,430		90,430
95500 Employee Benefit Contributions - Protective Services							392,513	1,232,060		1,232,060
95000 Total Protective Services	-	-	-	405	-	-	1,656,432	10,716,234	-2,334,515	8,381,719
96110 Property Insurance							22,320	1,578,502		1,578,502
96120 Liability Insurance					4,631		225,724	691,246		691,246
96130 Workmen's Compensation							114,150	483,957		483,957
96140 All Other Insurance							176,380	416,029		416,029
96100 Total Insurance Premiums	-	-	-	-	4,631	-	538,574	3,169,734	-	3,169,734
96200 Other General Expenses								1,220,253		1,220,253
96400 Bad debt - Tenant Rents								710,681		710,681
96000 Total Other General Expenses	-	-	-	-	-	-	-	1,930,934	-	1,930,934
96710 Interest of Mortgage (or Bonds) Payable							803,881	3,913,991		3,913,991
96720 Interest on Notes Payable (Short and Long Term)				42,382				42,382		42,382
96730 Amortization of Bond Issue Costs				53,750				60,490		60,490
96700 Total Interest Expense and Amortization Cost	-	-	-	96,132	-	-	803,881	4,016,863	-	4,016,863
96900 Total Operating Expenses	364,398	-	656,363	578,679	342,228	137,261	24,030,242	123,341,041	-21,750,903	101,590,138

**CUYAHOGA METROPOLITAN HOUSING AUTHORITY
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
DECEMBER 31, 2013**

	Project Total	14,199 Multifamily Property Disposition	14,256 Neighborhood Stabilization Program (Recovery Act Funded)	16,710 Public Safety Partnership and Community Policing Grants	14,870 Resident Opportunity and Supportive Services	14,871 Housing Choice Vouchers	14,879 Mainstream Vouchers	14,866 Revitalization of Severely Distressed Public Housing	14,182 N/C S/R Section 8 Programs	14,884 Competitive Capital Fund Stimulus Grant
97000 Excess of Operating Revenue over Operating Expenses	18,076,599	-19,343	334,940	-	-	87,062,159	637,813	65,337	777,986	-
97100 Extraordinary Maintenance	9,838,565									
97200 Casualty Losses - Non-capitalized	298,704				13,391			41,337		
97300 Housing Assistance Payments					91,409,839		723,246		5,000	
97350 HAP Portability-In					706					
97400 Depreciation Expense	20,064,967	44,149			259,765				489,250	
90000 Total Expenses	114,335,854	296,229	-	173,476	251,354	99,700,069	830,600	41,337	4,791,870	-
10010 Operating Transfer In	5,692,506									
10020 Operating transfer Out	-5,692,506									
10091 Inter-Project Excess Cash Transfer In	4,320,000									
10092 Inter-Project Excess Cash Transfer Out	-4,320,000									
10100 Total Other financing Sources (Uses)	-	-	-	-	-	-	-	-	-	-
10000 Excess (Deficiency) of Total Revenue Over (Under) Total	-12,125,637	-63,492	334,940	-	-	-4,621,542	-85,433	24,000	283,736	-
11020 Required Annual Debt Principal Payments	4,174,865								3,688,177	
11030 Beginning Equity	155,475,463	-18,998	4,965,116			9,768,951	126,138	121,328	-2,102,416	
11040 Prior Period Adjustments, Equity Transfers and Correction	52,447,472	33,941				223,645	-40,705	87,200	2,485,413	
11170 Administrative Fee Equity						1,233,637				
11180 Housing Assistance Payments Equity						4,137,417				
11190 Unit Months Available	114,486	456				177,595	216		6,840	
11210 Number of Unit Months Leased	109,473	405				171,862	136		6,749	

**CUYAHOGA METROPOLITAN HOUSING AUTHORITY
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
DECEMBER 31, 2013**

	14,235 Supportive Housing Program	Other Federal Program	State/Local	Business Activities	Component Unit - Blended	14,856 Lower Income Housing Assistance Program, Section 8 Moderate	COCC	Subtotal	ELM	Total
97000 Excess of Operating Revenue over Operating Expenses	-	-	-	-179,790	961,217	935,797	-1,691,493	106,961,222	-	106,961,222
97100 Extraordinary Maintenance					223,276			10,103,178		10,103,178
97200 Casualty Losses - Non-capitalized							28,376	345,471		345,471
97300 Housing Assistance Payments						915,619		93,048,704		93,048,704
97350 HAP Portability-In								706		706
97400 Depreciation Expense				91,002	622,541		694,299	22,265,973		22,265,973
90000 Total Expenses	364,398	-	656,363	669,681	1,188,045	1,052,880	24,752,917	249,105,073	-21,750,903	227,354,170
10010 Operating Transfer In								5,692,506	-5,692,506	-
10020 Operating transfer Out								-5,692,506	5,692,506	-
10091 Inter Project Excess Cash Transfer In								4,320,000	-4,320,000	-
10092 Inter Project Excess Cash Transfer Out								-4,320,000	4,320,000	-
10100 Total Other financing Sources (Uses)	-	-	-	-	-	-	-	-	-	-
10000 Excess (Deficiency) of Total Revenue Over (Under)	-	-	-	-270,792	115,400	20,178	-2,414,168	-18,802,810	-	-18,802,810
11020 Required Annual Debt Principal Payments							477,714	8,340,756		8,340,756
11030 Beginning Equity		3,471,838		4,322,363		957,279	18,979,285	196,066,347		196,066,347
11040 Prior Period Adjustments, Equity Transfers and		-3,471,838		1,316,542	3,504,151	-977,457	-5,125,069	50,483,295		50,483,295
11170 Administrative Fee Equity								1,233,637		1,233,637
11180 Housing Assistance Payments Equity								4,137,417		4,137,417
11190 Unit Months Available						1,884		301,477		301,477
11210 Number of Unit Months Leased						1,731		290,356		290,356

**CUYAHOGA METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

Federal Grantor/Program/Title	CFDA Number	Federal Expenditures
<u>U.S. Department of Housing and Urban Development</u>		
<i>Direct Programs</i>		
Conventional Low-Income Housing Program - Subsidy	14.850	\$ 56,710,435
<u>Section 8 Project Based Cluster</u>		
Section 8 New Construction and Moderate Rehabilitation Programs:		
New Construction	14.182	3,179,216
Moderate Rehabilitation	14.856	1,073,058
Total Section 8 Project Based Cluster		<u>4,252,274</u>
<u>Housing Choice Voucher Program Cluster</u>		
Housing Choice Voucher Program	14.871	95,003,917
Mainstream Vouchers	14.879	745,167
Total Housing Choice Voucher Program Cluster		<u>95,749,084</u>
Capital Fund Program	14.872	<u>29,830,040</u>
Supportive Housing Program	14.235	<u>364,398</u>
Revitalization of Severely Distressed Public Housing	14.866	<u>65,337</u>
Resident Opportunities and Supportive Services	14.870	<u>251,354</u>
<i>Total Direct Programs</i>		<u>187,222,922</u>
<u>Passed through from Cuyahoga County</u>		
ARRA - Neighborhood Stabilization Program, Recovery Act Funded	14.256	228,905
<u>Passed through from City of Cleveland</u>		
ARRA - Neighborhood Stabilization Program, Recovery Act Funded	14.256	<u>106,035</u>
<i>Total Pass-through Programs</i>		<u>334,940</u>
Total U.S. Department of Housing and Urban Development		<u>187,557,862</u>
<u>U.S. Department of Justice</u>		
<i>Direct Program</i>		
ARRA - Public Safety Partnership and Community Policing Grants	16.710	<u>173,476</u>
Total U.S. Department of Justice		<u>173,476</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 187,731,338</u>

**CUYAHOGA METROPOLITAN HOUSING AUTHORITY
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2013**

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*. The 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:

<u>Program Title</u>	<u>Subrecipient</u>	<u>Federal CFDA No.</u>	<u>2013 Grant Expenditures</u>
Conventional Low-Rent	Progressive Action Council and Management Company	14.850	\$ 307,500

* * * * *

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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, in accordance with the 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, the financial statements of the Cuyahoga Metropolitan Housing Authority, Ohio, (the Authority) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated June 12, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Authority's internal control.

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 Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Digitally signed by James G. Zupka, CPA, President
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Date: 2014.06.30 09:56:20 -04'00'

June 12, 2014

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**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY 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

Report on Compliance for Each Major Federal Program

We have audited the Cuyahoga Metropolitan Housing Authority, Ohio's 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 the Cuyahoga Metropolitan Housing Authority, Ohio's (the Authority) major federal programs for the year ended December 31, 2013. The Cuyahoga Metropolitan Housing Authority, Ohio's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Cuyahoga Metropolitan Housing Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended December 31, 2013.

Report on 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 types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

Digitally signed by James G. Zupka, CPA, President
DN: cn=James G. Zupka, CPA, President, o=James G.
Zupka, CPA, Inc., ou=Accounting,
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June 12, 2014

**CUYAHOGA METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & §.505
DECEMBER 31, 2013**

1. SUMMARY OF AUDITOR'S RESULTS		
2013(i)	Type of Financial Statement Opinion	Unmodified
2013(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2013(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2013(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS?)	No
2013(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2013(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
2013(v)	Type of Major Programs' Compliance Opinion	Unmodified
2013(vi)	Any there any reportable findings under .510?	No
2013(vii)	Major Programs (list): Public Housing - CFDA #14.850	
2013(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$3,000,000 Type B: all others
2013(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.	

**CUYAHOGA METROPOLITAN HOUSING AUTHORITY
 SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED DECEMBER 31, 2013**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Corrected?</u>	<u>Not Corrected; Partially Corrected; Significantly Different Correction Action Taken, or Finding No Longer Valid: Explanation</u>
2012-01	Recording of Notes Receivable	Yes	Corrected.

**CUYAHOGA METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF OTHER REPORTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

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—Finding 2 and Finding 3 had been resolved and closed by HUD at December 31, 2012. Finding 1 was closed by HUD by December 31, 2013.



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
JULY 29, 2014**