

**CUYAHOGA METROPOLITAN
HOUSING AUTHORITY**

AUDIT REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2012**

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

CUYAHOGA METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2012

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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, 2012 and December 31, 2011, 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 respective financial position of the Cuyahoga Metropolitan Housing Authority, Ohio, as of December 31, 2012 and December 31, 2011, and the respective 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.

Emphasis of Matter

As described in Note 3 to the financial statements, during 2012, the Authority adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and adjusted its December 31, 2011 net position due to the recognition of notes receivable and the elimination of debt issuance costs. Our opinion is not modified with respect to this matter.

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, the Supplemental Schedule of HOPE VI Costs, 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 Supplemental Schedule of HOPE VI Costs, 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 Supplemental Schedule of HOPE VI Costs, 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 date June 24, 2013, 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, Inc.
Certified Public Accountants

June 24, 2013

**CUYAHOGA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(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 Michael A. Simmons, Chief Financial Officer, 8120 Kinsman Road, Cleveland, Ohio 44104 or telephone 216-271-2810.

Overview of the Financial Statements

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

- Statements of Net 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, 2012 and 2011, and the results of its operations and cash flows for the years then ended.

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

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

**CUYAHOGA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Unaudited)**

2012 Financial Highlights

- The Authority's net position increased by \$47.8 million (or 24.0 percent) during 2012. Net position was \$246.5 million and \$198.6 million at December 31, 2012 and 2011, respectively.
- Total operating and non-operating revenues decreased by \$38.7 million (14.8 percent) during 2012, and were \$223.9 million and \$262.6 million for 2012 and 2011, respectively.
- The total expenses of all Authority programs decreased by \$17.9 million (740 percent). Total expenses were \$225.9 million and \$243.8 million for 2012 and 2011, respectively.
- The Authority's unrestricted net position increased by \$60.5 million (or 197.3 percent) during 2012, and were \$91.1 million and \$30.6 million for 2012 and 2011, respectively.

The Authority's Programs

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

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

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

Other Programs—In addition to the significant programs above, the Authority also maintains the following programs which have assets, liabilities, revenues, or expenses of at least 5 percent or more of the Authority's total assets, liabilities, revenues, or expenses in either 2012 or 2011:

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

**CUYAHOGA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(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		
	2012	2011	2010
<u>Assets</u>			
Current and Other Assets	\$ 134.3	\$ 90.4	\$ 96.3
Capital Assets	221.9	230.8	212.8
Total Assets	356.2	321.2	309.1
<u>Liabilities</u>			
Accounts Payable and Other Current Liabilities	34.7	39.7	39.2
Long-term Liabilities	75.0	82.8	90.0
Total Liabilities	109.7	122.5	129.2
<u>Net Position</u>			
Net Investment in Capital Assets	144.5	152.5	140.5
Restricted	10.9	15.6	9.5
Unrestricted	91.1	30.6	29.9
Total Net Position	\$ 246.5	\$ 198.7	\$ 179.9

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

Major Factors Affecting the Statement of Net Position

December 31, 2012 compared to December 31, 2011

Current 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.

**CUYAHOGA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Unaudited)**

December 31, 2011 compared to December 31, 2010

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

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

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

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, 2012 and 2011:

Table 2 - Changes in Unrestricted Net Position

(in millions)

	2012	2011
Unrestricted Net Position—Beginning of Year	<u>\$ 30.6</u>	<u>\$ 29.9</u>
Total Change in Net Position	(2.0)	18.8
Adjustments:		
Depreciation (1)	20.5	17.5
Adjustment for Retirement of Capital Assets	<u>0.3</u>	<u>0.3</u>
Adjusted Change in Net Position	18.8	36.6
Changes in Unexpended Borrowing on Debt - Net	3.7	10.3
Additions to Long-term Debt, Net of Payments on Long-term Debt	(4.5)	(4.4)
Capital Expenditures	(11.9)	(35.7)
(Increase) Decrease in Restricted Net Position	4.6	(6.1)
Prior Period Adjustment	<u>49.8</u>	<u>0.0</u>
Unrestricted Net Position—End of Year	<u><u>\$ 91.1</u></u>	<u><u>\$ 30.6</u></u>

(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, 2012 AND 2011
(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, 2012, 2011, and 2010:

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

	2012	2011	2010
<u>Operating Revenues</u>			
Dwelling Rent from Tenants	\$ 15.6	\$ 15.1	\$ 15.2
HUD Operating Subsidies and Grants	184.9	215.8	207.9
Grants - Other	0.6	2.3	0.9
Other Revenues	4.5	5.6	3.3
Total Operating Revenues	205.6	238.8	227.3
<u>Operating Expenses</u>			
Housing Assistance Payments	93.2	92.7	97.1
Depreciation	20.5	17.5	15.2
Administrative	34.6	34.7	32.5
Building Maintenance	28.3	25.5	25.4
Utilities	17.5	18.6	21.4
Nonroutine Maintenance	8.4	31.2	27.1
Tenant Services	4.3	3.7	3.5
General	5.7	5.9	4.4
Protective Services	8.6	8.9	8.7
Other	0.4	0.3	0.4
Total Operating Expenses	221.5	239.0	235.7
Operating Loss	(15.9)	(0.2)	(8.4)
<u>Non-Operating Revenues (Expenses)</u>			
Capital Grants from HUD	18.2	23.7	21.0
Interest Income	0.1	0.1	0.5
Interest Expense	(4.4)	(4.6)	(4.8)
(Loss) on Disposition	0.0	(0.2)	(0.2)
Total Non-Operating Revenues—Net	13.9	19.0	16.5
Change in Net Position	(2.0)	18.8	8.1
Net Position—Beginning of Year	198.7	179.9	171.8
Prior Period Adjustment	49.8	0.0	0.0
Net Position—End of Year	\$ 246.5	\$ 198.7	\$ 179.9

**CUYAHOGA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Unaudited)**

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

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.

December 31, 2011 compared to December 31, 2010

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

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

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

Capital Assets and Debt Administration

Capital Assets

At December 31, 2012, the Authority had \$221.9 million invested in a variety of capital assets (as reflected in the following schedule), which represents a net decrease of \$8.9 million from December 31, 2011.

**CUYAHOGA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
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(Unaudited)**

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

	(in millions)		
	December 31		
	2012	2011	2010
Land	\$ 28.9	\$ 28.4	\$ 28.3
Buildings	695.0	679.2	647.7
Equipment—Administrative	9.6	7.1	6.0
Equipment—Operating	14.7	16.3	16.2
Construction in Progress	8.7	15.0	23.5
Total	756.9	746.0	721.7
Accumulated Depreciation	(535.0)	(515.2)	(508.9)
Capital Assets—Net	\$ 221.9	\$ 230.8	\$ 212.8

The following reconciliation summarizes the 2012 and 2011 change in capital assets, which is presented in detail in Note 6 to the financial statements.

Table 5 - Changes in Capital Assets

	(in millions)	
	2012	2011
Beginning Balance	\$ 230.8	\$ 212.8
Additions	11.9	35.8
Retirements—Net	(0.3)	(0.3)
Depreciation Expense	(20.5)	(17.5)
Capital Assets—End of Year	\$ 221.9	\$ 230.8

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.

**CUYAHOGA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Unaudited)**

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.

December 2011 compared to December 2010

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

Some of the major projects were:

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

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

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

**CUYAHOGA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Unaudited)**

Debt Outstanding

As of December 31, 2012, the Authority had \$83.4 million in long-term debt and capital lease obligations compared to \$87.9 million at December 31, 2011, for a \$4.5 million decrease. The following summarizes these obligations:

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

	December 31		
	2012	2011	2010
Energy Program—Capital Lease	\$ 22.7	\$ 25.4	\$ 27.9
Ohio Bond Financing	12.9	13.4	14.0
Bond Anticipation Note , Series 2009	0.0	3.0	3.1
Bond Anticipation Note, Series 2012	3.0	0.0	0.0
General Revenue Bonds	3.1	3.1	3.1
Build America Bonds	12.9	12.9	12.9
Modernization Express Loan A	12.1	12.4	12.7
Modernization Express Loan B	7.2	7.4	7.6
Severance Financing	3.3	3.5	3.6
Quarrytown Mortgage Note	3.1	3.2	3.3
Ambleside Refinancing	3.1	3.6	4.0
Total	\$ 83.4	\$ 87.9	\$ 92.2

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 94.9 percent. Future years' funding levels are not expected to be as high, as demonstrated by 2013 funding at 82 percent. Reductions to the Capital Fund Program are projected to be reduced by 18 percent for 2012 when compared to 2011. The administration funding for the Housing Choice Voucher Program was funded at 80 percent and levels are expected to continue to decline in future years, as demonstrated in 2013 funding at 69 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 Michael A. Simmons, Chief Financial Officer, 8120 Kinsman Road, Cleveland, Ohio 44104.

CUYAHOGA METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2012 AND 2011

	2012	2011		2012	2011
<u>ASSETS</u>					
<u>Current Assets</u>			<u>LIABILITIES</u>		
Cash and Cash Equivalents	\$ 41,611,506	\$ 34,545,752	<u>Current Liabilities</u>		
Cash - Restricted	22,104,101	30,446,921	Accounts Payable—Vendors	\$ 9,331,361	\$ 11,622,249
Accounts Receivable Tenants - Net of Allowance for doubtful accounts of \$455,899 and \$523,427	291,207	344,001	Accounts Payable—HUD	725,602	6,843,481
Accounts Receivable - HUD	4,691,765	18,509,482	Accrued Expenses	12,063,707	12,025,815
Accounts Receivable - Other Governments	428,739	876,798	Security and Other Deposits	1,712,748	1,682,842
Accounts Receivable - Other	529,695	1,823,728	Current Portion of Long-Term Debt	8,060,224	4,888,248
Inventory	189,343	226,354	Current Portion of Capital Leases	2,743,313	2,631,316
Prepaid Expenses and Other Current Assets	1,438,895	1,565,788	Total Current Liabilities	34,636,955	39,693,951
Total Current Assets	71,285,251	88,338,824	<u>Non-Current Liabilities</u>		
<u>Non-Current Assets</u>			Long-Term Debt—Net of Current Portion	52,568,224	57,620,254
Capital Assets:			Capital Leases—Net of Current Portion	19,997,332	22,740,645
Assets Not Depreciated	37,652,003	43,437,477	Workers' Compensation Liability	2,464,000	2,394,000
Property and Equipment - Net	184,334,859	187,353,288	Total Non-Current Liabilities	75,029,556	82,754,899
Total Capital Assets	221,986,862	230,790,765	TOTAL LIABILITIES	109,666,511	122,448,850
Debt Issuance Costs, Net of Amortization of \$0 and \$353,698	0	1,016,363	<u>NET POSITION</u>		
Notes and Mortgage Receivable	61,818,617	0	Net Investment in Capital Assets	144,490,263	152,497,910
Investment in Joint Ventures	1,125,423	1,073,721	Restricted	10,951,859	15,627,471
Total Non-Current Assets	284,930,902	232,880,849	Unrestricted	91,107,520	30,645,542
TOTAL ASSETS	\$356,216,153	\$ 321,219,673	TOTAL NET POSITION	\$246,549,642	\$198,770,923

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, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<u>Operating Revenues</u>		
Tenant Revenue	\$ 15,613,164	\$ 15,085,247
HUD Operating Subsidies and Grants	184,898,307	215,760,709
Other Operating Grants	641,483	2,324,216
Other Revenues	4,475,786	5,640,455
Total Operating Revenues	<u>205,628,740</u>	<u>238,810,627</u>
<u>Operating Expenses</u>		
Housing Assistance Payments	93,192,289	92,684,148
Depreciation	20,538,415	17,483,943
Administrative	34,562,544	34,745,383
Building Maintenance	28,290,775	25,494,956
Utilities	17,479,765	18,626,737
Nonroutine Maintenance	8,429,891	31,163,803
Tenant Services	4,288,476	3,683,689
General	5,699,199	5,948,051
Protective Services	8,581,623	8,875,139
Other	427,858	334,259
Total Operating Expenses	<u>221,490,835</u>	<u>239,040,108</u>
Operating Loss	<u>(15,862,095)</u>	<u>(229,481)</u>
<u>Nonoperating Revenues (Expenses)</u>		
HUD Capital Grants	18,170,294	23,717,157
Interest Income	102,562	130,005
Interest Expense	(4,386,004)	(4,570,874)
(Loss) on Disposition of Capital Assets	(33,833)	(243,990)
Total Nonoperating Revenues - Net	<u>13,853,019</u>	<u>19,032,298</u>
Change in Net Position	(2,009,076)	18,802,817
Net Position - Beginning of Year	198,770,923	179,968,106
Prior Period Adjustment	49,787,795	0
Net Position - End of Year	<u>\$ 246,549,642</u>	<u>\$ 198,770,923</u>

See notes to the financial statements.

CUYAHOGA METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<u>Cash Flows From Operating Activities</u>		
HUD Operating Subsidies and Grants	\$ 184,519,246	\$ 217,197,721
Other Operating Grants	641,483	2,324,216
Cash Received from Tenant Rents	15,665,958	15,114,691
Cash Payments to Suppliers for Goods and Services	(57,714,824)	(83,861,292)
Cash Paid for Salaries and Benefits	(51,785,633)	(48,531,272)
Housing Assistance Payments	(93,192,289)	(92,684,148)
Other Receipts	6,259,020	3,751,236
Net Cash Provided by Operating Activities	<u>4,392,961</u>	<u>13,311,152</u>
<u>Cash Flows From Capital and Related Financing Activities</u>		
HUD Capital Grants	25,966,718	26,672,440
Property and Equipment Additions	(11,768,345)	(35,738,908)
Repayment of Debt and Capital Lease Obligations	(4,511,370)	(4,379,736)
Interest Paid on Debt and Capital Lease Obligations	(4,386,004)	(4,570,874)
Proceeds from Sale of Capital Assets	0	51,399
Net Cash Used in Capital and Related Financing Activities	<u>5,300,999</u>	<u>(17,965,679)</u>
<u>Cash Flows From Investing Activities</u>		
Notes Receivable	(11,077,397)	0
Interest Income	106,271	135,424
Net Cash Provided by Investing Activities	<u>(10,971,126)</u>	<u>135,424</u>
Increase (Decrease) in Cash and Cash Equivalents	(1,277,166)	(4,519,103)
Cash and Cash Equivalents - Beginning of Year	<u>64,992,773</u>	<u>69,511,876</u>
Cash and Cash Equivalents - End of Year*	<u>\$ 63,715,607</u>	<u>\$ 64,992,773</u>

* The amount includes \$ 41,611,506 and \$ 34,545,852 unrestricted cash and cash equivalents, and \$ 22,104,101 and \$ 30,446,921 of restricted cash in 2012 and 2011, respectively.

(Continued)

See notes to the financial statements.

CUYAHOGA METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)

	<u>2012</u>	<u>2011</u>
<u>Reconciliation of Operating Loss to Net Cash</u>		
<u>Provided by Operating Activities</u>		
Operating Loss	\$ (15,862,095)	\$ (229,481)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:		
Depreciation	20,538,415	17,483,943
Provision for Uncollectible Accounts	67,528	326,611
(Increase) Decrease in Assets:		
Accounts Receivable Tenants	(14,734)	(41,623)
Accounts Receivable - HUD Operating	21,293	(14,171)
Accounts Receivable—Other	1,742,092	(1,756,325)
Inventory	37,011	47,170
Prepaid Expenses and Other Assets	134,420	(194,275)
Increase (Decrease) in Liabilities:		
Accounts Payable	(2,290,888)	(3,362,227)
Intergovernmental	(117,879)	2,028,957
Accrued Expenses and Other	37,892	(1,109,046)
Security and Other Deposits	29,906	(282,381)
Workers' Compensation	70,000	414,000
Net Cash Provided by Operating Activities	\$ 4,392,961	\$ 13,311,152

See notes to the financial statements.

(Concluded)

CUYAHOGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

1. DEFINITION OF THE ENTITY

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

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

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

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, 2012 AND 2011
(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 501c(3) corporation, as a wholly-owned subsidiary. Western Reserve was established for the 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 Chief Financial Officer and the budget is approved by the Board of Commissioners.

Other Grants – During 2012 and 2011, 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 501c(3) corporation. This charity is to raise funds through donations and fundraising events to be used to provide charitable and educational support for the Authority’s residents. The assets, liabilities, and results of operations are included in the accompanying financial statements.

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

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

CUYAHOGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(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, 2012 AND 2011
(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 may be accrued and carried over from year to year up to a maximum of 120 days. Upon retirement, employees can convert accumulated but unused sick time into a cash payment at the rate of one day for every two days accumulated.
- 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, 2012 AND 2011
(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 will 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.

- M. *Change in Reporting* – In 2012, the Authority had a change in accounting principles in its recording for Mixed Finance notes and mortgage receivables. In previous years, the Authority did not record these loans since it could not determine the value of the property secured by the loan at the maturity dates in 40 to 50 years. Starting in 2012, the Authority is recording the loans. No facts are currently known that would lead the Authority to believe that default on these loans is probable.

3. CHANGE IN ACCOUNTING PRINCIPLES AND PRIOR PERIOD ADJUSTMENT

Implementation of New Pronouncements

For 2012, the Authority has implemented Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Agreements*, GASB Statement No. 62, *Codification and Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, GASB Statement No. 64, *Derivative Instructions: Application of Hedge Accounting Termination Provisions*, an amendment of GASB Statement No. 53, *Fund Balance Reporting and Governmental Fund Type Definitions*, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. The implementation of this Statement did not result in any change in the Authority’s financial statements.

**CUYAHOGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)**

3. CHANGE IN ACCOUNTING PRINCIPLES AND PRIOR PERIOD ADJUSTMENT
(Continued)

GASB Statement No. 62 incorporates into GASB’s authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this Statement did not result in any change in the Authority’s financial statements.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated into the Authority’s 2012 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 64 clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty’s credit support provider. This Statement sets forth criteria that establishes when the effective hedging relationship continues and hedge accounting should continue to be applied. The implementation of this Statement did not result in any change in the Authority’s financial statements.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). The implementation of this Statement resulted in debt issuance costs being expensed rather than being deferred. This change had the effect of restating beginning net position in the amount of \$953,425.

Prior Period Adjustment

During 2012, the Authority changed its policy on recording notes receivable. In addition, deferred charges were eliminated due to the implementation of GASB Statement No. 65. These changes had the following effect on net position as previously recorded.

Net Position at December 31, 2011	\$ 198,770,923
Adjustments:	
Notes Receivable	50,741,220
Deferred Charges	<u>(953,425)</u>
Adjusted Net Postion at December 31, 2011	<u>\$ 248,558,718</u>

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, 2012 AND 2011
(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 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 \$52,947,429 (included in the carrying amount is \$14,200 in petty cash), and the bank balance was \$54,800,089, the difference representing outstanding checks and other in-transit items. Of the bank balance, \$47,411,260 was covered by Federal Depository Insurance, \$7,170,192 was collateralized by securities pledged in the name of the Authority or by pooled collateral as permitted by the Ohio Revised Code, and \$218,637 was uninsured and uncollateralized.

Investments—The Authority has a formal investment policy. Investments held by the Authority at December 31, 2012 are presented below, categorized by investment type and credit quality rating. Credit ratings provide information about the investments’ credit risk, which is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. All investments mature within one year.

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

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

CUYAHOGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)

4. DEPOSITS AND INVESTMENTS (Continued)

<u>Description</u>	Total Fair Value/ Carrying Value	Credit Quality Rating
Repurchase Agreement	\$ 2,656,096	AA+
Money Market Funds	3,897,293	AAAm
Money Market Funds	1,093,375	AA+
Money Market Funds	2,902,195	A1
Money Market Funds	219,219	A+
Total Primary Government Investments	\$ 10,768,178	

* Rating offered by Standard & Poor's

A reconciliation of cash and investments as shown on the Statement of Net Position at December 31, 2012 and 2011 to the deposits and investments included in this note is as follows:

	2012	2011
Cash and Cash Equivalents	\$ 41,611,506	\$ 34,545,852
Cash - Restricted	22,104,101	30,446,921
Total	\$ 63,715,607	\$ 64,992,773
Carrying Amount of Deposits	\$ 52,947,429	\$ 51,143,191
Carrying Amount of Investments	10,768,178	13,849,582
Total	\$ 63,715,607	\$ 64,992,773

CUYAHOGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)

5. RESTRICTED CASH AND INVESTMENTS

At December 31, 2012 and 2011, 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>2012</u>	<u>2011</u>
Conventional Program:		
Tenant Security Deposits	\$ 1,289,296	\$ 1,259,952
Industrial Commission of Ohio Escrow Fund	3,567,000	3,549,000
Homeownership Program:		
Earned HOME Payment Account and Nonroutine Maintenance Reserve	0	37,034
Housing Choice Voucher Restricted HAP:		
Restricted HAP	7,849,202	12,790,655
FSS Escrow Deposits	281,612	244,770
Ohio Bond Financing:		
Net Proceeds	1,862,487	1,862,357
Debt Service Reserve	1,107,811	1,145,264
Capital Fund Revenue Loan A:		
Net Proceeds	10,742	10,737
Debt Service Reserve	1,174,969	1,174,491
Capital Fund Revenue Loan B:		
Net Proceeds	1,016,333	4,694,892
Debt Service Reserve	700,152	699,867
Ambleside:		
Tenant Security Deposits	35,864	35,388
Nonroutine Maintenance Reserves	751,234	631,395
Debt Amortization Funds	1,093,375	1,021,454
Severance:		
Tenant Security Deposits	38,758	38,120
Nonroutine Maintenance Reserves	104,969	104,764
Quarrytown:		
Tenant Security Deposits	44,081	43,804
Nonroutine Maintenance Reserves	598,185	597,056
Woody Woods:		
Tenant Security Deposits	23,137	23,774
Riverside Park:		
Replacement Reserve	513,493	482,147
Heritage View Homes I:		
Replacement Reserve	24,301	0
Heritage View Homes II:		
Replacement Reserve	17,100	0
Total	<u>\$ 22,104,101</u>	<u>\$ 30,446,921</u>

CUYAHOGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)

6. CAPITAL ASSETS

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

	<u>January 1.</u> <u>2012</u>	<u>Additions</u>	<u>Transfers</u>	<u>Deletions</u>	<u>December 31,</u> <u>2012</u>
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	<u>43,437,477</u>	<u>16,847,982</u>	<u>0</u>	<u>(22,633,456)</u>	<u>37,652,003</u>
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	<u>702,613,580</u>	<u>17,553,819</u>	<u>0</u>	<u>(746,651)</u>	<u>719,420,748</u>
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	<u>(515,260,292)</u>	<u>(20,538,415)</u>	<u>0</u>	<u>712,818</u>	<u>(535,085,889)</u>
Depreciable Assets, Net	187,353,288	(2,984,596)	0	(33,833)	184,334,859
Total Capital Assets—Net	<u>\$ 230,790,765</u>	<u>\$ 13,863,386</u>	<u>\$ 0</u>	<u>\$ (22,667,289)</u>	<u>\$ 221,986,862</u>

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

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

CUYAHOGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
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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, 2012 and 2011, Notes and Mortgages Receivable total \$62.3 million and \$51.8 million, respectively. The balance includes amounts for construction loans. No allowance for uncollectible amounts is deemed necessary against these receivables at December 31, 2012 and 2011. 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, 2012 consisted of the following:

	<u>Principal</u>	<u>Deferred Interest</u>	<u>Balance</u>
Notes Receivable	\$ 7,929,610	\$ 0	\$ 7,929,610
Mortgage Receivable	53,889,007	564,726	54,453,733
Total	<u>\$ 61,818,617</u>	<u>\$ 564,726</u>	<u>\$ 62,383,343</u>

8. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses at December 31, 2012 and 2011 consist of the following items:

	<u>2012</u>	<u>2011</u>
Payroll and Related Accruals	\$ 6,853,432	\$ 6,685,818
Deferred Revenue	1,279,840	1,562,315
Workers' Compensation—Current Portion	1,103,000	1,155,000
Other Litigation Reserves	483,750	399,840
Interest Payable	1,104,410	1,172,589
Other	1,239,272	1,050,253
Total	<u>\$ 12,063,704</u>	<u>\$ 12,025,815</u>

CUYAHOGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
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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, 2012:

	Principal	Interest	Total
2013	\$ 495,000	\$ 220,325	\$ 715,325
2014	535,000	184,975	719,975
2015	580,000	146,825	726,825
2016	620,000	105,225	725,225
2017	660,000	61,425	721,425
2018	380,000	13,300	393,300
Total Payments	3,270,000	732,075	4,002,075
Less—Unamortized Bond Discount	(126,815)	0	(126,815)
Total	\$ 3,143,185	\$ 732,075	\$ 3,875,260

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
2013	\$ 2,743,313	\$ 910,103	\$ 3,653,416
2014	2,860,076	793,340	3,653,416
2015	2,981,809	671,607	3,653,416
2016	3,108,724	544,692	3,653,416
2017	3,241,040	412,376	3,653,416
2018-2019	7,805,683	826,874	8,632,557
Total	\$ 22,740,645	\$ 4,158,992	\$ 26,899,637

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9. DEBT AND LEASE OBLIGATIONS (Continued)

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

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

The Note Series 2009 matured September 1, 2012 and has an interest rate of 4.5 percent. The note was sold at a premium of \$117,570. Interest on the note 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 matures March 1, 2013 and has an interest rate of 1.75 percent.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	<u>\$3,060,000</u>	<u>\$ 26,924</u>	<u>\$3,086,924</u>

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, 2012, \$3,289,215 in debt remained outstanding. An amortization of the loan after 2013 is not available.

Payments under the agreement are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 181,000	\$ 204,562	\$ 385,562
Amount Remaining	<u>3,108,215</u>	<u>0</u>	<u>3,108,215</u>
	<u>\$3,289,215</u>	<u>\$ 204,562</u>	<u>\$3,493,777</u>

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(CONTINUED)

9. DEBT AND LEASE OBLIGATIONS (Continued)

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, 2012, total debt and unamortized bond premium was \$12,868,667.

Payments under the agreement are as follows:

	Principal	Interest	Total
2013	\$ 575,000	\$ 612,688	\$ 1,187,688
2014	600,000	584,750	1,184,750
2015	635,000	553,875	1,188,875
2016	665,000	521,375	1,186,375
2017	700,000	487,250	1,187,250
2018-2022	4,100,000	1,857,000	5,957,000
2023-2026	4,125,000	659,375	4,784,375
2027	1,170,000	29,250	1,199,250
Total	<u>12,570,000</u>	<u>5,305,563</u>	<u>17,875,563</u>
Unamortized Bond Premium	298,667	0	298,667
Total	<u>\$ 12,868,667</u>	<u>\$ 5,305,563</u>	<u>\$ 18,174,230</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

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.

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(CONTINUED)

9. DEBT AND LEASE OBLIGATIONS (Continued)

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 0	\$ 1,141,212	\$ 1,141,212
2014	485,000	1,137,877	1,622,877
2015	500,000	1,124,124	1,624,124
2016	510,000	1,108,571	1,618,571
2017	530,000	1,090,858	1,620,858
2018-2022	1,120,000	5,127,505	6,247,505
2023-2027	0	4,320,384	4,320,384
2028-2032	4,835,000	3,243,102	8,078,102
2023-2039	8,020,000	2,060,954	10,080,954
Total Payments	<u>16,000,000</u>	<u>20,354,587</u>	<u>36,354,587</u>
Less Amortized Bond Discount	(49,789)	0	(49,789)
Total	<u>\$ 15,950,211</u>	<u>\$ 20,354,587</u>	<u>\$ 36,304,798</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, at which time all unpaid principal and accrued interest shall be due and payable.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	<u>\$ 3,096,810</u>	<u>\$ 65,792</u>	<u>\$ 3,162,602</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 \$19,832,030.

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

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

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9. DEBT AND LEASE OBLIGATIONS (Continued)

Capital Fund Financing 2009 (Continued)

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:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 651,460	\$ 1,219,680	\$ 1,871,140
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
2018-2022	5,083,250	4,272,428	9,355,678
2023-2027	6,965,810	2,389,857	9,355,667
2028-2029	3,461,830	280,436	3,742,266
Total	<u>\$ 19,220,360</u>	<u>\$ 12,588,941</u>	<u>\$ 31,809,301</u>

A summary of the Authority's long-term debt and capital lease in 2012 follows:

	<u>January 1,</u> <u>2012</u>	<u>Increase</u>	<u>Decrease</u>	<u>December 31,</u> <u>2012</u>	<u>Due Within</u> <u>One Year</u>
Ambleside Bonds	\$ 3,589,510	\$ 0	\$ (446,325)	\$ 3,143,185	\$ 474,995
Bond Anticipation Note -2009	3,026,495	0	(3,026,495)	0	0
Bond Anticipation Note - 2012	0	3,060,000	0	3,060,000	3,060,000
Unamortized Bond Discount	(57,075)	0	7,286	(49,789)	0
General Revenue Bond	3,145,000	0	0	3,145,000	0
Build America Bonds	12,855,000	0	0	12,855,000	0
Ohio Bond Financing	13,439,625	0	(570,958)	12,868,667	595,959
Mortgage Note - Severance	3,467,752	0	(178,537)	3,289,215	181,000
First Mortgage Note-Quarrytown	3,210,166	0	(113,356)	3,096,810	3,096,810
Capital Lease	25,371,960	0	(2,631,315)	22,740,645	2,743,313
Modernization Express Loan A	12,426,960	0	(383,280)	12,043,680	408,210
Modernization Express Loan B	7,405,070	0	(228,390)	7,176,680	243,250
Total	<u>\$ 87,880,463</u>	<u>\$ 3,060,000</u>	<u>\$ (7,571,370)</u>	<u>\$ 83,369,093</u>	<u>\$ 10,803,537</u>

Other Lease Obligations—The Authority leases office equipment under various operating leases. Total expense recognized under these operating leases was \$579,783 in 2012 and \$576,806 in 2011.

Future minimum lease payments are as follows:

	<u>Office</u> <u>Equipment</u>
2013	\$ 162,796
2014	4,986

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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.

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>

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11. RETIREMENT AND OTHER BENEFIT PLANS (Continued)

Ohio Public Employees Retirement System (Continued)

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2012, 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, 2012, 2011, and 2010, were \$5,835,360, \$5,854,803, and \$5,685,485, respectively. The full amount has been contributed for 2012, 2011, and 2010.

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>

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.

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12. POST-EMPLOYMENT BENEFITS (Continued)

Funding Policy (Continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, the Authority contributed at a rate of 14.00 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 4.0 percent for calendar year 2012 and the portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for calendar year 2012. 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, 2012, 2011, and 2010, which were used to fund post-employment health care benefits were \$1,669,931, \$1,673,671, and \$2,025,422, respectively. The full amount has been contributed for 2012, 2011, and 2010.

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' errors and omissions coverage, with a \$25,000 deductible.

The Authority is also a member of HAPI, which is a property insurance group operated as a joint venture by its 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, 2012 AND 2011
(CONTINUED)

13. INSURANCE COVERAGE AND RISK RETENTION (Continued)

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

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 \$3,567,000 liability for self-insured workers' compensation claims in its Conventional Program and is fully funded at December 31, 2012.

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, 2012 and 2011 were as follows:

	Workers' Compensation Benefits	Employee Termination and Other
Balance—January 1, 2011	\$ 3,120,000	\$ 593,690
Incurred Claims—Net of Changes in Estimates	1,273,052	(190,010)
Payments	(844,052)	(3,840)
Balance—December 31, 2011	3,549,000	399,840
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

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 2012 and 2011, 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, 2012 AND 2011
(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, 2012, the Authority had the following significant construction commitments:

<u>Project Type</u>	<u>Amount</u>
Building Renovations	\$ 25,419,219
HVAC/Elevator Improvements	252,374
Total Construction Commitments	\$ 25,671,593

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, 2012. In addition, impacting that calculation are the debt service funds held by the trustee bank as required by the Trustee Indenture.

Capital Assets	\$ 221,986,862
Less Related Debt	(83,369,093)
Add Back in Unspent Debt Proceeds and Debt Services Funds Held by Trustee	5,872,494
Total Investment in Capital Assets, Net of Related Debt	\$ 144,490,263

17. RESTRICTED NET POSITION

Below is a summary of restricted net position at December 31, 2012:

Unspent funding provided by HUD to make HAP payments in the Section 8 Housing Choice Voucher Program	\$ 7,849,202
Nonroutine maintenance and debt service reserves	3,102,657
Total Restricted Net Position at December 31, 2012	\$ 10,951,859

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CUYAHOGA METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL SCHEDULE OF MODERNIZATION COSTS EXPENDED -
PROJECTS CLOSED THROUGH DECEMBER 31, 2012

Modernization Project Number	OH12S003 501-09	OH003000 90409R	OH003000 90509R	OH003000 90709R	OH003000 90809R	OH003000 90909R
Funds Approved	\$ 35,068,004	\$ 1,073,774	\$ 2,847,624	\$ 6,403,228	\$ 1,587,189	\$ 2,603,661
Funds Expended	35,068,004	1,073,774	2,847,624	6,403,228	1,587,189	2,603,661
Excess of Funds Approved	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Funds Advanced	\$ 35,068,004	\$ 1,073,774	\$ 2,847,624	\$ 6,403,228	\$ 1,587,189	\$ 2,603,661
Funds Expended	35,068,004	1,073,774	2,847,624	6,403,228	1,587,189	2,603,661
Excess of Funds Advanced	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Modernization Project Number	OH003000 91009R	OH003000 93009G	OH12E003 501-10	OH12R003 501-03	OH12R003 501-04	OH12R003 502-03
Funds Approved	\$ 2,265,042	\$ 17,687,509	\$ 250,000	\$ 2,543,379	\$ 559,362	\$ 1,066,327
Funds Expended	2,265,042	17,687,509	250,000	2,543,379	559,362	1,066,327
Excess of Funds Approved	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Funds Advanced	\$ 2,265,042	\$ 17,687,509	\$ 250,000	\$ 2,543,379	\$ 559,362	\$ 1,066,327
Funds Expended	2,265,042	17,687,509	250,000	2,543,379	559,362	1,066,327
Excess of Funds Advanced	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Modernization Project Number	OH12R003 502-04	OH12R003 502-05	OH12R003 502-06	OH12R003 502-07
Funds Approved	\$ 4,174,553	\$ 799,888	\$ 692,101	\$ 728,555
Funds Expended	4,174,553	799,888	692,101	728,555
Excess of Funds Approved	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Funds Advanced	\$ 4,174,553	\$ 799,888	\$ 692,101	\$ 728,555
Funds Expended	4,174,553	799,888	692,101	728,555
Excess of Funds Advanced	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

**CUYAHOGA METROPOLITAN HOUSING AUTHORITY
 SUPPLEMENTAL SCHEDULE OF HOPE VI COSTS -
 PROJECTS CLOSED THROUGH DECEMBER 31, 2012**

HOPE VI Grant Number	<u>OH12URD003 I103</u>	<u>OH12P003 D103</u>	<u>OH12P003 I193</u>	<u>OH12URD003 I195</u>	<u>OH12URD003 I196</u>
Original Funds Approved	\$ 17,447,772	\$ 2,087,774	\$ 50,000,000	\$ 21,000,000	\$ 29,733,334
Funds Disbursed	17,447,772	2,087,774	50,000,000	21,000,000	29,733,334
Excess of Funds Approved	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Funds Advanced	\$ 17,447,772	\$ 2,087,774	\$ 50,000,000	\$ 21,000,000	\$ 29,773,334
Funds Expended (Actual Program Cost)	17,447,772	2,087,774	50,000,000	21,000,000	29,773,334
Amount to be Recaptured	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Funds Advanced	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

CUYAHOGA METROPOLITAN HOUSING AUTHORITY
ENTITY WIDE BALANCE SHEET SUMMARY
DECEMBER 31, 2012

	Project Total	14.199 Multifamily Property Disposition	16.710 Public Safety Partnership and Community Policing Grants	17.274 YouthBuild Program	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice 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	14.885 Formula Capital Fund Stimulus Grant	14.235 Supportive Housing Program	Component Units
111 Cash - Unrestricted	23,677,051	101,161			64,997	1,960,341	122,248		100		30,663	1,520,350
112 Cash - Restricted - Modernization and Development	4,845,420											
113 Cash - Other Restricted	1,581,968					7,849,202		2,547,763				
114 Cash - Tenant Security Deposits	1,289,296	23,137				281,612		118,703				
100 Total Cash	31,393,735	124,298	0	0	64,997	10,091,155	122,248	2,666,466	100	0	30,663	1,520,350
122 Accounts Receivable - HUD Other Projects	4,437,860	58,303			678		39,610				34,208	
124 Accounts Receivable - Other Government			164,947	45,427								
125 Accounts Receivable - Miscellaneous	16,071	117,508				403,942		2,088				500
126 Accounts Receivable - Tenants	717,511	14,423						15,172				
126.1 Allowance for Doubtful Accounts - Tenants	-441,542	-7,666						-6,691				
126.2 Allowance for Doubtful Accounts - Other	0	0	0	0	0	-274,054	0	0			0	0
129 Accrued Interest Receivable								5,802				
120 Total Receivables, Net of Allowances for Doubtful Accounts	4,729,900	182,568	164,947	45,427	678	129,888	39,610	16,371	0	0	34,208	500
142 Prepaid Expenses and Other Assets	443,823	1,761				319,894		29,337				544
143 Inventories												
143.1 Allowance for Obsolete Inventories												
144 Inter Program Due From	13,826,041											324,326
150 Total Current Assets	50,393,499	308,627	164,947	45,427	65,675	10,540,937	161,858	2,712,174	100	0	64,871	1,845,720
161 Land	23,643,925							620,597				
162 Buildings	663,563,568	1,221,345						12,875,853				14,161,430
163 Furniture, Equipment & Machinery - Dwellings	13,409,249	18,754						1,033,931				207,372
164 Furniture, Equipment & Machinery - Administration						1,553,830						
165 Leasehold Improvements						277,202						
166 Accumulated Depreciation	-515,777,909	-1,016,543				-1,012,455		-7,771,366				-691,921
167 Construction in Progress	5,354,793	375				3,512	216,000	670,618				
160 Total Capital Assets, Net of Accumulated Depreciation	190,193,626	223,931	0	0	0	822,089	216,000	7,429,633	0	0	0	13,676,881
171 Notes, Loans and Mortgages Receivable - Non-Current	55,379,909											
174 Other Assets	0											
180 Total Non-Current Assets	245,573,535	223,931	0	0	0	822,089	216,000	7,429,633	0	0	0	13,676,881
190 Total Assets	295,967,034	532,558	164,947	45,427	65,675	11,363,026	377,858	10,141,807	100	0	64,871	15,522,601

CUYAHOGA METROPOLITAN HOUSING AUTHORITY
ENTITY WIDE BALANCE SHEET SUMMARY
DECEMBER 31, 2012

	Other Federal Program	State/Local	Business Activities	14.859 Public Housing Comprehensive Grant Program	14.879 Mainstream Vouchers	14.256 Neighborhood Stabilization Program (Recovery Act Funded)	Income Housing Assistance Program Section 8 Moderate	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	3,361,838	381,779	5,573,368		122,579		1,116,071	3,578,960	41,611,506		41,611,506
112 Cash - Restricted - Modernization and Development							0	4,845,420			4,845,420
113 Cash - Other Restricted							0	3,567,000	15,545,933		15,545,933
114 Cash - Tenant Security Deposits							0		1,712,748		1,712,748
100 Total Cash	3,361,838	381,779	5,573,368	0	122,579	0	1,116,071	7,145,960	63,715,607	0	63,715,607
122 Accounts Receivable - HUD Other Projects					107,688		13,418		4,691,765		4,691,765
124 Accounts Receivable - Other Government		218,365					0		428,739		428,739
125 Accounts Receivable - Miscellaneous	110,000		19,592				0	134,048	803,749		803,749
126 Accounts Receivable - Tenants							0		747,106		747,106
126.1 Allowance for Doubtful Accounts - Tenants							0		-455,899		-455,899
126.2 Allowance for Doubtful Accounts - Other	0	0	0		0	0	0	0	-274,054		-274,054
129 Accrued Interest Receivable							0	1,905	7,707		7,707
120 Total Receivables, Net of Allowances for Doubtful Accounts	110,000	218,365	19,592	0	107,688	0	13,418	135,953	5,949,113	0	5,949,113
142 Prepaid Expenses and Other Assets							0	14,199,300	14,994,659	-13,563,471	1,431,188
143 Inventories							0	269,288	269,288		269,288
143.1 Allowance for Obsolete Inventories							0	-79,945	-79,945		-79,945
144 Inter Program Due From							0	13,166,248	27,316,615	-27,316,615	0
150 Total Current Assets	3,471,838	600,144	5,592,960	0	230,267	0	1,129,489	34,836,804	112,165,338	-40,880,086	71,285,251
161 Land			1,910,000				0	2,714,661	28,889,183		28,889,183
162 Buildings			558,000				0	2,436,237	694,816,433		694,816,433
163 Furniture, Equipment & Machinery - Dwellings							0		14,669,306		14,669,306
164 Furniture, Equipment & Machinery - Administration			262,699				0	7,841,278	9,657,807		9,657,807
165 Leasehold Improvements							0		277,202		277,202
166 Accumulated Depreciation			-710,251				0	-8,105,444	-535,085,889		-535,085,889
167 Construction in Progress			504,833				0	2,012,689	8,762,820		8,762,820
160 Total Capital Assets, Net of Accumulated Depreciation	0	0	2,525,281	0	0	0	0	6,899,421	221,986,862	0	221,986,862
171 Notes, Loans and Mortgages Receivable - Non-Current			1,400,000			5,038,708	0		61,818,617		61,818,617
174 Other Assets			0				0	1,125,423	1,125,423		1,125,423
180 Total Non-Current Assets	0	0	3,925,281	0	0	5,038,708	0	8,024,844	284,930,902	0	284,930,902
190 Total Assets	3,471,838	600,144	9,518,241	0	230,267	5,038,708	1,129,489	42,861,648	397,096,240	-40,880,086	356,216,153

CUYAHOGA METROPOLITAN HOUSING AUTHORITY
ENTITY WIDE BALANCE SHEET SUMMARY
DECEMBER 31, 2012

	Project Total	14.199 Multifamily Property Disposition	Public Safety Partnership and Community Policing Grants	17.274 YouthBuild Program	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice 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	14.885 Formula Capital Fund Stimulus Grant	14.235 Supportive Housing Program	Component Units
312 Accounts Payable <= 90 Days	7,449,350	9,405			13	74,938	43,200	514,944	100		64,871	10,499
321 Accrued Wage/Payroll Taxes Payable	3,230,711	7,127	22,012		16,347	687,536		130,000				
325 Accrued Interest Payable	678,837							27,220				
331 Accounts Payable - HUD PHA Programs		444,785				4,478						
341 Tenant Security Deposits	1,289,296	23,137				281,612		118,703				
342 Deferred Revenues	28,203						126,130	3,355				13,563,471
343 Current Portion of Long-term Debt - Capital	3,990,732							3,752,805				
346 Accrued Liabilities - Other	1,166,434	375				77,372		5,422				
347 Inter Program - Due To	23,452,307	66,727	142,935	45,427	49,315	468,139		1,981,982				
310 Total Current Liabilities	41,285,870	551,556	164,947	45,427	65,675	1,594,075	169,330	6,534,431	100	0	64,871	13,573,970
351 Long-term Debt, Net of Current - Capital	50,838,940							5,776,405				
353 Non-current Liabilities - Other												
350 Total Non-Current Liabilities	50,838,940	0	0	0	0	0	0	5,776,405	0	0	0	0
300 Total Liabilities	92,124,810	551,556	164,947	45,427	65,675	1,594,075	169,330	12,310,836	100	0	64,871	13,573,970
508.1 Invested In Capital Assets, Net of Related Debt	141,236,449	223,931				822,088	216,000	-2,099,577				13,676,881
511.1 Restricted Net Assets	554,894					7,849,202		2,547,763				
512.1 Unrestricted Net Assets	62,050,881	-242,929	0	0	0	1,097,661	-7,472	-2,617,215	0	0	0	-11,728,250
513 Total Equity/Net Assets	203,842,224	-18,998	0	0	0	9,768,951	208,528	-2,169,029	0	0	0	1,948,631
600 Total Liabilities and Equity/Net Assets	295,967,034	532,558	164,947	45,427	65,675	11,363,026	377,858	10,141,807	100	0	64,871	15,522,601

CUYAHOGA METROPOLITAN HOUSING AUTHORITY
ENTITY WIDE BALANCE SHEET SUMMARY
DECEMBER 31, 2012

	Other Federal Program	State/Local	Business Activities	14.859 Public Housing Comprehensive Grant Program	14.879 Mainstream Vouchers	14.256 Neighborhood Stabilization Program (Recovery Act Funded)	14.856 Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation	COCC	Subtotal	ELIM	Total
312 Accounts Payable <= 90 Days		66,421	510,123			12,023	0	575,474	9,331,361		9,331,361
321 Accrued Wage/Payroll Taxes Payable		17,070				23,205	0	2,719,428	6,853,436		6,853,436
325 Accrued Interest Payable			17,949				0	380,404	1,104,410		1,104,410
331 Accounts Payable - HUD PHA Programs					104,129		172,210		725,602		725,602
341 Tenant Security Deposits							0		1,712,748		1,712,748
342 Deferred Revenues		455,133	200,719				0	466,300	14,843,311	-13,563,471	1,279,840
343 Current Portion of Long-term Debt - Capital			3,060,000				0		10,803,537		10,803,537
346 Accrued Liabilities - Other							0	1,576,418	2,826,021		2,826,021
347 Inter Program - Due To		61,520	1,009,899			38,364	0		27,316,615	-27,316,615	0
310 Total Current Liabilities	0	600,144	4,798,690	0	104,129	73,592	172,210	5,718,024	75,517,041	-40,880,086	34,636,955
351 Long-term Debt, Net of Current - Capital							0	15,950,211	72,565,556		72,565,556
353 Non-current Liabilities - Other							0	2,464,000	2,464,000		2,464,000
350 Total Non-Current Liabilities	0	0	0	0	0	0	0	18,414,211	75,029,556	0	75,029,556
300 Total Liabilities	0	600,144	4,798,690	0	104,129	73,592	172,210	24,132,235	150,546,597	-40,880,086	109,666,511
508.1 Invested In Capital Assets, Net of Related Debt			-534,719				0	-9,050,790	144,490,263		144,490,263
511.1 Restricted Net Assets							0		10,951,859		10,951,859
512.1 Unrestricted Net Assets	3,471,838	0	5,254,270	0	126,138	4,965,116	957,279	27,780,203	91,107,520		91,107,520
513 Total Equity/Net Assets	3,471,838	0	4,719,551	0	126,138	4,965,116	957,279	18,729,413	246,549,642	0	246,549,642
600 Total Liabilities and Equity/Net Assets	3,471,838	600,144	9,518,241	0	230,267	5,038,708	1,129,489	42,861,648	397,096,239	-40,880,086	356,216,153

**CUYAHOGA METROPOLITAN HOUSING AUTHORITY
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
DECEMBER 31, 2012**

	Project Total	14.199 Multifamily Property Disposition	16.710 Public Safety Partnership and Community Policing	17.274 YouthBuild Program	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice 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	14.885 Formula Capital Fund Stimulus Grant	14.235 Supportive Housing Program	Component Units
70300 Net Tenant Rental Revenue	13,436,308	256,187						1,633,698				
70400 Tenant Revenue - Other	286,248	723										
70500 Total Tenant Revenue	13,722,556	256,910	0	0	0	0	0	1,633,698	0	0	0	0
70600 HUD PHA Operating Grants	86,306,260				223,941	94,744,312	18,663	3,204,946	1,417,007	30,349	399,901	
70610 Capital Grants	9,787,653						216,000		2,351,630	1,510,803		
70710 Management Fee												
70720 Asset Management Fee												
70730 Book Keeping Fee												
70740 Front Line Service Fee												
70750 Other Fees												
70700 Total Fee Revenue	0	0	0	0	0	0	0	0	0	0	0	0
70800 Other Government Grants			288,217	90,012								
71100 Investment Income - Unrestricted	11,020											
71500 Other Revenue	1,654,362	1,423				148,825		223,127				729,591
71600 Gain or Loss on Sale of Capital Assets	-33,144					-689						
72000 Investment Income - Restricted	1,837					612		77,205				
70000 Total Revenue	111,450,544	258,333	288,217	90,012	223,941	94,893,060	234,663	5,138,976	3,768,637	1,541,152	399,901	729,591
91100 Administrative Salaries	6,311,014	33,078				4,341,810		393,946				15,025
91200 Auditing Fees	95,572					61,200		3,401				
91300 Management Fee	5,558,532					1,000,000		51,864				
91310 Book-keeping Fee	815,606							36,000				
91500 Employee Benefit contributions - Administrative	2,462,729	13,743				1,710,732		148,247				
91600 Office Expenses	319,791	6,445		2,118	43,215	1,383,442		613,619				184,319
91700 Legal Expense	798,760	3,609				68,744		12,560				13,026
91800 Travel	31,368	2				12,998		1,995				
91900 Other	3,143,559											
91000 Total Operating - Administrative	19,536,931	56,877	0	2,118	43,215	8,578,926	0	1,261,632	0	0	0	212,370
92000 Asset Management Fee	1,194,760											
92100 Tenant Services - Salaries	1,410,342	2,073		78,020	180,726			31,100				
92300 Employee Benefit Contributions - Tenant Services	549,199	861						11,703				
92400 Tenant Services - Other	1,279,324	37		9,874		5,908		7,893			399,901	
92500 Total Tenant Services	3,238,865	2,971	0	87,894	180,726	5,908	0	50,696	0	0	399,901	0

CUYAHOGA METROPOLITAN HOUSING AUTHORITY
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
DECEMBER 31, 2012

	Other Federal Program	State/Local	Business Activities	14.859 Public Housing Comprehensive Grant Program	14.879 Mainstream Vouchers	14.256 Neighborhood Stabilization Program (Recovery Act Funded)	14.856 Lower Income Housing Assistance Program Section 8 Moderate	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue							0		15,326,193		15,326,193
70400 Tenant Revenue - Other							0		286,971		286,971
70500 Total Tenant Revenue	0	0	0	0	0	0	0	0	15,613,164	0	15,613,164
70600 HUD PHA Operating Grants					858,941	282,608	1,401,379	2,090,000	190,978,307	-6,080,000	184,898,307
70610 Capital Grants						4,304,208	0		18,170,294		18,170,294
70710 Management Fee							0	6,610,396	6,610,396	-6,610,396	0
70720 Asset Management Fee							0	1,194,760	1,194,760	-1,194,760	0
70730 Book Keeping Fee							0	851,606	851,606	-851,606	0
70740 Front Line Service Fee							0	2,989,717	2,989,717	-2,989,717	0
70750 Other Fees							0	7,156,386	7,156,386	-7,156,386	0
70700 Total Fee Revenue	0	0	0	0	0	0	0	18,802,865	18,802,865	-18,802,865	0
70800 Other Government Grants		263,254					0		641,483		641,483
71100 Investment Income - Unrestricted			612				0	873	12,505		12,505
71500 Other Revenue			1,302,246				0	924,842	4,984,416	-508,630	4,475,786
71600 Gain or Loss on Sale of Capital Assets							0		-33,833		-33,833
72000 Investment Income - Restricted							0	10,403	90,057		90,057
70000 Total Revenue	0	263,254	1,302,858	0	858,941	4,586,816	1,401,379	21,828,983	249,259,258	-25,391,495	223,867,763
91100 Administrative Salaries		4,594					0	7,672,680	18,772,147		18,772,147
91200 Auditing Fees							0	37,355	197,528		197,528
91300 Management Fee							0		6,610,396	-6,610,396	0
91310 Book-keeping Fee							0		851,606	-851,606	0
91500 Employee Benefit contributions -							0	2,514,575	6,850,026		6,850,026
91600 Office Expenses		95,211	338,774		80,148		115,841	235,631	3,418,554		3,418,554
91700 Legal Expense			8,929				0	961,534	1,867,162	-623,222	1,243,940
91800 Travel			830				0	133,385	180,578		180,578
91900 Other							0	2,246,960	5,390,519	-1,490,748	3,899,771
91000 Total Operating - Administrative	0	99,805	348,533	0	80,148	0	115,841	13,802,120	44,138,516	-9,575,972	34,562,544
92000 Asset Management Fee							0		1,194,760	-1,194,760	0
92100 Tenant Services - Salaries		97,229					0		1,799,490		1,799,490
92300 Employee Benefit Contributions - Tenant							0		561,763		561,763
92400 Tenant Services - Other		66,220	157,351				0	715	1,927,223		1,927,223
92500 Total Tenant Services	0	163,449	157,351	0	0	0	0	715	4,288,476	0	4,288,476

CUYAHOGA METROPOLITAN HOUSING AUTHORITY
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
DECEMBER 31, 2012

	Project Total	14.199 Multifamily Property Disposition	16.710 Public Safety Partnership and Community Policing	17.274 YouthBuild Program	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice 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	14.885 Formula Capital Fund Stimulus Grant	14.235 Supportive Housing Program	Component Units
93100 Water	2,566,195	15,706				1,080		158,268				
93200 Electricity	5,293,616	41,000				60,060		445,442				
93300 Gas	3,051,631	19,563				1,211		91,405				
93400 Fuel	127,617											
93600 Sewer	5,109,524	30,300				1,370		168,491				
93800 Other Utilities Expense	211					12,140						
93000 Total Utilities	16,148,794	106,569	0	0	0	75,861	0	863,606	0	0	0	0
94100 Ordinary Maintenance and Operations - Labor	9,441,560	26,331				64,663		349,951				
94200 Ordinary Maintenance and Operations - Materials and	3,696,536	5,785				3,960		97,986				
94300 Ordinary Maintenance and Operations Contracts	10,245,687	65,570				39,953		514,695				16,200
94500 Employee Benefit Contributions - Ordinary Maintenance	3,676,231	10,940				25,478		131,691				
94000 Total Maintenance	27,060,014	108,626	0	0	0	134,054	0	1,094,323	0	0	0	16,200
95100 Protective Services - Labor	2,449,632		288,217			99,310		24,952				
95200 Protective Services - Other Contract Costs	5,174,885	560				560		205,206				
95300 Protective Services - Other	115,801					5,029						
95500 Employee Benefit Contributions - Protective Services	960,121					39,129		9,390				
95000 Total Protective Services	8,700,439	560	288,217	0	0	144,028	0	239,548	0	0	0	0
96110 Property Insurance	1,387,557	11,875				183		61,825				
96120 Liability Insurance	385,951	228				12,245		20,569				3,811
96130 Workmen's Compensation	716,956	810				77,104		10,567				
96140 All Other Insurance	198,658	83				40,926		6,903				
96100 Total Insurance Premiums	2,689,122	12,996	0	0	0	130,458	0	99,864	0	0	0	3,811
96200 Other General Expenses	1,297,017					77,243		929				
96400 Bad debt - Tenant Rents	582,202	17,120						691				
96000 Total Other General Expenses	1,879,219	17,120	0	0	0	77,243	0	1,620	0	0	0	0
96710 Interest of Mortgage (or Bonds) Payable	2,861,652							535,238				
96720 Interest on Notes Payable (Short and Long Term)												
96730 Amortization of Bond Issue Costs	40,633							12,298				
96700 Total Interest Expense and Amortization Cost	2,902,285	0	0	0	0	0	0	547,536	0	0	0	0
96900 Total Operating Expenses	83,350,429	305,719	288,717	90,012	223,941	9,146,478	0	4,158,825	0	0	399,901	232,381
97000 Excess of Operating Revenue over Operating Expenses	28,100,115	-47,386	0	0	0	85,746,582	234,663	980,151	3,768,637	1,541,152	0	497,210

CUYAHOGA METROPOLITAN HOUSING AUTHORITY
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
DECEMBER 31, 2012

	Other Federal Program	State/Local	Business Activities	14.859 Public Housing Comprehensive Grant Program	14.879 Mainstream Vouchers	14.256 Neighborho od Stabilization Program (Recovery Act	14.856 Lower Income Housing Assistance Program Section 8	COCC	Subtotal	ELIM	Total
93100 Water							0	28,446	2,769,695		2,769,695
93200 Electricity							0	226,482	6,066,600		6,066,600
93300 Gas							0	24,654	3,188,464		3,188,464
93400 Fuel							0	127,617	127,617		127,617
93600 Sewer							0	5,353	5,315,038		5,315,038
93800 Other Utilities Expense							0		12,351		12,351
93000 Total Utilities	0	0	0	0	0	0	0	284,935	17,479,765	0	17,479,765
94100 Ordinary Maintenance and Operations - Labor							0	3,789,508	13,672,013		13,672,013
94200 Ordinary Maintenance and Operations - Materials and Other	959		3,475				0	165,118	3,973,819		3,973,819
94300 Ordinary Maintenance and Operations Contracts	90,800		38,733				0	357,195	11,368,833	-5,810,169	5,558,664
94500 Employee Benefit Contributions - Ordinary Maintenance							0	1,241,939	5,086,279		5,086,279
94000 Total Maintenance	91,759	0	42,208	0	0	0	0	5,553,760	34,100,944	-5,810,169	28,290,775
95100 Protective Services - Labor							0	889,489	3,751,600		3,751,600
95200 Protective Services - Other Contract Costs							0	2,400	5,383,611	-2,008,455	3,375,156
95300 Protective Services - Other							0	33,884	154,714		154,714
95500 Employee Benefit Contributions - Protective Services							0	291,513	1,300,153		1,300,153
95000 Total Protective Services	0	0	0	0	0	0	0	1,217,286	10,590,078	-2,008,455	8,581,623
96110 Property Insurance							0	20,366	1,481,806		1,481,806
96120 Liability Insurance							0	213,561	636,365		636,365
96130 Workmen's Compensation							0	390,635	1,196,072		1,196,072
96140 All Other Insurance							0	162,070	408,640		408,640
96100 Total Insurance Premiums	0	0	0	0	0	0	0	786,632	3,722,883	0	3,722,883
96200 Other General Expenses							0	1,114	1,376,303		1,376,303
96400 Bad debt - Tenant Rents							0		600,013		600,013
96000 Total Other General Expenses	0	0	0	0	0	0	0	1,114	1,976,316	0	1,976,316
96710 Interest of Mortgage (or Bonds) Payable							0	786,871	4,183,761		4,183,761
96720 Interest on Notes Payable (Short and Long Term)			81,455				0		81,455		81,455
96730 Amortization of Bond Issue Costs			54,614				0	13,243	120,788		120,788
96700 Total Interest Expense and Amortization Cost	0	0	136,069	0	0	0	0	800,114	4,386,004	0	4,386,004
96900 Total Operating Expenses	91,759	263,254	684,161	0	80,148	0	115,841	22,446,676	121,877,742	-18,589,356	103,288,386
97000 Excess of Operating Revenue over Operating Expenses	-91,759	0	618,697	0	770,793	4,586,816	1,285,538	-617,693	127,381,516	-6,802,139	120,579,377

**CUYAHOGA METROPOLITAN HOUSING AUTHORITY
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
DECEMBER 31, 2012**

	Project Total	14.199 Multifamily Property Disposition	16.710 Public Safety Partnership and Community Policing Grants	17.274 YouthBuild Program	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice 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	14.885 Formula Capital Fund Stimulus Grant	14.235 Supportive Housing Program	Component Units
97100 Extraordinary Maintenance	13,483,403						18,663		1,417,007	30,349		
97200 Casualty Losses - Non-capitalized	331,668	15				1,717		223				
97300 Housing Assistance Payments						91,218,078						
97400 Depreciation Expense	18,479,497	44,452				230,811		480,474				518,941
90000 Total Expenses	115,644,997	350,186	288,217	90,012	223,941	100,597,084	18,663	4,639,522	1,417,007	30,349	399,901	751,322
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-4,194,453	-91,853	0	0	0	-5,704,024	216,000	499,454	2,351,630	1,510,803	0	-21,731
11020 Required Annual Debt Principal Payments	3,990,732	0	0	0	0	0	0	3,752,805	0	0	0	0
11030 Beginning Equity	121,495,949	72,855	0	0	0	15,762,542	22,928,761	-2,601,870	0	0	0	1,885,962
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	86,540,728					-289,567	-22,936,233	-66,613	-2,351,630	-1,510,803		84,400
11170 Administrative Fee Equity						1,919,749						
11180 Housing Assistance Payments Equity						7,849,202						
11190 Unit Months Available	115,645	456				175,493		6,840				
11210 Number of Unit Months Leased	109,309	418				171,688		6,796				
11270 Excess Cash	-4,550,928											
11620 Building Purchases	12,172,846											
11630 Furniture & Equipment - Dwelling Purchases	3,161											

CUYAHOGA METROPOLITAN HOUSING AUTHORITY
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
DECEMBER 31, 2012

	Other Federal Program	State/Local	Business Activities	14.859 Public Housing Comprehensive Grant Program	14.879 Mainstream Vouchers	14.256 Neighborhood Stabilization Program (Recovery Act Funded)	Lower Income Housing Assistance Program Section 8	COCC	Subtotal	ELIM	Total
97100 Extraordinary Maintenance						282,608	0		15,232,030	-6,802,139	8,429,891
97200 Casualty Losses - Non-capitalized							0	94,235	427,858		427,858
97300 Housing Assistance Payments					747,008		1,227,203		93,192,289		93,192,289
97400 Depreciation Expense			57,331				0	726,909	20,538,415		20,538,415
90000 Total Expenses	91,759	263,254	741,492	0	827,156	282,608	1,343,044	23,267,820	251,268,334	-25,391,495	225,876,839
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-91,759	0	561,366	0	31,785	4,304,208	58,335	-1,438,837	-2,009,076	0	-2,009,076
11020 Required Annual Debt Principal Payments	0	0	3,060,000	0	0	0	0	0	10,803,537		10,803,537
11030 Beginning Equity	3,563,597	1,035,908	4,689,510	10,067,792	0	0	898,944	18,970,973	198,770,923		198,770,923
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors		-1,035,908	-531,325	-10,067,792	94,353	660,908	0	1,197,277	49,787,795		49,787,795
11170 Administrative Fee Equity							0		1,919,749		1,919,749
11180 Housing Assistance Payments Equity							0		7,849,202		7,849,202
11190 Unit Months Available					216		2,631		301,281		301,281
11210 Number of Unit Months Leased					160		2,271		290,642		290,642
11270 Excess Cash							0		-4,550,928		-4,550,928
11620 Building Purchases							0	0	12,172,846		12,172,846
11630 Furniture & Equipment - Dwelling Purchases							0	0	3,161		3,161

**CUYAHOGA METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

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	\$ 67,003,390
 <u>Section 8 Project Based Cluster</u>		
Section 8 New Construction and Moderate Rehabilitation Programs:		
New Construction	14.182	3,204,946
Moderate Rehabilitation	14.856	1,401,379
Total Section 8 Project Based Cluster		<u>4,606,325</u>
 <u>Housing Choice Voucher Program Cluster</u>		
Housing Choice Voucher Program	14.871	94,744,312
Mainstream Vouchers	14.879	858,941
Total Housing Choice Voucher Program Cluster		<u>95,603,253</u>
 <u>Capital Fund Program Cluster</u>		
Capital Fund Program	14.872	25,100,524
ARRA - Capital Fund Program Competitive	14.884	3,768,637
ARRA - Capital Fund Program Formula	14.885	1,541,151
Total Capital Fund Program Cluster		<u>30,410,312</u>
Supportive Housing Program	14.235	<u>399,901</u>
Revitalization of Severely Distressed Public Housing	14.866	<u>234,663</u>
Resident Opportunities and Supportive Services	14.870	<u>223,941</u>
<i>Total Direct Programs</i>		<u>198,481,785</u>
 <i>Passed through from City of Cleveland</i>		
ARRA - Neighborhood Stabilization Program, Recovery Act Funded	14.256	<u>4,586,816</u>
<i>Total Pass-through Programs</i>		<u>4,586,816</u>
Total U.S. Department of Housing and Urban Development		<u>203,068,601</u>
 <u>U.S. Department of Justice</u>		
<i>Direct Program</i>		
ARRA - Public Safety Partnership and Community Policing Grants	16.710	<u>288,217</u>
Total U.S. Department of Justice		<u>288,217</u>
 <u>U.S. Department of Labor</u>		
<i>Direct Program</i>		
ARRA - Youthbuild	17.274	<u>90,012</u>
Total U.S. Department of Labor		<u>90,012</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 203,446,830</u>

**CUYAHOGA METROPOLITAN HOUSING AUTHORITY
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2012**

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>2012 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, 2012, 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 24, 2013, wherein we noted that the Authority adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and restated its December 31, 2011 net position due to the recognition of notes receivable and the elimination of debt issuance costs.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a significant deficiency, which is identified as **Finding 2012-01**.


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*.

The Cuyahoga Metropolitan Housing Authority, Ohio's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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, Inc.
Certified Public Accountants

June 24, 2013

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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, 2012. 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, 2012.

Report on Internal Control Over Compliance

The 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, Inc.
Certified Public Accountants

June 24, 2013

**CUYAHOGA METROPOLITAN HOING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR a-133 & §.505
DECEMBER 31, 2012**

1. SUMMARY OF AUDITOR'S RESULTS		
2012(i)	Type of Financial Statement Opinion	Unmodified
2012(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2012(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
2012(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS?)	No
2012(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2012(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
2012(v)	Type of Major Programs' Compliance Opinion	Unmodified
2012(vi)	Any there any reportable findings under .510?	No
2012(vii)	Major Programs (list):	
	Housing Choice Voucher Program Cluster:	
	Housing Choice Voucher Program - CFDA #14.871	
	Mainstream Vouchers - CFDA #14.879	
	ARRA - Neighborhood Stabilization Program, Recovery Act Funded - CFDA #14.256	
2012(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$3,000,000 Type B: all others
2012(ix)	Low Risk Auditee?	Yes

CUYAHOGA METROPOLITAN HOING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR a-133 & §.505
DECEMBER 31, 2012
(CONTINUED)

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

Finding No. 2012-01 – Significant Deficiency – Recording of Notes Receivable

Statement of Condition/Criteria

The Authority changed its policy on recording notes and mortgages receivables in 2012. In previous years, the Authority did not record as notes and mortgages receivables loans made for Mixed Finance projects, since the value of the property secured by these loans with the maturity dates ranging from 40 to 50 years could not be determined. Starting in 2012, the Authority is recording these loans and made an adjustment for loans made prior to January 1, 2012.

Cause/Effect

The Authority's policy change resulted in an increase in net position of \$50,741,220.

Recommendation

We recommend that the Authority review significant accounting policies at least on an annual basis to ensure accurate and consistent financial reporting.

Client Response

The Authority has changed its accounting policy related to notes and mortgage receivable. The Authority does review its accounting policies and transactions on an annual basis. Because of this review, the Authority has determined that, since mixed financial transactions are becoming a larger part of the Authority's portfolio and in an effort to show more transparency about the existence of these loans, the Authority has, with its various development partners, changed its accounting policy to record the transactions and report the notes and mortgage receivables on its financial statements and footnotes.

**CUYAHOGA METROPOLITAN HOUIING AUTHORITY
STATUS OF PRIOR YEAR FINDINGS AND RECOMMMDATIONS
FOR THE YEARENDED DECEMBER 31, 2012**

The audit report for the prior year ended December 31, 2011, contained no findings or citations.

**CUYAHOGA METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF OTHER REPORTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

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 have been resolved and closed by HUD. The Authority has responded to HUD and reached an agreement on resolving Finding 1. This finding is open pending the Office of Inspector General’s final approval, which should occur in the summer of 2013.