



AKRON METROPOLITAN HOUSING AUTHORITY

**Single Audit Report
for the Year Ended
June 30, 1999**

AKRON METROPOLITAN HOUSING AUTHORITY

**Single Audit Report
for the Year Ended
June 30, 1999**

AKRON METROPOLITAN HOUSING AUTHORITY

TABLE OF CONTENTS

	Page
COMBINED FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES AS OF JUNE 30, 1999 AND FOR THE YEAR ENDED JUNE 30, 1999:	
Independent Auditors' Report	1-2
Combined Financial Statements:	
Combined Balance Sheet - All Programs	3
Combined Statement of Revenues and Expenditures - All Programs	4
Combined Statement of Changes in Surplus - All Programs	5
Notes to Combined Financial Statements	6-17
Supplemental Schedules:	
Supplemental Schedule of Year 2000 Issues	18
Supplemental Schedule of Expenditures of Federal Awards	19
Notes to Supplemental Schedule of Expenditures of Federal Awards	20
Supplemental Combining Balance Sheet Information - Non-Aided	21
Supplemental Combining Revenues and Expenditures Information - Non-Aided	22-23
Supplemental Schedule of Actual Modernization Costs Incurred on Projects Closed During the Year Ended June 30, 1999	24
REPORTS ON COMPLIANCE AND ON INTERNAL CONTROL:	
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	25
Independent Auditors' Report on Compliance with Requirements Applicable to Its Major Programs and Internal Control Over Compliance in Accordance With OMB Circular A-133	26-27
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	28
STATUS OF PRIOR YEAR FINDINGS	29



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

Board of Trustees
Akron Metropolitan Housing Authority

We have reviewed the independent auditor's report of the Akron Metropolitan Housing Authority, Summit County, prepared by Deloitte & Touche LLP for the audit period July 1, 1998 through June 30, 1999. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink, appearing to read "Jim Petro", written over a large, stylized flourish that loops around the text.

JIM PETRO
Auditor of State

February 1, 2000



INDEPENDENT AUDITORS' REPORT

Board of Trustees
Akron Metropolitan Housing Authority
Akron, Ohio

We have audited the accompanying combined financial statements of the Akron Metropolitan Housing Authority ("AMHA") as of June 30, 1999 and for the year then ended, listed in the foregoing table of contents. These combined financial statements are the responsibility of the management of AMHA. Our responsibility is to express an opinion on these combined financial statements based on our audit. We did not audit the financial statements of Rosemary Square, Inc. (a not-for-profit organization owned by AMHA), which statements reflect total assets constituting 2% of the total assets of the Non-Aided Program at June 30, 1999 and total operating revenues constituting 13% of total operating revenues of the Non-Aided Program for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Rosemary Square, Inc., is based solely on the report of such other auditors.

We conducted our audit in accordance with generally accepted auditing standards 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 combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinion.

As discussed in Note 2 to the combined financial statements, these financial statements were prepared on the basis of accounting prescribed by the U.S. Department of Housing and Urban Development ("HUD"), which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, based on our audit and the report of the other auditors, such combined financial statements present fairly, in all material respects, the financial position of AMHA as of June 30, 1999, and the results of its operations and changes in surplus for the year then ended, on the basis of accounting described in Note 2.

The year 2000 supplemental information on page 20 is not a required part of the financial statements, but is supplemental information required by the Governmental Accounting Standards Board, and we did not audit and do not express an opinion on such information. Further, we were unable to apply to the information certain procedures prescribed by professional standards because of the unprecedented nature of the year 2000 issue and its effects, and the fact that authoritative measurement criteria regarding the status of remediation efforts have not been established. In addition, we do not provide assurance that AMHA is or will become year 2000 compliant, that the Authority's remediation efforts will be successful in whole or in part, or that the parties with which the Authority does business are or will become year 2000 compliant.

Our audit was performed for the purpose of forming an opinion on the combined financial statements of AMHA taken as a whole. The accompanying supplemental schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the combined financial statements. The accompanying supplemental combining balance sheet information, supplemental combining revenues and expenditures information relating to the non-aided program and the supplemental schedule of actual modernization costs incurred on projects closed during the year ended June 30, 1999 are also presented for the purpose of additional analysis and are not a required part of the combined financial statements. The aforementioned supplemental schedules and information are also the responsibility of management. Such supplemental schedules and information have been subjected to the auditing procedures applied in the audit of the combined financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the combined financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 1999 on our consideration of AMHA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Deloitte & Touche LLP

October 29, 1999

AKRON METROPOLITAN HOUSING AUTHORITY

COMBINED BALANCE SHEET - ALL PROGRAMS JUNE 30, 1999

ASSETS	Annual Contributions Contract		Non-Aided	Total (Memorandum Only)
	C-959	C-10003		
Cash and cash equivalents (Note 3)	\$ 7,452,045	\$3,650,439	\$ 5,818,640	\$ 16,921,124
Restricted cash (Note 3)			1,911,682	1,911,682
Receivables:				
Federal Government - HUD	1,143,419	368,077	7,766	1,519,262
Tenant	841,236		129,573	970,809
Interprogram	158,187			158,187
Other	162,994	1,297	226,516	390,807
Note receivable			500,000	500,000
Accrued interest receivable			467,427	467,427
Debt amortization funds	2,622,480			2,622,480
Escrow funds and other assets (Notes 3 and 9)	1,164,077		695,918	1,859,995
Land, structures and equipment (Note 4)	210,881,293	799,037	31,001,360	242,681,690
Assets subject to a sales contract (Note 14)			18,437,923	18,437,923
TOTAL ASSETS	\$224,425,731	\$4,818,850	\$59,196,805	\$288,441,386
LIABILITIES AND SURPLUS				
Accounts payable:				
Federal Government - HUD	\$ 117,674	\$1,899,587		\$ 2,017,261
Interprogram		130,794	\$ 27,393	158,187
Other	2,947,603	21,492	241,151	3,210,246
Accrued interest payable and other liabilities	1,369,949	148,035	101,526	1,619,510
Deferred credits	199,813	169,068	128,824	497,705
Deferred operating reserve		182,500		182,500
Notes and mortgages payable (Note 5)			11,021,006	11,021,006
Fixed liabilities (Note 6)	22,178,464			22,178,464
Liabilities related to a sales contract (Note 14)			7,335,217	7,335,217
Total liabilities	26,813,503	2,551,476	18,855,117	48,220,096
Surplus	197,612,228	2,267,374	40,341,688	240,221,290
TOTAL LIABILITIES AND SURPLUS	\$224,425,731	\$4,818,850	\$59,196,805	\$288,441,386

See notes to combined financial statements.

AKRON METROPOLITAN HOUSING AUTHORITY

COMBINED STATEMENT OF REVENUES AND EXPENDITURES - ALL PROGRAMS FOR THE YEAR ENDED JUNE 30, 1999

	Annual Contributions Contract		Non-Aided	Total (Memorandum Only)
	C-959	C-10003		
OPERATING REVENUES:				
Dwelling rental	\$ 6,984,543		\$4,352,627	\$ 11,337,170
Non-dwelling rental	29,650		460	30,110
Excess utility charges	51,092		3,800	54,892
Interest on investments	368,797	\$ 237,252	1,068,336	1,674,385
Other	188,508	(3,284)	714,023	899,247
	<u>7,622,590</u>	<u>233,968</u>	<u>6,139,246</u>	<u>13,995,804</u>
OPERATING EXPENDITURES:				
Administrative	3,748,342	1,354,533	1,089,699	6,192,574
Tenant service	230,336	16,908	29,195	276,439
Utilities	3,709,529		437,083	4,146,612
Ordinary maintenance and operation	7,361,426	10,239	1,396,544	8,768,209
General expenditures	3,591,150	443,867	729,163	4,764,180
Nonroutine maintenance	394,617		73,445	468,062
Protective services	1,013,577	5,757	73,452	1,092,786
Housing assistance payments		19,609,466		19,609,466
Interest expense			1,658,365	1,658,365
Drug elimination program expenditures	669,905			669,905
	<u>20,718,882</u>	<u>21,440,770</u>	<u>5,486,946</u>	<u>47,646,598</u>
OPERATING INCOME (LOSS)	<u>(13,096,292)</u>	<u>(21,206,802)</u>	<u>652,300</u>	<u>(33,650,794)</u>
NONOPERATING REVENUES (EXPENDITURES):				
Interest expense	(1,151,469)			(1,151,469)
Loss from disposition of equipment and rental property - net	(414,524)	(9,405)	(45,376)	(469,305)
Other	398,416	71,706	66,569	536,691
	<u>(1,167,577)</u>	<u>62,301</u>	<u>21,193</u>	<u>(1,084,083)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u><u>\$(14,263,869)</u></u>	<u><u>\$(21,144,501)</u></u>	<u><u>\$ 673,493</u></u>	<u><u>\$(34,734,877)</u></u>

See notes to combined financial statements.

AKRON METROPOLITAN HOUSING AUTHORITY

COMBINED STATEMENT OF CHANGES IN SURPLUS - ALL PROGRAMS FOR THE YEAR ENDED JUNE 30, 1999

	Balance at July 1, 1998	Excess (Deficiency) of Revenues Over (Under) Expenditures	Provision for Operating Reserve	HUD Operating Subsidy	Recapture of Reserve	Modernization & Development Grants	HUD Debt Forgiveness	HUD Debt Service Contribution	Other	Balance at June 30, 1999
C-959:										
Unreserved surplus	\$ (279,765,015)	\$ (14,263,869)	\$ 461,779		\$				\$ (21)	\$ (293,567,105)
Operating reserve - owned	5,584,460		(461,779)							5,122,660
Operating reserve - leased	40,230									40,230
Cumulative HUD contribution	370,162,404			\$ 12,583,059				\$ 2,608,025		385,353,488
Modernization and development grants	74,998,566					\$ 13,549,038				88,547,604
PHDEP grants	4,883,478									4,883,478
Cumulative donations	7,231,873									7,231,873
Surplus - C-959	\$ 183,135,996	\$ (14,263,869)	\$	\$ 12,583,059	\$	\$ 13,549,038	\$	\$ 2,608,025	\$ (21)	\$ 197,612,228
C-10003:										
Unreserved surplus	\$ (325,569,745)	\$ (21,144,501)	\$ (1,314,503)		\$ 1,173,146				\$ 4,443	\$ (346,851,160)
Operating reserve	2,834,402		343,629						(950)	3,177,081
Project reserve	19,517,664		970,874		(1,173,146)				225	19,315,617
Cumulative HUD contribution	306,791,326			\$ 21,487,205					3,717	328,282,248
Cumulative donations	(1,656,412)									(1,656,412)
Surplus - C-10003	\$ 1,917,235	\$ (21,144,501)	\$	\$ 21,487,205	\$	\$	\$	\$	\$ 7,435	\$ 2,267,374
Non-Aided:										
Unreserved surplus	\$ 42,399,508	\$ 673,493	\$	\$	\$	\$	\$	\$	\$ 13,209	\$ 43,086,210
Rehabilitation and development reserve (Note 5)	2,061,682									2,061,682
Cumulative donations	(4,805,954)								(250)	(4,806,204)
Surplus - Non-Aided	\$ 39,655,236	\$ 673,493	\$	\$	\$	\$	\$	\$	\$ 12,959	\$ 40,341,688

See notes to combined financial statements.

AKRON METROPOLITAN HOUSING AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 1999

1. DEFINITION OF THE ENTITY

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

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

The accompanying combined financial statements include all funds and departments of AMHA as well as the accounts of Rosemary Square, Inc. ("Rosemary Square"), a not-for-profit entity acquired by AMHA during the year ended June 30, 1996. Rosemary Square provides housing and related facilities and services for elderly families and persons and families of low income.

HUD requires all grantee agencies and authorities to maintain a separate ledger for each grant/granting contract. Accordingly, AMHA maintains a separate ledger for each of the following programs/grants:

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

Low Rent Housing Program - Under this program, which is sponsored by HUD, AMHA manages 5,029 public housing units which are owned by AMHA. AMHA operates the Program with the proceeds of rentals received from tenants and contributions and subsidies received from HUD under contractual agreement.

Comprehensive Grant Programs (Modernization and Development) - Modernization programs are funded through project notes, serially maturing bonds and grants and are used to replace or materially upgrade portions of AMHA's housing units. Development programs are funded through the same sources and are used to acquire additional housing units for the public housing programs. HUD funding of modernization and development programs through September 30, 1986 was accomplished through project notes; after that time, HUD funding was accomplished through grants. HUD provides annual contributions for the payment of principal and interest on project notes and bonds.

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

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

- b. **ACC C-10003** - Housing Assistance Program ("HAP") - Under this HUD Section 8 Program, AMHA contracts with private landlords and subsidizes the rental of 3,565 public housing dwelling units. Under this program, HAP payments are made to the landlord on behalf of the tenant for the difference between the contract rent amount and the amount the tenant is able to pay.

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

- c. **Non-Aided** - HAP Program - Under this HUD Section 8 Program, AMHA receives rental subsidies for 199 owned public housing dwelling units. As with the HAP above, payments are received by AMHA from HUD for the difference between the contract rent amount and the amount the tenant is able to pay.

Joint Venture - AMHA is a member of the Housing Authority Risk Retention Group ("HARRG"). HARRG is a nonprofit, tax-exempt mutual insurance company which is wholly owned by its 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. The Board of Directors is elected by HARRG's 80 members. The number of votes granted to each member is based upon premiums paid up to a maximum of 10% of the total votes available. Since AMHA does not exercise significant influence over HARRG's daily operations, designate a controlling portion of management, or exercise significant fiscal control over the operations, the operations of HARRG are not included as part of AMHA. See Note 8 for additional information.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

AMHA has prepared its combined financial statements in conformity with accounting practices prescribed by HUD ("HUD accounting"). These practices are, in certain respects, at variance with generally accepted accounting principles (See Items b, c, e, and i below).

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

- a. **Cash and Cash Equivalents** include investments with original maturities of three months or less. Cash equivalents are carried at fair value.
- b. **Temporary Investments** consist of securities issued by the U.S. government and its agencies which are stated at fair value net of unamortized premium or discount. In accordance with HUD accounting, premiums and discounts are amortized using the straight-line method. Temporary investments have original maturities of greater than three months.
- c. **Land, Structures and Equipment** are capitalized at original cost including the capitalization of all indirect costs incurred during project development. Replacements are capitalized at cost and retirements are removed from the accounts at cost. In accordance with HUD accounting, structures and equipment are not depreciated. See Note 4.
- d. **Fixed Liabilities** are comprised of bonds payable. Such obligations were issued by HUD to finance the acquisition, construction or rehabilitation of housing units utilized by AMHA under HUD programs. HUD pays the annual debt service on these obligations through annual contributions to AMHA. Interest is recorded as accrued.

- e. **Accrued Leave** - AMHA, in accordance with HUD accounting, does not record a liability for sick leave accrued by its employees. Sick leave is charged to expense as it is taken. Sick leave is earned at a rate of 4.6 hours for each 80 hours worked and a certain amount of accumulated, unused sick leave is paid upon retirement.

Although not required by HUD accounting, AMHA accrues for annual vacation leave as it is earned. As of June 30, 1999, accrued vacation amounts per program are as follows:

Program	Amount
C-959	\$ 382,950
C-10003	42,586
Non-Aided	28,186
Total	<u>\$ 453,722</u>

These amounts are included in accrued liabilities in the accompanying combined balance sheet.

Vacation leave is earned at a rate ranging from eight hours to 16.66 hours per month based upon years of service.

- f. **HUD Contributions** - Contributions, including operating subsidies, are made by HUD to offset certain AMHA expenditures. These contributions are more fully described as follows:
- Housing assistance payments are received by AMHA, subject to certain limitations, for operations of the Section 8 Program. The amount of the HAP payments is based upon numerous criteria, including unit size and number of dwelling units.
 - Debt amortization payments to meet AMHA's annual principal and interest payments for bonded debt are made directly to the authorized fiscal agent by HUD. Interest expense related to the bonded debt is reflected in the accompanying combined financial statements. AMHA is required to remit residual receipts (if any) from operations and certain accrued interest to HUD as specified in ACC C-10003 to reduce the annual HUD contributions.
 - Basic annual contributions are received from HUD to cover the excess of expenditures over receipts, not to exceed maximum amounts stipulated in the Annual Contributions Contract.
- g. **Debt Amortization Funds** consist of cash and investments held by fiscal agents and amounts due from HUD. These funds will be used to retire current installments of debt and to pay interest accrued thereon.
- h. **Interprogram Receivables/Payables** - During the course of operations, numerous short-term interprogram loans are made primarily to cover payroll and interprogram cost allocations.
- i. **Recognition of Revenues, Expenditures and Contributions to Surplus** - Contributions and subsidies received from HUD are generally recognized as contributions to surplus in the Annual Contributions Contract year, except for HAP payments received under the Non-Aided Program which are recognized as dwelling rental revenue when earned. Tenant rentals are recognized as revenues in the month of occupancy. Contributions under the Comprehensive Grant Program (CGP) are recognized as contributions to surplus upon receipt, in accordance with HUD accounting guidelines.
- Expenses are recognized in conformity with HUD accounting practices which generally reflect accrual accounting with the exceptions indicated in Notes 2c and 2e.
- j. **Indirect Costs** - Certain indirect costs are allocated to the various programs under a HUD approved cost allocation plan.

- k. *Inventory* is valued using an average costing method and is included with escrow funds and other assets on the combined balance sheet.
- l. *Total (Memorandum Only) Columns* - Amounts in the Total (Memorandum Only) columns in the combined financial statements are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles; neither is such data comparable to a consolidation. Interprogram or interfund eliminations have not been made in aggregation of this data.

3. DEPOSITS AND INVESTMENTS

Legal and Other Requirements - The investment and deposit of Authority monies are governed by the provisions of the Ohio Revised Code and the Authority’s written investment policy. Only banks located in Ohio and domestic building and loan associations are eligible to hold public deposits. The Authority is also generally permitted to invest its monies in certificates of deposit, savings accounts, money market accounts, certain highly rated commercial paper, the State Treasurer’s investment pool (STAR Ohio), and obligations of certain political subdivisions of Ohio and the United States government and its agencies. These investments must mature within five 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 thirty days.

Public depositories must give security for all public funds on deposit. HUD requires specific collateral on individual accounts in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC). Repurchase agreements must be secured by the specific qualifying securities upon which the repurchase agreements are based. These securities must mature or be redeemable within five years of the date of the related repurchase agreement. The market value of the securities subject to a repurchase agreement must exceed the value of the principal by 2% and be marked to market daily. State law does not require security for public deposits and investments to be maintained in the Authority’s name.

The Authority is prohibited from investing in any financial instruments, contracts, or obligations 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.

Governmental Accounting Standards Board Statement Number 3 (GASB No. 3) has established custodial credit risk categories for deposits and investments as follows:

Deposits:

- Category 1 Insured or collateralized with securities held by the Authority or by its agent in the Authority's name.
- Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name.
- Category 3 Uncollateralized as defined by the GASB (securities pledged with the pledging financial institution's trust department or agent, but not in the Authority's name).

Investments:

- Category 1 Insured or registered, or securities held by the Authority or its agent in the Authority's name.
- Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Authority's name.
- Category 3 Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Authority's name.

Deposits - At year-end, the amount of AMHA's deposits was \$318,164 and the bank balance was \$455,472, the difference representing outstanding checks and other in-transit items. The total bank balance was covered by federal depository insurance.

Investments - AMHA's investments are categorized below to give an indication of the level of custodial credit risk assumed by the entity at year-end. The risk categories were described previously in this footnote. In the current year the client implemented Governmental Accounting Standards Board Statement Number 31 (GASB No. 31), *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. In accordance with GASB No. 31, balances are listed at fair value. This change in reporting does not affect the beginning year surplus.

Description	Risk Category			Fair Value
	1	2	3	
Repurchase Agreements		\$18,820,000		<u>\$18,820,000</u>
Total Investments				<u>\$18,820,000</u>

A reconciliation of cash and investments as shown on the Combined Balance Sheet follows:

Cash and cash equivalents	\$16,921,124
Restricted cash	1,911,682
Escrow funds (Note 9)	<u>305,359</u>
Total	<u>\$19,138,165</u>
Carrying amount of deposits	\$ 318,165
Carrying amount of investments	<u>18,820,000</u>
Total	<u>\$19,138,165</u>

4. LAND, STRUCTURES AND EQUIPMENT

A summary of changes to land, structures and equipment is as follows:

Program	Balance at July 1, 1998	Additions	Disposals	Balance at June 30, 1999
C-959	\$198,844,027	\$12,451,790	\$ (414,524)	\$210,881,293
C-10003	785,909	25,217	(12,089)	799,037
Non-Aided	<u>30,519,697</u>	<u>535,238</u>	<u>(53,575)</u>	<u>31,001,360</u>
Total	<u>\$230,149,633</u>	<u>\$13,012,245</u>	<u>\$ (480,188)</u>	<u>\$242,681,690</u>

5. NOTES AND MORTGAGES PAYABLE

Notes and mortgages payable consist of the following:

Description	Balance at July 1, 1998	Net Change	Balance at June 30, 1999
Mortgages payable	<u>\$11,414,596</u>	<u>\$ (393,590)</u>	<u>\$11,021,006</u>

Mortgages payable at June 30, 1999 consist of six separate notes as follows:

Project	Interest Rate	Monthly Payment Including Interest	Maturity Date	Amount
406A	6.50 %	\$ 13,412	2009	\$ 1,152,885
408A	6.50 %	10,803	2008	851,052
409A	6.50 %	3,339	2009	287,021
419A	6.50 %	6,670	2010	637,529
Rosemary Square, Inc.	7.00 %	11,628 *	2015	1,237,519
Central Office	Variable	**	2018	<u>6,855,000</u>
Total				<u><u>\$ 11,021,006</u></u>

* - Net of HUD subsidy

** - The Central Office mortgage has a variable rate of interest based on the Weekly Interest Rate for such one week period as defined in the loan agreement. At June 30, 1999, the interest rate in effect was 3.67%. This interest rate was utilized in the calculation of future debt service requirements.

As of June 1, 1996, AMHA purchased Rosemary Square. As part of this purchase, AMHA assumed Rosemary Square's HUD insured mortgage which had a stated interest rate of 7%. The mortgage was structured under Section 236 of the National Housing Act, as amended, and provides for a HUD subsidy representing a reduction of the mortgage principal and interest payments, thereby reducing the effective rate of interest on the mortgage to 1%. In connection with the accounting for the purchase, AMHA recorded Rosemary Square's HUD insured mortgage at its estimated fair value which was determined by discounting the remaining payments due under the mortgage (net of the HUD subsidy) by AMHA's estimated, incremental borrowing rate of 8.25% at the date of the acquisition. The difference between the estimated fair value of the debt and its remaining stated balance at the date of the acquisition is being amortized to interest expense using the constant effective yield method. At June 30, 1999, the difference between the carrying value and remaining stated value of the Rosemary Square HUD insured mortgage was \$2,057,929.

Effective July 1, 1999, AMHA refinanced the mortgage payable related to projects 406A, 408A, 409A, and 419A (as noted in Note 5) with First Merit Bank. The principal balance of \$2,910,226 is payable in monthly installments of \$28,372 from August 1, 1999 through September 1, 2010. Interest is payable monthly at a rate of 4.99%. The July 1, 1999 payment, of which \$18,361 was allocated to principal and \$15,823 to interest, was made in accordance with the terms in effect prior to the refinancing.

The following is a summary of AMHA's future debt service requirements for mortgages payable as of June 30, 1999. The future debt service requirements below reflect the refinancing of the mortgage related to project notes 406A, 408A, 409A, and 419A:

	Principal	Interest
2000	\$ 394,996	\$ 495,976
2001	411,328	473,098
2002	435,623	452,839
2003	460,772	431,359
2004	481,832	408,647
2005-2009	2,846,182	1,655,323
2010-2014	2,325,870	975,817
2015-2018	<u>3,664,403</u>	<u>419,501</u>
Total	<u>\$11,021,006</u>	<u>\$ 5,312,560</u>

In 1991, AMHA executed an in-substance defeasance of certain debt relating to AMHA's Wilbeth Arlington facilities by obtaining a mortgage loan on the property. Certain of the proceeds of the \$7,800,000 mortgage along with a portion of the escrow funds which had previously been established for the defeased debt were used to purchase U.S. Treasury securities in the amount of \$8,226,000. These securities were placed on deposit with a trustee bank to effect the defeasance. Accordingly, the deposits with the trustee bank and the defeased debt are not included in AMHA's combined financial statements. The remaining funds received by the Authority as a result of the defeasance are restricted by HUD to be used for rehabilitation and/or development of housing stock and are classified as "Temporary investments - restricted" on the balance sheet in the Non-Aided Fund. See Note 13 for additional disclosure related to Wilbeth Arlington Facilities.

6. FIXED LIABILITIES

Fixed liabilities consist of the following bonds payable:

Annual Contributions Contract C-959:

Issue	Interest Rate	Maturity Date	Amount
Second issue	4.500 %	Serially to 2008	\$ 1,210,000
Third issue	5.000 %	Serially to 2009	9,021,376
Fifth issue	4.875 %	Serially to 2013	10,037,482
Sixth issue	5.250 %	Serially to 2009	<u>1,909,606</u>
Total			<u>\$22,178,464</u>

HUD provides annual contributions to AMHA to fund required principal and interest payments.

The following is a summary of AMHA's future debt service requirements for fixed liabilities as of June 30, 1999:

	<i>Principal</i>	<i>Interest</i>
2000	\$ 1,520,157	\$ 1,101,299
2001	1,591,373	1,025,955
2002	1,676,349	947,172
2003	1,751,762	864,169
2004	1,845,981	777,432
2005 - 2009	10,174,528	2,424,640
2010 - 2013	<u>3,618,314</u>	<u>446,429</u>
Total	<u>\$22,178,464</u>	<u>\$ 7,587,096</u>

7. RETIREMENT BENEFITS

a. *Public Employees Retirement System of Ohio -*

Plan Description - Employees of AMHA belong to the Public Employees Retirement System of Ohio ("PERS"), a state-wide and state administered defined benefit, cost-sharing multigovernmental employer pension plan, as required by the Ohio Revised Code. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report that includes financial statements and required supplementary information. The financial report may be obtained by making a written request to the Public Employees Retirement System of Ohio, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

Funding Policy - The Ohio Revised Code provides statutory authority for employee and employer contributions. Employees other than law enforcement personnel are required to contribute 8.5% of their covered payroll to PERS. The employer contribution rate for local government employer units is 13.55% of covered payroll including 5.11% that is used to fund postretirement healthcare benefits. The Authority's total contributions to PERS for pension benefits (excluding the amount relating to postretirement benefits) for the years ended June 30, 1999, 1998, and 1997 were \$1,614,929, \$1,497,253 and \$1,371,102, respectively, equal to 100% of the required contribution for each year.

b. *Other Postemployment Benefits -*

Benefits Provided Through PERS - PERS provides postretirement healthcare coverage to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Healthcare coverage provided by the retirement system is considered an other postemployment benefit (OPEB) as described in GASB Statement No. 12.

A portion of each employer's contribution to PERS is set aside for funding of postretirement healthcare. The Ohio Revised Code provides statutory authority requiring public employers to fund postretirement healthcare through their contributions to PERS. The portion of the employer contribution rate used to fund healthcare was 5.11 percent of covered payroll in each year prior to January 1, 1998. During 1997, PERS adopted a new calculation methodology for determining employer contributions applied to OPEB. Under the new method, effective January 1, 1998, employer contributions equal to 4.2 percent of member covered payroll are set aside to fund healthcare expenses. Under the prior method, which was actuarially based, accrued liabilities and normal cost rates were computed to determine the amount of employer contributions necessary to fund OPEB. The Authority's total contributions to PERS for postretirement benefits were \$409,005, \$431,352 and \$454,616 for the years ended June 30, 1999, 1998, and 1997, respectively.

OPEB are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree healthcare, along with investment income on allocated assets and periodic adjustments in healthcare provision, are expected to be sufficient to sustain the program indefinitely.

PERS's expenditures for OPEB during 1998 were \$440,596,663. As of December 31, 1998, the unaudited estimated net assets available for future OPEB payments were \$9,447,325,318. The number of benefit recipients eligible for OPEB at December 31, 1998 was 115,579.

8. INSURANCE COVERAGE

As described in Note 1, through December 1, 1998, AMHA was a member of the Housing Authority Risk Retention Group ("HARRG"), which is a general liability insurance group operated as a joint venture by its public housing authority members. Through HARRG, AMHA receives \$5,000,000 of annual general liability coverage, with a deductible of \$25,000 per event. The operations of HARRG are intended to be self-sustaining through member premiums.

A summary of financial information for HARRG as of December 31, 1998 is as follows:

	HARRG (Unaudited)
Total assets	<u>\$ 149,942,663</u>
Liabilities and members' equity:	
Liabilities	\$ 109,621,346
Members' equity	<u>40,321,317</u>
Total liabilities and members' equity	<u>\$ 149,942,663</u>
Operating results for the year ended December 31, 1998:	
Total income	\$ 26,882,528
Total expenses	23,090,436
Net income before policyholder dividends	<u>3,792,092</u>
Policyholder dividends	(2,000,000)
Reversal of prior year policyholder dividends	595,318
Net income	<u>2,387,410</u>
Members' equity at beginning of year	34,745,373
Members' contribution - net	265,825
Change in net unrealized depreciation on investments	<u>2,922,709</u>
Total members' equity	<u>\$ 40,321,317</u>

Subsequent to December 1, 1998, AMHA joined Ohio Housing Authority Property Casualty, Inc. (OHAPCI) as its general liability insurance carrier. OHAPCI is an insurance risk pool comprised of four Ohio housing authorities (of which AMHA is one). Under OHAPCI, AMHA receives \$5,000,000 in general liability coverage, with no deductible. As OHAPCI was formed on December 1, 1998, no financial information is currently available.

Any claims that occurred prior to December 1, 1998 are subject to a two year statute of limitations, for which HAARG is responsible.

In addition to general liability coverage, AMHA maintains property, vehicle, boiler and machinery insurance through OHAPCI. Workers' compensation insurance is maintained through the State of Ohio Bureau of Workers' Compensation in which rates are calculated retrospectively. Prior to January 1, 1999, AMHA was self-insured for employee health care benefits. As of January 1, 1999, AMHA is fully insured through a premium payment plan with Medical Mutual of Ohio for employee health care benefits. The reserve adjustment noted below relates to this change in coverage. Changes in the liabilities for self-insured risks are as follows:

	Liability at July 1, 1998	Current Period Claims	Claim Payments	Reserve Adjustment	Liability at June 30, 1999
Health Benefits	\$ 427,142	\$1,965,262	\$ (274,268)	\$ (2,118,136)	\$ -
General Liability (insurance deductibles)	\$ 208,035	\$ 5,437	\$ (5,871)		\$ 207,601

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

9. ESCROW FUNDS AND OTHER ASSETS

Escrow funds and other assets consist of the following:

Description	Annual Contributions	
	Contract C-959	Non-Aided
Prepaid expenses and other	\$ 241,102	\$ 126,658
Inventories at weighted average cost	922,975	4,399
Defeasance mortgage funds		150,000
Defeasance bond funds		95,554
Escrow funds - Rosemary Square (Note 3)		305,359
Unamortized bond issuance costs:		
Thornton Terrace		4,248
Other		9,700
	<u>\$1,164,077</u>	<u>\$ 695,918</u>

Escrow funds include amounts restricted for debt service and extraordinary maintenance. These funds are invested in U.S. Government securities. These securities are carried at maturity value less unamortized purchase discounts, which approximates market value.

10. PAYMENTS IN LIEU OF TAXES

AMHA has cooperation agreements with certain municipalities under which it makes payments in lieu of real estate taxes for various public services. Expense recognized for payments in lieu of taxes totaled \$334,583 for the year ended June 30, 1999.

11. LITIGATION

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

12. ACCOUNTING CHANGE – DEFERRED COMPENSATION PROGRAMS

AMHA offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all AMHA employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. AMHA is part of a multiple-jurisdiction plan administered by the Ohio Public Employees Deferred Compensation Board (the "Board").

Prior to fiscal year 1999, because the moneys held by the plan were the sole property of AMHA (until paid or made available to the employee or beneficiary), they were subject to AMHA's general creditors. Internal Revenue Code 457 was amended during 1996 requiring deferred compensation plans to transfer all of their deposits into newly established trusts for the exclusive benefit of plan participants and their beneficiaries by January 1, 1999. During fiscal year 1999, AMHA's deferred compensation programs were amended to establish such trusts and all of the assets were deposited into the trusts. Accordingly, during fiscal year 1999, AMHA applied the provisions of GASB 32, "Accounting and Financial Reporting for Internal Revenue Code 457 Deferred Compensation Plans," and has excluded amounts deposited in the programs by AMHA employees from the accompanying combined balance sheet – all programs as of June 30, 1999.

13. SUBSEQUENT EVENT

In July 1999, AMHA drew \$1,563,000 from Wilbeth Arlington escrow funds to pay for a portion of costs associated with the rehabilitation of the Wilbeth Arlington facilities.

14. WILBETH ARLINGTON FACILITIES

In December 1996, AMHA agreed to participate in a Low-Income Housing Tax Credit Program under Section 42(h)(1)(E) of the Internal Revenue Code. Under this program, the Authority's Wilbeth Arlington low income housing facilities, related escrow funds and first mortgage payable, and certain other assets and liabilities were transferred to a newly formed limited liability partnership for the purpose of the limited liability partnership realizing certain low-income housing tax credits available from the State of Ohio. AMHA retained ownership of the Wilbeth Arlington land and indirectly controls the general partner of the limited liability partnership through the appointment of the general partner's board of directors. The limited partners, which own 99% of the limited liability partnership, are composed of outside investors.

The limited liability partnership has provided AMHA a \$2.4 million second mortgage on the property and a \$2.2 million unsecured promissory note, which are equal to the excess of the fair value of the property transferred over the outstanding balance of the first mortgage. The second mortgage is due on December 31, 2014 and bears interest at 9.75% annually. Interest payments are to be made only to the extent of available cash flow, as defined. AMHA has also guaranteed the repayment of the first mortgage which bears interest at 10.08% annually and is payable as follows:

Fiscal Year	Principal	Interest	Total
2000	\$ 315,770	\$ 608,941	\$ 924,711
2001	349,109	575,600	924,709
2002	385,972	538,737	924,709
2003	426,726	497,983	924,709
2004	471,784	452,925	924,709
2005-2009	3,220,044	1,403,558	4,623,602
2010-2013	<u>1,013,787</u>	<u>64,965</u>	<u>1,078,752</u>
Totals	<u>\$6,183,192</u>	<u>\$4,142,709</u>	<u>\$10,325,901</u>

AMHA has agreed to provide the limited liability partnership \$5.1 million of loans from its Non-Aided Program to provide funds for the rehabilitation of the facilities. As of June 30, 1999, AMHA had spent approximately \$6.3 million in connection with the rehabilitation of the facilities under this loan arrangement and \$2.7 million of additional loans was available to the limited liability partnership. Amounts loaned are secured by a third mortgage on the facilities and bear interest at an annual rate of 9.5% and must be repaid by the limited liability partnership on or before January 31, 1999, except that, prior to that date, the limited liability partnership may convert up to \$.7 million of the amount outstanding to a long-term loan, which would have a maturity date of December 31, 2014 and be payable solely from available cash flow, as defined.

Because AMHA retained a substantial continuing involvement with the property subsequent to the transaction through its control of the general partner and guarantee of the first mortgage, AMHA has not recognized this transaction as a sale of the property in the accompanying combined financial statements. In addition, the second and third mortgages receivable along with the unsecured promissory note receivable have also not been recognized. Instead, amounts spent by AMHA to rehabilitate the facilities have been added to the carrying value of the facilities and the assets and liabilities of the Wilbeth Arlington facilities are shown as "Assets subject to a sales contract" and "Liabilities related to a sales contract," respectively. These amounts are composed of the following:

Assets subject to a sales contract:	
Structures and equipment	\$ 15,547,524
Escrow funds	2,772,658
Other	<u>117,741</u>
 Total	 <u>\$ 18,437,923</u>
Liabilities related to a sales contract:	
First mortgage payable	\$ 6,183,192
Other	<u>1,152,025</u>
 Total	 <u>\$ 7,335,217</u>

The total operating revenues and expenses of the Wilbeth Arlington facilities for the year ended June 30, 1999 were as follows:

Operating revenues	\$ 2,089,690
Operating expenditures	<u>2,487,555</u>
 Operating loss	 <u>\$ (397,865)</u>

* * * * *

AKRON METROPOLITAN HOUSING AUTHORITY

SUPPLEMENTAL SCHEDULE OF YEAR 2000 ISSUES

The Authority is currently addressing the year 2000 issues relating to computer systems and other electronic equipment. The year 2000 issue refers to the fact that many computer programs use only the last two digits to refer to the year. Therefore, both 1900 and 2000 would be referred to as "00." Computer programs have to be adjusted to recognize the difference between those two years or the programs will fail or create errors. Also, some programs may not be able to recognize that 2000 is a leap year. Further, the year 2000 issue could affect electronic equipment containing computer chips that have date recognition features.

The Authority's management is responsible for addressing the year 2000 issue. Management has identified various computer systems and pieces of electronic equipment that are critical to conducting the Authority's operations and that need to be year 2000 compliant. Management is continuously monitoring year 2000 compliance efforts throughout the Authority and is providing assistance and resources to accelerate compliance for all mission-critical systems and equipment.

The Authority has identified several computer systems that are mission critical (that is, critical to conducting operations) and is subjecting those systems to the following stages of work to address year 2000 issues:

- *Awareness stage* – Establishing a budget and project plan for dealing with the year 2000 issue.
- *Assessment stage* – Identifying the systems and components for which year 2000 work is needed.
- *Remediation stage* – Making changes to systems and equipment.
- *Validation/testing stage* – Validation and testing of the changes that were made during the remediation stage.

The Authority is in the remediation stage for its financial applications. As of June 30, 1999, the Authority has spent approximately \$692,000 related to year 2000 issues and expects to spend an additional \$35,000 on custom programming. Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the Authority is or will be year 2000 ready, that the Authority's remediation efforts will be successful in whole or in part, and the parties with whom the Authority does business will be year 2000 ready.

AKRON METROPOLITAN HOUSING AUTHORITY

SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 1999

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (Direct Programs)		
Annual Contributions Contract C-959 - Public Housing Annual Contributions:		
New Development	14.850	\$ 1,127,467
Contract - Owned Housing	14.850	12,583,059
Contribution for Debt Service	14.850	<u>2,608,025</u>
Total 14.850		<u>16,318,551</u>
Public Housing Drug Elimination Program (\$409,095 passed through to subrecipients)	14.854	<u>1,206,363</u>
Public Housing - Comprehensive Grant Program - Modernization Program	14.852	<u>11,443,297</u>
Service Coordinators Grant	14.861	<u>127,910</u>
Annual Contributions Contract C-10003 - Shelter Plus Care	14.238	<u>122,900</u>
Lower Income Housing Assistance Program - Section 8 - Annual Contributions Contract	14.156	21,393,927
Non-Aided Program - Lower Income Housing Assistance Program - Section 8	14.156	<u>2,769,384</u>
Total 14.156		<u>24,163,311</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS (ALL U.S. DEPT. OF HUD)		<u>\$ 53,382,332</u>

See notes to supplemental schedule of expenditures of federal awards.

AKRON METROPOLITAN HOUSING AUTHORITY

NOTES TO SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 1999

- Note 1** *Reporting Entity* - The supplemental schedule of expenditures of federal awards includes the expenditures of all of the funds and departments of the Authority. The Authority administers certain federal financial assistance programs through subrecipients. Those subrecipients are not considered part of AMHA's reporting entity for purposes of the accompanying supplemental schedule of expenditures of federal awards; however, the amount of federal awards passed through to subrecipients is shown in parentheses. The supplemental schedule of expenditures of federal awards also does not include the federal financial assistance received by Rosemary Square, Inc. which is a not-for-profit organization owned by AMHA and was subject to a separate audit under the *Consolidated Audit Guide for Audits of HUD Programs* issued by the U.S. Department of Housing and Urban Development, Office of Inspector General in August 1997.
- Note 2** *Basis of Accounting* - This schedule was prepared in accordance with the basis of accounting prescribed by the U.S. Department of Housing and Urban Development.

AKRON METROPOLITAN HOUSING AUTHORITY

SUPPLEMENTAL COMBINING BALANCE SHEET INFORMATION - NON-AIDED JUNE 30, 1999

	Akron 73	Hilltop House	Akron 14	Wilbeth/ Arlington	Thornton Terrace	Leased Properties	Rosemary Square	Administrative Center	Total
ASSETS:									
Cash and cash equivalents		\$ 25						\$ 5,619,146	\$ 5,818,640
Restricted cash								1,911,682	1,911,682
Temporary investments									7,766
Receivables:									
Federal Government - HUD			\$ 7,766						
Tenant	\$ 28,258	3,198	14,965		\$ 22,329		7,287	53,536	129,573
Interprogram									
Other			(147,440)		(615,582)			226,516	226,516
Intrprogram advances	(482,378)	1,768,574		\$ (11,160,463)		\$ 1,863,256	(1,362,432)	10,136,465	500,000
Note receivable								500,000	467,427
Accrued interest receivable								467,427	695,918
Escrow funds and other assets	5,488	4,043	1,366		3,050		334,780	347,191	31,001,360
Land, structures and equipment	2,600,575	1,904,579	717,018		1,855,195		1,875,472	13,732,941	18,437,923
Assets subject to a sales contract				18,437,923					
TOTAL ASSETS	<u>\$ 2,151,943</u>	<u>\$ 3,680,419</u>	<u>\$ 593,675</u>	<u>\$ 7,277,460</u>	<u>\$ 1,264,992</u>	<u>\$ 10,178,836</u>	<u>\$ 1,054,576</u>	<u>\$ 32,994,904</u>	<u>\$ 59,196,805</u>
LIABILITIES AND SURPLUS:									
Accounts payable:									
Interprogram	\$ 37,173	\$ 22,220	\$ 9,193		\$ 16,709		\$ 115,387	\$ 27,393	\$ 27,393
Other								40,469	241,151
Accrued interest payable and other liabilities	5,475	5,775	1,050		2,700		46,293	40,233	101,526
Deferred credits	27,201		29,544					72,079	128,824
Notes and mortgages payable	1,152,884	851,052	287,021		637,530		1,237,519	6,855,000	11,021,006
Liabilities related to a sales contract				\$ 7,335,217					7,335,217
Total liabilities	1,222,733	879,047	326,808	7,335,217	656,939		1,399,199	7,035,174	18,855,117
Surplus (deficit)	929,210	2,801,372	266,867	(57,757)	608,053		(344,623)	25,959,730	40,341,688
TOTAL LIABILITIES AND SURPLUS	<u>\$ 2,151,943</u>	<u>\$ 3,680,419</u>	<u>\$ 593,675</u>	<u>\$ 7,277,460</u>	<u>\$ 1,264,992</u>	<u>\$ 10,178,836</u>	<u>\$ 1,054,576</u>	<u>\$ 32,994,904</u>	<u>\$ 59,196,805</u>

AKRON METROPOLITAN HOUSING AUTHORITY

SUPPLEMENTAL COMBINING REVENUES AND EXPENDITURES INFORMATION - NON-AIDED FOR THE YEAR ENDED JUNE 30, 1999

	Akron 73	Hilltop House	Akron 14	Wilbeth/ Arlington	Thornton Terrace	Rosemary Square	Administrative Center	Total
OPERATING REVENUES:								
Dwelling rental	\$407,968	\$537,632	\$99,838	\$2,077,522	\$273,735	\$957,210	\$ (1,278)	\$4,352,627
Non-dwelling rental		3,800		460				460
Excess utility charges				11,064		15,773	1,041,499	1,068,336
Interest on investments	3,496	3,113		644		12,945	693,825	714,023
Other								
Total operating revenues	411,464	544,545	99,838	2,089,690	273,735	985,928	1,734,046	6,139,246
OPERATING EXPENDITURES:								
Administrative:								
Salaries	31,395	34,496	6,162	90,933	15,797	54,150	179,616	412,549
Fiscal agent fees						67,839		67,839
Other	20,586	25,202	3,999	252,895	10,172	124,133	172,324	609,311
	51,981	59,698	10,161	343,828	25,969	246,122	351,940	1,089,699
Tenant service	6,512	6,870	1,249	7,509	3,212		3,843	29,195
Utilities	46,253	79,644	12,312	157,722	22,061	108,671	10,420	437,083
Ordinary maintenance and operation:								
Maintenance labor	43,527	57,753	9,947	158,083	23,252	77,835	57,950	428,347
Maintenance materials	35,018	12,255	13,968	72,568	9,975	201,634	20,020	365,438
Maintenance contracts	33,709	26,549	7,194	194,089	23,717	191,549	125,952	602,759
	112,254	96,557	31,109	424,740	56,944	471,018	203,922	1,396,544

(Continued)

AKRON METROPOLITAN HOUSING AUTHORITY

SUPPLEMENTAL COMBINING REVENUES AND EXPENDITURES INFORMATION - NON-AIDED FOR THE YEAR ENDED JUNE 30, 1999

	Akron 73	Hilltop House	Akron 14	Wilbeth/ Arlington	Thornton Terrace	Rosemary Square	Administrative Center	Total
OPERATING EXPENDITURES:								
General expenditures:								
Real estate taxes	\$ 4,046	\$ 4,102	\$ 935	\$ 56,911	\$ 1,950	\$ 30,894	\$ 616	\$ 87,805
Insurance				145,993		35,230		192,872
Terminal leave				(36)			550	514
Employee benefits	23,548	30,107	5,247	143,649	11,488		112,506	326,545
Collection losses	5,467	2,181	1,297	60,368	451		41,865	111,629
Other	568	100	141	(5,662)	271		14,380	9,798
	<u>33,629</u>	<u>36,490</u>	<u>7,620</u>	<u>401,223</u>	<u>14,160</u>	<u>66,124</u>	<u>169,917</u>	<u>729,163</u>
Nonroutine maintenance	16,887	30,485	9,045	5,765	7,083		4,180	73,445
Protective services	10,271	11,373	1,971	29,265	5,065		15,507	73,452
Interest expense	77,891	57,902	19,392	1,148,759	42,765	72,292	239,364	1,658,365
	<u>355,678</u>	<u>379,019</u>	<u>92,859</u>	<u>2,518,811</u>	<u>177,259</u>	<u>964,227</u>	<u>999,093</u>	<u>5,486,946</u>
Total operating expenditures	55,786	165,526	6,979	(429,121)	96,476	21,701	734,953	652,300
OPERATING INCOME (LOSS)								
NONOPERATING REVENUES (EXPENDITURES):								
Loss from disposition of equipment and rental property - net	(2,912)	(1,293)	(1,310)	(31,954)	(2,310)		(5,597)	(45,376)
Other	5,473	5,773	1,050	36,577	2,700		14,996	66,569
	<u>2,561</u>	<u>4,480</u>	<u>(260)</u>	<u>4,623</u>	<u>390</u>		<u>9,399</u>	<u>21,193</u>
Total nonoperating revenues (expenditures)								
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 58,347</u>	<u>\$ 170,006</u>	<u>\$ 6,719</u>	<u>\$ (424,498)</u>	<u>\$ 96,866</u>	<u>\$ 21,701</u>	<u>\$ 744,352</u>	<u>\$ 673,493</u>

(Concluded)

AKRON METROPOLITAN HOUSING AUTHORITY

SUPPLEMENTAL SCHEDULE OF ACTUAL MODERNIZATION COSTS INCURRED ON PROJECTS CLOSED DURING THE YEAR ENDED JUNE 30, 1999

The actual costs incurred on project OH12P007-704 are as follows:

	704
Funds approved	\$ 11,008,154
Funds expended	<u>11,008,154</u>
Excess of funds approved	<u>\$ -</u>
Funds advanced	\$ 11,008,154
Funds expended	<u>11,008,154</u>
Excess of funds advanced	<u>\$ -</u>

All modernization costs have been paid and all related liabilities have been discharged through payment for project OH12P007-704.

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

Board of Trustees
Akron Metropolitan Housing Authority
Akron, Ohio

We have audited the combined financial statements of the Akron Metropolitan Housing Authority ("AMHA") as of and for the year ended June 30, 1999 listed in the foregoing table of contents, and have issued our report thereon dated October 29, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We did not audit the financial statements of Rosemary Square, Inc. (a not-for-profit organization owned by AMHA), which statements reflect total assets constituting 2% of the total assets of the Non-Aided Program at June 30, 1999 and total operating revenues constituting 13% of total operating revenues of the Non-Aided Program for the year then ended. Those statements were audited by other auditors and we assume that the other auditors have reported to you on Rosemary Square, Inc.'s legal compliance and internal control over financial reporting. Accordingly, this report does not address the legal compliance and internal control over financial reporting of Rosemary Square, Inc.

Compliance

As part of obtaining reasonable assurance about whether AMHA's combined financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered AMHA's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the combined financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatement in amounts that would be material in relation to the combined financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Authority in a separate letter dated October 29, 1999.

This report is intended for the information of the Board of Trustees, management, the Auditor of the State of Ohio, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

October 29, 1999

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO ITS MAJOR PROGRAMS AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees
Akron Metropolitan Housing Authority
Akron, Ohio

Compliance

We have audited the compliance of the Akron Metropolitan Housing Authority ("AMHA") with the types of compliance requirements described in the *U.S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 1999. AMHA's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of AMHA's management. Our responsibility is to express an opinion on AMHA's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; 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 AMHA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on AMHA's compliance with those requirements.

Our audit of compliance did not comprehend the operations of Rosemary Square, Inc. (a not-for-profit organization owned by AMHA) which was audited by other auditors and we assume that the other auditors have reported to you on Rosemary Square, Inc.'s legal compliance and internal control. Accordingly, this report does not address the legal compliance and internal control of Rosemary Square, Inc.

In our opinion, AMHA complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 1999.

Internal Control Over Compliance

The management of AMHA is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered AMHA's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

This report is intended for the information of the Board of Trustees, management, the Auditor of the State of Ohio, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

October 29, 1999

AKRON METROPOLITAN HOUSING AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 1999

Summary of Auditors' Results

- Type of Report Issued on the Combined Financial Statements as of and for the Year Ended June 30, 1999 - Unqualified.
- Reportable Conditions in Internal Control Disclosed by the Audit of the Financial Statements - N/A.
- Noncompliance Noted that is Material to the Combined Financial Statements of the Authority - None.
- Reportable Conditions in Internal Control Over Major Federal Financial Assistance Programs Disclosed by the Audit of the Combined Financial Statements - N/A.
- Type of Report Issued on Compliance for Major Federal Financial Assistance Programs - Unqualified.
- The audit did not disclose any audit findings which are required to be reported under section .510(a) of OMB Circular A-133.
- Major Federal Financial Assistance Programs Identified for the Year Ended June 30, 1999:
 - U.S. Department of HUD:
 - Public Housing - Annual Contributions (CFDA #14.850)
 - Public Housing - Comprehensive Grant Program - Modernization Program (CFDA #14.852)
 - Dollar Threshold Used to Distinguish Between Type A and Type B Programs - \$1,652,185
 - The Authority is considered to be a Low Risk Auditee as defined under OMB Circular A-133.

Findings Related to the Combined Financial Statements that are Required to be Reported Under Government Auditing Standards

None

Findings and Questioned Costs Relating to Federal Awards

None

AKRON METROPOLITAN HOUSING AUTHORITY

STATUS OF PRIOR YEAR FINDINGS

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



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

AKRON METROPOLITAN HOUSING AUTHORITY
SUMMIT COUNTY

CLERK'S CERTIFICATION

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

By: Susan Babbitt

Date: MARCH 2, 2000