Columbus Metropolitan Housing Authority

Consolidated Financial Statements, Required Supplementary Information, Federal Financial Assistance Schedules as of and for the Year Ended December 31, 2004, and Independent Auditors' Reports

Auditor of State
Betty Montgomery

Board of Commissioners
Columbus Metropolitan Housing Authority
880 East 11th Avenue
Columbus, Ohio 43211-2771

We have reviewed the Independent Auditor's Report of the Columbus Metropolitan Housing Authority, Franklin County, prepared by Deloitte & Touche LLP for the audit period January 1, 2004 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

August 8, 2005

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COLUMBUS METROPOLITAN HOUSING AUTHORITY

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners of
Columbus Metropolitan Housing Authority:

We have audited the accompanying consolidated statement of net assets of Columbus Metropolitan Housing Authority (the "Authority"), as of December 31, 2004, and the related consolidated statements of revenues, expenses, and changes in net assets and of cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the balance sheets of the discretely presented component units, Rosewind Limited Partnership and Gender Road Limited Partnership as of December 31, 2004 and the related statements of operations for the year then ended. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Rosewind Limited Partnership and Gender Road Limited Partnership is based solely on the report of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the respective financial statements are free of material misstatement. The financial statements of Rosewind Limited Partnership and Gender Road Limited Partnership were not audited in accordance with *Government Auditing Standards*, but were audited in accordance with auditing standards generally accepted in the United States of America. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, such financial statements present fairly, in all material respects, the financial position of the Columbus Metropolitan Housing Authority and its discretely presented component units as of December 31, 2004, and their results of operations and cash flows of the Authority for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3–9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of Columbus Metropolitan Housing Authority's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit such information and we do not express an opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Authority's basic consolidated financial statements taken as a whole. The consolidating schedules on pages 33–36 are presented for the purpose of additional analysis of the basic consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual programs and entities, and are not a required part of the basic consolidated financial statements. These schedules are the responsibility of the Authority's management. Such information has been subjected to the auditing procedures applied by us in the audit of the basic consolidated financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the Authority's basic consolidated financial statements. The Schedule of Expenditures of Federal Awards as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, on page 37 and the Schedules of Actual Modernization Costs on pages 39–40 as required by the U.S. Department of Housing and Urban Development, are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules are the responsibility of the Authority's management. Such information has been subjected to the auditing procedures applied by us in the audit of the basic consolidated financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2005, on our consideration of internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Deloitte + Touche LLP

May 18, 2005

COLUMBUS METROPOLITAN HOUSING AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2004

As management of the Columbus Metropolitan Housing Authority (CMHA), we offer readers of CMHA's consolidated financial statements this narrative overview and analysis of the financial activities of CMHA for the fiscal year ended December 31, 2004. We encourage readers to consider the information presented here in conjunction with CMHA's consolidated financial statements. This management discussion and analysis focuses on the operations of CMHA and not its discretely presented component units, Rosewind Limited Partnership and Gender Road Limited Partnership. Information pertaining to the discretely presented component units is located in footnotes 1, 11, 14, and 15 to the financial statements.

Overview of the Financial Statements

The annual financial report consists of two parts: Management's Discussion and Analysis (this section) and the basic consolidated financial statements. CMHA follows enterprise fund reporting; accordingly the financial statements are presented using a flow of economic resources measurement focus and the accrual basis of accounting. These statements, as presented, are very similar to a commercial entity's financial statements.

CMHA is a special purpose government agency engaged only in business type activities. The basic financial statements are designed to be corporate-like in that all business type programs are consolidated into one single enterprise for the Authority.

These statements include a Statement of Net Assets, which is similar to a Balance Sheet. The Statement of Net Assets reports all financial and capital resources of the Authority. The statement is presented in the format where assets minus liabilities equal "Net Assets", formerly known as equity. Assets and liabilities are presented in order of liquidity and are classified as "Current" (convertible to cash within one year) and "Noncurrent".

The focus of the Consolidated Statement of Net Assets (Unrestricted Net Assets) is designed to present the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net Assets (formerly equity) are reported in three broad categories (as applicable):

> <u>Net Assets, Invested in Capital Assets, Net of Related Debt</u>: This component of Net Assets consists of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowing that are attributable to the acquisition, construction or improvement of those assets.
>
> <u>Restricted Net Assets</u>: This component of Net Assets consists of restricted assets, when constraints are placed on assets by creditors (through debt covenants), grantors, contributors, laws, regulations, etc.
>
> <u>Unrestricted Net Assets</u>: Consists of Net Assets that do not meet the definition of "Net Assets Invested in Capital Assets, Net of Related Debt" or "Restricted Net Assets".

The basic financial statements also include a Consolidated Statement of Revenues, Expenses and Changes in Net Assets (similar to the Income Statement). This statement includes Operating Revenues, such as rental income, Operating Expenses, such as administrative, utilities, Housing Assistance Payments, maintenance and depreciation, and Non-Operating Revenue and Expenses, such as grants revenue, interest income and interest expense.

The focus of the Statement of Revenues, Expenses and Changes in Net Assets is the "Change in Net Assets", which is similar to Net Income or Loss.

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

Financial Highlights

During the year ended December 31, 2004:

- CMHA's total assets increased by $1,344,109 or .8%.
- Total liabilities increased by $1,927,886 or 8.6%.
- Total revenues increased by $21,341,715; of this amount; $22,788,381 is due to an increase in the number of contracts being administrated by CMHA's wholly owned subsidiary, Assisted Housing Services Corporation (AHSC).
- Total expenses increased by $22,309,096; of this amount $21,627,003 related to housing assistance payments made by AHSC.

The Authority's programs that are consolidated into a single enterprise fund are as follows:

PHA Owned Rental Housing—Under the Public Housing Program, CMHA rents units it owns to low-income households. This program operates under an Annual Contribution Contract with HUD. Operating subsidy is provided by HUD to enable CMHA to provide the housing at a rent that is based upon 30% of adjusted gross income.

Section 8—Through Annual Contribution Contracts with HUD, CMHA receives funding to subsidize the rent of low income families in the private market and earns an administrative fee to cover the program's operating costs.

Capital Grant Fund—This Grant provides funding to improve the physical conditions and upgrade management of operations to insure that the properties continue to be available to service low income families.

HOPE VI—This Grant provides for the revitalization of severely distressed or obsolete public housing developments.

Performance Based Contract Administration—CMHA provides contract administrative services for units receiving project based Section 8 housing assistance throughout the State of Ohio. In August 2004 CMHA was awarded a contract by HUD to provide similar contract administrative services to Washington D.C.

Other Business—CMHA has other business ventures that are not dependent upon HUD funding. These programs consist of eight funds that provide resources for other business activities. Four of the funds are wholly owned subsidiaries that were established to own land and housing units and participate in limited partnerships and limited liability corporations. Four programs provide a source of funds for other related housing activities.

CMHA also receives funding for Other Section 8 programs that have multiple year funding but are not considered major programs.

Basic Consolidated Financial Statements

The following table reflects the Consolidated Statement of Net Assets compared to the prior year:

Table 1
Consolidated Statement of Net Assets
(In Millions)

	December 31,	
	2004	**2003**
Assets		
Current and other assets	$ 57.6	$ 65.2
Capital assets	113.1	104.1
Total assets	$ 170.7	$ 169.3
Liabilities		
Current liabilities	$ 13.3	$ 11.1
Long-term liabilities	11.0	11.3
Total liabilities	24.3	22.4
Net Assets		
Invested in capital assets, net of related debt	105.5	100.6
Restricted	5.6	7.8
Unrestricted	35.3	38.5
Total net assets	146.4	146.9
Total liabilities and net assets	$ 170.7	$ 169.3

For more detailed information see the Consolidated Statement of Net Assets.

Major factors affecting the Consolidated Statement of Net Assets

Current assets decreased by $7.2 million while liabilities increased by $1.9 million; investments decreased by $6.9 million to fund the construction of a housing development.

Capital Assets increased by $9.0 million due primarily to acquisitions of assets ($18.2 million) less current year depreciation ($9.0 million) and retirement of assets ($.2).

Table 2
Change of Unrestricted Net Assets
(In Millions)

Unrestricted Net Assets at 12/31/03	$ 38.5
Results of operations	(0.5)
Depreciation (1)	9.0
Capital expenditures	(9.5)
Decrease in restricted assets	(2.2)
Unrestricted Net Assets at 12/31/04	$ 35.3

(1) Depreciation is treated as an expense and reduces the results from operations but does not have an impact on Unrestricted Net Assets.

While the results of operations measures the Authority's activity, an analysis of the changes in Unrestricted Assets provides an additional picture of the change in the financial well being of the Authority.

Consolidated Statement of Revenues, Expenses and Changes in Net Assets

The Consolidated Statement of Revenues, Expenses and Changes in Net Assets presents the operating results of the Authority, as well as the non-operating revenues and expenses. HUD subsidies and grants, while budgeted for operations, are considered non-operating revenues according to generally accepted accounting principles. Condensed information from the Authority's Consolidated Statement of Revenues, Expenses and Changes in Net Assets follows:

Table 3
Consolidated Statement of Revenues, Expenses and Changes in Net Assets
(In Millions)

	Year Ended December 31, 2004	2003
Revenues		
Rental income	$ 5.0	$ 5.3
Operating subsidy and grants	30.1	28.2
Subsidy for housing assistance payments	297.8	277.1
Capital grants	6.9	8.8
Investment income	0.4	0.5
Other income	1.7	1.1
Gain on sale of property	0.4	
Total revenues	342.3	321.0
Expenses		
Administrative and tenant services	23.8	23.1
Utilities	3.0	3.3
Maintenance and operation	6.2	5.9
Protective services	0.6	0.9
General	1.8	1.3
Housing assistance payments	297.8	277.1
Interest expense	0.5	0.4
Depreciation	9.0	8.5
Total expenses	342.7	320.5
Special item	(0.1)	
Change in net assets	$ (0.5)	$ 0.5

Major factors affecting the Statement of Revenues, Expenses and Changes in Net Assets

Subsidy for Housing Assistance Payments increased substantially due to the growth of the AHSC in Ohio and Washington D.C. Other expenses, except depreciation, increased due to inflation.

Capital Assets

As of December 31, 2004, the Authority had $113.1 million invested in Capital Assets as reflected in the schedule below, which represents a net increase (additions, deductions and depreciation) of $9 million from the end of last year.

Table 4
Capital Assets
Net of Depreciation
(In Millions)

	December 31, 2004	December 31, 2003
Land	$ 2.9	$ 2.9
Buildings	206.6	197.0
Equipment	4.7	4.3
Construction in process	29.6	22.2
Accumulated depreciation	(130.7)	(122.3)
Total	$ 113.1	$ 104.1

The following reconciliation summarizes the change in Capital Assets.

Beginning Balance	$ 104.1
Additions	18.2
Retirements, net of depreciation	(0.2)
Depreciation	(9.0)
Ending Balance	$ 113.1
Major activities for this year were	
Modernization of units	$ 7.1
Construction of New Village Homes Units	8.9
Energy Conservation Program	1.9
Equipment purchases	0.3
Total additions	$ 18.2

As of December 31, 2004, the Authority has $10.2 million in long-term debt (bonds and notes) outstanding, excluding the current portion of $.3 million compared to $10.5 million last year, a $.3 million decrease.

Table 6
Outstanding Debt
(In Millions)

	December 31, 2004	December 31, 2003
Business Type		
Energy program	$ 3.5	$ 3.7
Capital improvements	7.0	7.0
Less current portion	(0.3)	(0.2)
Total	$ 10.2	$ 10.5

Economic Factors

Significant economic factors affecting the Authority in 2004 were as follows:

- The slow economy has an impact on low income households' ability to pay rent.
- Federal funding is at the discretion of the U.S. Department of Housing and Urban Development and is insufficient to cover operating cost and capital improvements for Public Housing Units.
- Low interest rates have reduced the amount earned on investment income.
- Increased costs for health and property insurance, plus utility rate increases affected the cost to operate the programs.

COLUMBUS METROPOLITAN HOUSING AUTHORITY

CONSOLIDATED STATEMENT OF NET ASSETS
DECEMBER 31, 2004

ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents, including restricted cash of $6,571,450	$ 12,322,424
Accounts receivable—net:	
Tenants, net of allowance for doubtful accounts of $27,961	126,055
HUD	4,695,772
Other	677,071
Notes receivable from discretely presented component units	50,000
Investments	8,683,252
Investments—legally restricted	44,816
Inventory	162,575
Prepaid items and other	560,685
Total current assets	27,322,650
NONCURRENT ASSETS:	
Investments—legally restricted	6,263,330
Notes receivable	261,990
Notes receivable from component units, net of allowance for doubtful accounts of $1,689,203	23,545,142
Capital Assets:	
Land	2,915,176
Other Property and equipment, net of accumulated depreciation of $130,741,824	110,180,094
Other noncurrent assets	201,337
Total noncurrent assets	143,367,069
TOTAL ASSETS	$170,689,719
LIABILITIES	
CURRENT LIABILITIES:	
Accounts payable:	
Trade	$ 6,446,179
HUD	4,289,829
Other	280,654
Accrued expenses	1,297,647
Deferred credits	190,872
Trust and deposit liabilities	524,582
Notes payable—current	291,095
Total current liabilities	13,320,858
NONCURRENT LIABILITIES:	
Bonds payable	5,420,000
Notes payable	4,776,191
Accrued compensated absences—noncurrent portion	273,043
Other liabilities	546,286
Total noncurrent liabilities	11,015,520
Total liabilities	24,336,378
NET ASSETS	
Invested in capital assets—net of related debt	105,449,257
Restricted	5,605,858
Unrestricted	35,298,226
Total net assets	146,353,341
TOTAL LIABILITIES AND NET ASSETS	$170,689,719

See notes to consolidated financial statements.

COLUMBUS METROPOLITAN HOUSING AUTHORITY

BALANCE SHEETS—COMPONENT UNITS
DECEMBER 31, 2004

ASSETS	Rosewind Limited Partnership	Gender Road Limited Partnership	Total
ASSETS:			
Rental property:			
Buildings	$ 25,572,554	$ 7,943,830	$ 33,516,384
Furniture and fixtures	454,045	60,555	514,600
Less: accumulated depreciation	(6,486,975)	(1,284,327)	(7,771,302)
Net rental property	19,539,624	6,720,058	26,259,682
Cash	54,338	5,519	59,857
Cash reserves	1,196,168	283,491	1,479,659
Accounts receivable-tenants	50,961	2,272	53,233
Less allowance for doubtful accounts	(13,490)		(13,490)
Bond closing cost		102,822	102,822
Less accumulated amortization		(89,106)	(89,106)
Monitoring fees	41,000		41,000
Less accumulated amortization	(25,800)		(25,800)
Other assets	64,172	36,532	100,704
TOTAL ASSETS	$ 20,906,973	$ 7,061,588	$ 27,968,561

LIABILITIES AND PARTNERS' EQUITY

LIABILITIES:			
Accounts payable-trade	$ 108,828	$ 21,284	$ 130,112
Accrued expenses	76,068	16,709	92,777
Tenants' security deposits	54,094	26,151	80,245
Accrued interest		2,525	2,525
Prepaid rent		2,823	2,823
Bonds payable		100,000	100,000
Notes payable to primary government	19,021,789	6,262,556	25,284,345
Total liabilities	19,260,779	6,432,048	25,692,827
PARTNERS' EQUITY:			
General Partner	(1,908)	(1,612)	(3,520)
Limited Partners	1,648,102	1,203,602	2,851,704
Less: note receivable from Limited Partners		(572,450)	(572,450)
Total partners' equity	1,646,194	629,540	2,275,734
TOTAL LIABILITIES AND PARTNERS' EQUITY	$ 20,906,973	$ 7,061,588	$ 27,968,561

See notes to consolidated financial statements.

COLUMBUS METROPOLITAN HOUSING AUTHORITY

CONSOLIDATED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2004

OPERATING REVENUE:	
Rental	$ 4,969,954
Other	1,688,411
Total operating revenue	6,658,365
OPERATING EXPENSES:	
Housing assistance payments	297,805,317
Depreciation	8,953,571
Administration	23,626,531
Tenant services	223,047
Utilities	3,008,150
Ordinary maintenance and operation	6,106,659
Protective services	610,073
General expenses	1,787,094
Nonroutine maintenance	216,685
Total operating expenses	342,337,127
OPERATING LOSS	(335,678,762)
NON-OPERATING REVENUES (EXPENSES):	
HUD Grants	327,944,257
HUD Capital Grants	6,912,090
Interest income	374,031
Interest expense	(470,959)
Gain on disposal of assets	462,254
Total non-operating revenue	335,221,673
SPECIAL ITEM	(126,688)
CHANGE IN NET ASSETS	(583,777)
NET ASSETS—Beginning of year	146,937,118
NET ASSETS—End of year	$ 146,353,341

See notes to consolidated financial statements.

COLUMBUS METROPOLITAN HOUSING AUTHORITY

STATEMENTS OF OPERATIONS—COMPONENT UNITS
YEAR ENDED DECEMBER 31, 2004

	Rosewind Limited Partnership	Gender Road Limited Partnership	Total
REVENUES:			
Rental	$ 904,033	$ 415,437	$ 1,319,470
Other	689	10,753	11,442
Interest	12,281	816	13,097
Total revenues	917,003	427,006	1,344,009
EXPENSES:			
Depreciation	818,067	295,843	1,113,910
Maintenance and decorating	252,847	125,617	378,464
Administrative and personnel	242,363	115,693	358,056
Water and Sewer	94,685	29,144	123,829
Insurance expense	84,908	31,054	115,962
Management fee	39,406	35,978	75,384
Payment in lieu of taxes	33,429	7,105	40,534
Utilities	27,544	16,631	44,175
Interest expense		12,625	12,625
Audit and tax return	7,575	7,500	15,075
Legal		5,031	5,031
Asset management fee	7,308	4,848	12,156
Amortization	1,900	21,350	23,250
Total expenses	1,610,032	708,419	2,318,451
NET LOSS	$ (693,029)	$ (281,413)	$ (974,442)

See notes to consolidated financial statements.

COLUMBUS METROPOLITAN HOUSING AUTHORITY

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2004

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from tenants	$ 4,967,929
Cash payments to suppliers for goods and services	(21,576,783)
Cash paid for salaries and benefits	(12,869,954)
Housing assistance payments	(297,805,317)
Other receipts	1,478,339
Other payments	50,000
Net cash used in operating activities	(325,755,786)
CASH FLOWS FROM NONCAPITAL FINANCING—	
HUD operating subsidies and grants	327,968,096
Cash provided by noncapital financing activities	327,968,096
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
HUD capital grants	7,449,571
Property and equipment additions	(17,600,681)
Repayment of debt	(238,742)
Interest paid debt	(518,216)
Proceeds from the sale of capital assets	708,986
Net cash used in capital and related financing activities	(10,199,082)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of investments	(8,771,874)
Proceeds from maturity of investments	17,914,343
Interest income	319,456
Net cash provided by investing activities	9,461,925
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,475,153
CASH AND CASH EQUIVALENTS BALANCE (including restricted cash of $8,044,517)—Beginning of year	10,847,271
CASH AND CASH EQUIVALENTS BALANCE (including restricted cash of $6,571,450)—End of year	$ 12,322,424
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating loss	$ (335,678,762)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	8,953,571
Provision for uncollectible accounts	(27,883)
Amortization of bond issuance costs	5,989
(Increase) decrease in operating assets and liabilities:	
Accounts receivable tenants	88,743
Accounts receivable other	(210,072)
Inventory	7,361
Prepaid expenses and other assets	405,021
Accounts payable	599,325
Accrued expenses and other	76,270
Security and other deposits	24,651
NET CASH USED IN OPERATING ACTIVITIES	$ (325,755,786)

See notes to consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Entity—Columbus Metropolitan Housing Authority (the "Authority") is organized under the laws of the State of Ohio for purposes of acquiring, developing, leasing, operating, and administering low-rent housing programs.

The United States Department of Housing and Urban Development ("HUD") has direct responsibility for administering the Low-Rent Housing Program under the United States Housing Act of 1937, as amended. HUD is authorized to contract with local housing authorities in financing the acquisition, construction, and/or leasing of housing units, to make housing assistance payments, and to make annual contributions ("subsidies") to the local housing authorities for the purposes of maintaining the low-rent character of the local housing program. Under an administrative form of contract, HUD has conveyed certain federally built housing units to the Authority for low-rent operations.

The Authority provides contracted services to certain housing authorities on behalf of HUD. These services are primarily the payment processing and administrative services of an assisted housing program.

The accompanying consolidated financial statements comply with the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity,* and Statement No. 39, *Determining Whether Certain Organizations Are Component Units,* in that the financial statements include all organizations, activities, and functions for which the Authority is financially accountable. Financial accountability is defined by the component unit being fiscally dependent on the Authority. On this basis, the Authority has included Rosewind Limited Partnership and Gender Road Limited Partnership as discretely presented component units.

Rosewind Limited Partnership—Rosewind Limited Partnership, was formed on January 7, 1997, for the purpose to construct, own and operate residential apartments for low-income residents of Columbus, Ohio. Rosewind Limited Partnership's financial statements are prepared on the accrual basis of accounting in accordance with accounting principals generally accepted in the United States ("GAAP") as prescribed by the Financial Accounting Standards Boards ("FASB") Statements and Interpretations. Because of Rosewind Limited Partnership's fiscal dependency on the Authority, a component unit relationship is deemed to exist. See Note 14 to the consolidated financial statements for additional disclosures regarding Rosewind Limited Partnership.

Gender Road Limited Partnership—Gender Road Limited Partnership, was formed on May 23, 1997, for the purpose to acquire, construct, own, and operate an apartment complex for low and moderate income residents of Columbus, Ohio. Gender Road Limited Partnership's financial statements are prepared on the accrual basis of accounting in accordance with accounting principals generally accepted in the United States ("GAAP") as prescribed by the Financial Accounting Standards Boards ("FASB") Statements and Interpretations. Because of Gender Road Limited Partnership's fiscal dependency on the Authority, a component unit relationship is deemed to exist. See Note 15 to the consolidated financial statements for additional disclosures regarding Gender Road Limited Partnership.

Basis of Accounting—The accompanying consolidated financial statements which includes the Authority and its wholly owned subsidiaries are prepared on the accrual basis in accordance with GAAP, whereby revenues and expenses are recognized in the period earned or incurred. All intercompany balances and transactions have been eliminated in consolidation.

Pursuant to Governmental Accounting Standards Board ("GASB") Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Authority follows GASB guidance as applicable to proprietary funds and Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict or contradict GASB pronouncements.

Fund Accounting—The Authority maintains its accounting records in accordance with the principles of fund accounting. Fund accounting is designed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in self-balancing groups of accounts and accounting entities that are separate from the activities reported in other funds.

A summary of each of these funds is provided below:

Low-Rent Housing Program Fund—This fund is used to account for the components of the Low-Rent Housing Programs subsidized by HUD. A summary of each of these components is provided below.

(1) *PHA-Owned Housing*—Under this program, the Authority owns and operates apartments and single-family housing units. Funding is provided by tenant rent payments and HUD subsidies.

(2) *Housing Assistance Payments*—Under Section 8 of the Housing Program, low-income tenants lease housing units directly from private landlords rather than from the Authority. HUD contracts with the Authority, which in turn contracts with private landlords and makes assistance payments for the difference between the approved contract rent and the actual rent paid by the low-income tenants.

(3) *Capital Grant and Hope VI Funds*—Substantially all additions to land, structures, and equipment are accomplished through Capital Grant Programs. Capital Grant Programs replace or materially upgrade deteriorated portions of the Authority's housing units. Funding is provided through grants. The Authority enters into significant construction contract obligations in relation to this Modernization and Development activity on an ongoing basis.

***Other Business Ventures*—**This program consists of eight funds that provide resources for housing related activities. Four of the funds are used to account for wholly owned subsidiaries of the Authority, whose goals are to provide affordable housing to low income individuals and families. The other four funds provide resources for housing related activities that would otherwise cause undue financial hardship to Low Rent Housing Program clients.

Revenue Recognition—Subsidies and grants received from HUD and other grantors are generally recognized during the periods to which they relate and all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Authority must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis. Tenant rental revenues are recognized during the period of occupancy. Other receipts are recognized when the related expenses are incurred. Expenses are recognized as incurred.

Cash and Cash Equivalents—For the purposes of the consolidated statement of cash flows, the Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments—The Authority's investments are recorded at fair value. Fair value generally represents quoted market value prices for investments traded in the public marketplace. Investment income, including changes in the fair value of investments, is recorded as nonoperating revenue in the operating statements. Investment income is recognized and recorded when earned and is allocated to programs based upon monthly investment balances.

Inventory—Inventory consists of supplies and maintenance parts carried at the lower of cost or market using the average cost method and is expensed as inventory is consumed.

Compensated Absences—Compensated absences are accrued as they are earned by employees if two conditions are met:

(1) The employees rights to receive compensation are attributable to services already rendered and

(2) It is probable that the employer will compensate the employee for the benefits through paid time off or cash payment. The current portion of accrued compensation absences is included in accrued expenses.

A summary of changes in the accrued compensated absences is as follows:

	Balance December 31, 2003	Increase	Decrease	Balance December 31, 2004	Due Within One Year
Accrued compensated absences	$ 400,966	$ 13,878	$ -	$ 414,844	$ 141,801

Capital Assets—Capital assets are recorded at historical cost. Donated capital assets are recorded at their fair value on the date donated. The Authority capitalizes all dwelling and non-dwelling equipment and office equipment which has a cost or fair value on the date of donation greater than $1,000 and a useful life greater than one year. The Authority capitalizes building or site improvements that cost more than $5,000 and have a useful life greater than one year. Depreciation is calculated on a straight-line method using the half-year convention over the estimated useful lives. When depreciable property is disposed of or sold, the cost and related accumulated depreciation are removed from the accounts, with any gain or loss recognized in the consolidated statement of revenues, expenses, and changes in net assets. The estimated useful lives are as follows:

Equipment and vehicles	3-7 years
Building and site improvements	15 years
Buildings	30 years

Interest costs incurred during the period in which capital assets are being prepared for their intended use are capitalized.

Other Long-term Liabilities—Other long-term liabilities consist of deposits for the Section 8–Family Self-Sufficient Program. A summary of the changes in other long-term liabilities is presented below.

	Balance December 31, 2003	Increase	Decrease	Balance December 31, 2004
Family Self-Sufficient Program Deposits	$ 456,410	$ 261,234	$ (258,614)	$ 459,030
Other	82,373	4,883		87,256
Total	$ 538,783	$ 266,117	$ (258,614)	$ 546,286

Restricted Net Assets—This component of Net Assets consists of restricted assets when constraints are placed on assets by creditors (through debt covenants), grantors, contributors, laws, regulations, etc.

Special Item—The Authority created a Limited Liability Corporation in 2003 with two other members to purchase, refurbish, and then sell several houses along Chittenden Avenue to help improve the area near the headquarters. During 2004, those houses were finally sold for a loss of $126,688.

Use of Estimates—The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Standards Not Yet Implemented—In March 2003, the GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures, an Amendment to GASB No. 3,* which addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. As an element of interest rate risk, this Statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. The standard is effective for periods beginning after June 15, 2004. The Authority has not completed an analysis of the impact of this standard on its reported consolidated financial statements.

In November 2003, the GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries,* which establishes accounting and financial reporting standards for impairment of capital assets. This Statement also clarifies and establishes accounting requirements for insurance recoveries. The standard is effective for periods beginning after December 15, 2004. The Authority has not completed an analysis of the impact of this standard on its reported consolidated financial statements.

In December 2004, the GASB issued Statement No. 46, *Net Assets Restricted by Legislation an amendment of GASB Statement No. 34,* which requires that limitations on the use of net assets imposed by enabling legislation be reported as restricted net assets. This Statement clarifies that a legally enforceable enabling legislation restriction is one that a party external to a government—such as citizens, public interest groups, or the judiciary—can compel a government to honor. The standard is effective for periods beginning after June 15, 2005. The Authority has not completed an analysis of the impact of this standard on its reported consolidated financial statements.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

The Authority maintains cash, cash equivalents, and investments in separate accounts for the Low-Rent Housing Program Fund and other business ventures.

Cash equivalents include short-term, highly liquid investments that are both readily convertible to known amounts of cash and are so near maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less qualify under this definition.

Cash and cash equivalents of the Authority at December 31, 2004 are as follows:

Demand deposits:	
Deposits with Financial Institutions	$ 4,292,861
STAR Ohio	8,029,563
Carrying balance	$ 12,322,424

At year-end, the carrying amount of the Authority's deposits was $4,292,861 and the total bank balance was $4,643,465, the difference representing outstanding checks and other in-transit items. Of the bank balance, $100,000 was covered by federal depository insurance, $300 was maintained in petty cash funds and the remainder is uncollateralized as defined by the GASB (covered by collateral pools held by third-party trustees pursuant to Section 135.181 of the Ohio Revised Code in collateral pools securing all public funds on deposit with specific depository institutions, but not in the Authority's name).

At December 31, 2004, the Authority had $8,029,563 held in the State Treasury Asset Reserve of Ohio ("STAR Ohio", managed by the Treasurer of the State of Ohio). STAR Ohio is a highly liquid investment pool with participation restricted to subdivisions of the State of Ohio. Under Ohio Revised Code Section 135.143, STAR Ohio is restricted to investing in obligations of the U.S. government and other instruments issued by the State of Ohio and its political subdivisions. Due to the highly liquid nature of the fund, STAR Ohio resembles a money market fund and, therefore, has been treated as a cash equivalent by the Authority in the consolidated financial statements. The Authority's investment in the pool is not subject to custodial credit risk categorization because it is not evidenced by securities that exist in physical or book entry form.

Investments—Investment procedures are restricted by the provisions of the Ohio Revised Code and HUD. Approved investment securities include direct obligations of the federal government backed by the full faith and credit of the United States (e.g., U.S. Treasury bills, notes and bonds), obligations of federal government agencies and instrumentalities (e.g., Government National Mortgage Association mortgage-backed securities, bonds, and participating certificates and securities of Federal Farm credit banks, Federal Land banks, and Federal Home Loan banks). At December 31, 2004, the interest rate yield on certificates of deposit ranged from 1.5% to 2.23%, was 1.5% for federal agency and instrumentalities bonds, and was 1.9% for commercial paper. At December 31, 2004 these investments consist of the following:

Description	Amortized Cost	Gross Unrealized Gain/Loss	Fair Value
U.S. federal agency and instrumentality bonds	$ 7,123,348	$ (19,337)	$ 7,104,011
Certificates of deposit	3,316,939		3,316,939
Guaranteed investment contracts	2,841,275		2,841,275
Commercial paper	1,486,275		1,486,275
Mutual funds	242,898		242,898
Total	$ 15,010,735	$ (19,337)	$ 14,991,398

The Authority's investments are categorized to give an indication of custodial credit risk assumed by the Authority. The investments are assigned a risk category of two. Category two includes uninsured and unregistered investments for which the securities are held by the counterparty's agent or trust department in the Authority's name.

As of December 31, 2004, the Authority maintains cash balances of $6,571,450 and investments of $6,308,146 which are restricted as to their use. Of these amounts $3,380,799 is to be refunded to HUD, $6,639,171 is restricted to funding construction of housing and repaying related debt and $2,859,626 is restricted for other purposes.

3. LINES OF CREDIT

The Authority has unsecured bank lines of credit totaling $2,767,471 bearing an interest rate of the prime rate plus 6%. No compensating balances are required under the terms of the lines of credit. The Authority did not utilize these lines of credit during the year.

4. NOTES RECEIVABLE

In March 1997, the Authority entered into a Loan Agreement (the "Rosewind Note") with Rosewind Limited Partnership, a component unit of the Authority, (see Note 11), for the construction of low-income housing. The Rosewind Note matures 35 years from the date of the Rosewind Note, and is payable in annual installments of $25,000 without interest until maturity when the remaining balance is due. The balance of the Rosewind Note is $17,694,107, net of allowance for doubtful accounts of $1,327,682 as of December 31, 2004.

The Rosewind Note is non-recourse and is collateralized by an open-end mortgage granting the Authority a security interest in certain real property of Rosewind Limited Partnership.

In August 2000, the Authority entered into a Promissory Note (the "Gender Road Note") with Gender Road Limited Partnership, a component unit of the Authority, (see Note 11) for the purchase of low-income housing for a maximum amount of $10,000,000 without interest. The Gender Road Note agreement provides that Gender Road Limited Partnership will make minimum annual payments to the Authority in the amount of $25,000 and the remaining balance of the principal will be due 35 years from the date of the Gender Road Note. The balance of the Gender Road Note is $5,901,035, net of allowance for doubtful accounts of $361,521 at December 31, 2004.

The Gender Road Note is non-recourse and is collateralized by an open-end mortgage granting the Authority a security interest in certain real property of Gender Road Limited Partnership.

In October 2002, the Authority entered into a Promissory Note (the "Waggoner Note") with Waggoner Senior Housing Limited Partnership (see Note 11) for the development of low-income housing in the amount of $262,000. The Waggoner Note agreement has an annual interest rate of 4.9% and provides that payments are deferred until cash flows are sufficient to make payments and the entire balance of principal and all unpaid interest shall be due and payable 40 years from the date of the Waggoner Note. The balance of the Waggoner Note is $261,990 at December 31, 2004.

The Waggoner Note is non-recourse and is collateralized by an open-end mortgage granting the Authority a security interest in certain real property of Waggoner Senior Housing Limited Partnership.

5. CAPITAL ASSETS

The changes in capital assets during the year ended December 31, 2004 are as follows:

	Balance December 31, 2003	Additions	Disposals	Transfers	Balance December 31, 2004
Land	$ 2,915,176	$ -	$ -	$ -	$ 2,915,176
Site improvements	25,785,885		(25,276)	341,676	26,102,285
Buildings	159,975,527	3,684,638	(664,108)	6,247,894	169,243,951
Community buildings	11,256,290			11,664	11,267,954
Other capital assets	4,257,006	356,572	(14,524)	103,347	4,702,401
Construction in process	22,290,342	14,157,364	(137,798)	(6,704,581)	29,605,327
Total	226,480,226	18,198,574	(841,706)	-	243,837,094
Accumulated depreciation	(122,385,231)	(8,953,571)	596,978		(130,741,824)
Capital assets, net	$ 104,094,995	$ 9,245,003	$ (244,728)	$ -	$ 113,095,270

6. PAYMENT IN LIEU OF TAXES

The Authority has executed a Cooperation Agreement with the City of Columbus that provides for tax exemption of the housing projects but requires the Authority to make payments in lieu of taxes for municipal services received based upon a prescribed formula related to rental income. In 2004, those payments totaled $112,618.

7. RISK MANAGEMENT

The Authority maintains comprehensive insurance coverage with private carriers for real property, building contents, directors, and officers' liability insurance, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage.

The Authority is a member of HARRG, which is a comprehensive general liability insurance group operated as a joint venture by its 742 public housing authority members. Through HARRG, the Authority carries $5,000,000 of general liability coverage, with a $10,000 deductible, as well as $1,000,000 of law enforcement liability, with a $10,000 deductible, and $1,000,000 of public officials' errors and omissions coverage, with a $25,000 deductible. The Authority paid $278,038 in premiums to HARRG for the year ended December 31, 2004.

In addition, the Authority provides medical benefits to most of its employees on a fully insured basis with an independent insurance company. The premium rate is calculated based on claim history and administrative costs.

The Authority is part of the state-wide plan for workers' compensation insurance coverage.

There were no changes to the above policies during the current fiscal year. Claims experience over the past three years indicates that there were no instances of losses exceeding insurance coverage.

8. BONDS AND NOTES PAYABLE

A roll-forward of the Authority's long-term debt in 2004 is as follows:

	December 31, 2003	Increase	Decrease	December 31, 2004	Within One Year
Bonds Payable	$ 5,420,000	$ -	$ -	$ 5,420,000	$ -
Notes Payable	5,306,028		(238,742)	5,067,286	291,095
Total	$ 10,726,028	$ -	$ (238,742)	$ 10,487,286	$ 291,095

Bonds Payable:

In December 2002, the Authority established a wholly owned subsidiary, Homes at Second Avenue LLC, which issued $5,420,000 of Columbus Metropolitan Housing Authority Multifamily Housing Mortgage Revenue Bonds, Series 2003A for the construction of the New Village Homes Project. The bonds are collateralized by certain securities as described below and future debt service is as follows:

Maturity Date	Principal Amount	Interest Amount	Total
2005	$ -	$ 269,984	$ 269,984
2006		269,984	269,984
2007	120,000	269,584	389,584
2008		266,384	266,384
2009		266,384	266,384
2010—2014	275,000	1,308,697	1,583,697
2015—2019		1,276,919	1,276,919
2020—2024	790,000	1,194,364	1,984,364
2025—2029		1,081,394	1,081,394
2030—2034	1,020,000	869,630	1,889,630
2035—2039		823,844	823,844
2040—2044	3,215,000	823,844	4,038,844
	$ 5,420,000	$ 8,721,012	$ 14,141,012

At December 31, 2004 the Authority recorded $2,841,275 in escrow, which is invested in guaranteed investment contracts (see Note 2). Of this total, $1 represented funds restricted for the use of bond interest payments. This segregated amount represents the difference between the interest rate earned from the guaranteed investment contracts, in which the bond escrow is invested, and the higher interest rates payable to bondholders.

Notes Payable:

Notes payable includes a mortgage payable to a bank, due in monthly installments of $13,081, including interest at 7.9% through June 2023. The note is collateralized by rental property. As of December 31, 2004, the principal balance was $1,609,028.

Debt service requirements of the mortgage payable are as follows:

	Principal	Interest	Total
2005	$ 40,087	$ 125,522	$ 165,609
2006	43,367	122,242	165,609
2007	46,915	118,694	165,609
2008	50,754	114,855	165,609
2009	54,906	110,703	165,609
2010—2014	349,731	478,315	828,046
2015—2019	518,207	309,839	828,046
2020—2023	505,061	74,055	579,116
Total	$1,609,028	$1,454,225	$3,063,253

In April 2001, HUD changed operating funding regulations to encourage housing authorities to make physical improvements for energy conservation measures that are financed by a loan with repayment of the loan coming from energy savings. In June 2003 the Authority entered into an agreement with Honeywell, Inc. to make specific energy saving improvements in selected Authority developments. The agreement included a financing arrangement with Honeywell to lend the Authority $3,659,960 for 12 years at 3.98% interest to cover construction costs. As part of the agreement, Honeywell guaranteed that savings from the energy conservation measures would be sufficient to cover debt service payments. The loan was assigned to Citibank, N.A. under the same terms as the Honeywell agreement. During construction, the proceeds from the loan were invested in a money market account and drawn down as construction was completed. As of March 2004, all construction was complete and the first loan payment was made.

Debt service requirements of the note payable for are as follows:

	Principal	Interest	Total
2005	$ 251,008	$ 133,094	$ 384,102
2006	261,183	122,919	384,102
2007	271,769	112,333	384,102
2008	282,785	101,317	384,102
2009	294,248	89,854	384,102
2010—2014	1,660,113	260,395	1,920,508
2015—2016	437,152	10,953	448,105
Total	$3,458,258	$830,865	$4,289,123

9. PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS

The Authority contributes to the Public Employees' Retirement System of Ohio ("OPERS"), a cost-sharing multiple-employer defined benefit pension plan administered by the State. OPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute per Chapter 145 of the Ohio Revised Code. The Public Employees' Retirement System issues a stand-alone financial report that includes financial statements and required supplementary information. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6701 or 1-800-222-7377.

The Authority's contribution to OPERS, representing 100% of employer contributions, was $1,347,139, $1,313,284, and $1,296,982 for the years ended December 31, 2004, 2003, and 2002, respectively.

Other postemployment benefits for health care costs provided by OPERS are as follows:

OPERS provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit ("OPEB") as described in GASB Statement No. 12, *Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers.* A portion of each contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2004 employer contribution rate for state employers was 13.55% of covered payroll; 4% was the portion that was used to fund health care for the year. These rates are the actuarially determined contribution requirement for OPERS. The portion of the Authority's 2004 and 2003 contributions that were used to fund postemployment benefits was $397,680 and $387,685, respectively. The ORC provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS.

The assumptions and calculations below were based on the Retirement System's latest Actuarial Review performed as of December 31, 2003. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets annually. The investment assumption rate for 2003 was 8.00%. An annual increase of 4.00% compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00% base increase, were assumed to range from 0.50% to 6.30%. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase 4% (the projected wage inflation rate).

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

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan ("HCPP") with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

10. DEFERRED COMPENSATION

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all regular employees, permits them to defer a portion of their salaries until future years. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency. The Authority made no contributions to the plan in 2004.

All assets of the plan are held in a trust for the exclusive benefit of the participants and their beneficiaries. Investments are managed by the Ohio Public Employees Deferred Compensation Program. The plan is not included in the Authority's financial statements as the Authority does not hold these assets in a trustee capacity.

11. RELATED ENTITIES

In November 1996, the Authority established a not-for-profit subsidiary known as Metropolitan Housing Partners ("MHP"), which is included in other business ventures. MHP is the majority owner, with a 79% interest, in Rosewind GP Corporation, which is the 1% general partner in Rosewind Limited Partnership, a component unit of the authority, (see Note 14). These entities were established to facilitate the construction of low-income housing for which third-party investors will receive low-income tax credits in return for equity investments in the Rosewind Limited Partnership.

Construction was funded using HOPE VI grant funds and the proceeds of a bond issuance. The Authority leases to the Rosewind Limited partnership the property on which the low-income housing was constructed. The lease term is for 55 years at $100 per year.

For the year ended December 31, 2004, the Authority has incurred accounts payable to Rosewind Limited Partnership of approximately $30,522 for pass-through funds to subsidiaries. Additionally, the Authority has outstanding notes receivable (see Note 4) for the sale of the property.

In March 1998, Franklin County, Ohio issued $14 million in tax-exempt bonds on behalf of Rosewind Limited Partnership, as the borrower. The proceeds of the bond issuance were used to repay the promissory note agreements owed to the Authority by Rosewind Limited Partnership. The Authority in turn pledged the monies and subsequent interest earned, on behalf of Rosewind Limited Partnership, as collateral for the repayment of the tax-exempt bonds issued and interest expense incurred on the bonds. A principal payment in the amount of $25,000 was made during 2004. There were no amounts held in escrow at December 31, 2004.

The Authority has entered into a Development Agreement, Guaranty Agreement and Pledge Agreement with Rosewind Limited Partnership whereby the Authority has agreed, in consideration for its Development fee, to provide to Rosewind Limited Partnership such funds as are necessary to enable Rosewind Limited Partnership to meet cash expenditures for reasonable current costs of owning and operating the project property when they come due to the extent, if any, they exceed cash revenues. The Authority has agreed to pledge $1,431,406 of its developer fee as security for its obligations pursuant to this guaranty.

Rosewind Limited Partnership is allocated Federal Low Income Housing Tax Credits under the program described by the Internal Revenue Code §42. These tax credits are not reflected in the accompanying financial statements of the Authority or Rosewind Limited Partnership and, therefore, have not been audited. However, the Partnership Agreement provides for a credit reduction payment. In the event that the total amount of tax credits obtained is less than the total amount projected, the Limited Partners shall reduce their required capital contribution by the amount of the shortfall (as defined in the Partnership Agreement). Further, if the full amount of annual tax credits is not obtained, the General Partner of the project partnership is obligated to pay the Limited Partners the amount of the shortfall. Under the terms of the Partnership Agreement, Rosewind General Partner is required to provide the Limited Partner a maximum of $1,331,406 for this purpose. No credit reduction payments were made during 2004 or 2003. The General Partner does not receive a fee under this provision.

MHP is also the majority owner, with 79% interest, of Gender Road GP Corporation, which is the 0.1% general partner in the Gender Road Limited Partnership, a component unit of the authority, (see Note 15). These entities were established to facilitate the construction of low-income housing for which third-party investors will receive low-income tax credits in return for equity investments in the Gender Road Limited Partnership.

Construction has been funded using HOPE VI grant funds and the proceeds of a bond issuance. The Authority leases to the Gender Road Limited Partnership the property on which the low-income housing was constructed. The lease term is for 55 years at $100 per year.

For the year ended December 31, 2004, the Authority has not incurred any accounts payable to Gender Road Limited Partnership for pass-through funds to subsidiaries. Additionally, the Authority has outstanding notes receivable (see Note 4) for the sale of the property.

In August 2000, Franklin County, Ohio issued $6 million in tax-exempt bonds on behalf of Gender Road Limited Partnership, as borrower. The proceeds of the bond issuance were used to repay the promissory note agreements owed to the Authority by Gender Road Limited Partnership. The Authority in turn pledged the monies and subsequent interest earned, on behalf of Gender Road Limited Partnership, as collateral for the repayment of the tax-exempt bonds issued and interest expense incurred on the bonds. A principal payment in the amount of $25,000 was made during 2004. The funds held in escrow are in the name of Gender Road Limited Partnership and accordingly the December 31, 2004 balance of $100,000 is recorded in Gender Road Limited Partnership's financial statements.

Gender Road Limited Partnership is allocated Federal Low Income Housing Tax Credits under the program described by the Internal Revenue Code §42. These tax credits are not reflected in the accompanying financial statements of the Authority or Gender Road Limited Partnership and, therefore, have not been audited. However, the Partnership Agreement provides for a credit reduction payment. In the event that the total amount of tax credits obtained is less than the total amount projected, the Limited Partners shall reduce their required capital contribution by the amount of the shortfall (as defined in the Partnership Agreement). Further, if the full amount of annual tax credits is not obtained, the General Partner of the project partnership is obligated to pay the Limited Partners the amount of the shortfall. Under the terms of the Partnership Agreement, Gender Road General Partner is required to provide the Limited Partner a maximum of $600,000 for this purpose. No credit reduction payments were made during 2004. The General Partner does not receive a fee under this provision.

In October 2002, the Authority established a wholly owned subsidiary, Waggoner Road LLC, which entered into the Waggoner Road Senior Limited Partnership. The general partner is Waggoner Senior Housing, Inc., a wholly owned subsidiary of the National Church Residencies, which has 0.01% interest in the owner entity. The Authority is the special limited partner and will have a 0.01% interest in the owner entity. The limited partner is NHT Fifth Third X Tax Credit Fund LLC, which has a 99.98% interest in the owner entity. The Authority and National Church Residencies have entered into development agreements to collaborate for co-development of the project.

The co-developers are spending an estimated amount of $7,202,254 to develop 75 units (30 public housing units and 45 non-public housing units.) Of this amount, the Authority is investing a total of $2,095,194 in HOPE VI funds ($160,000 for administrative costs, $180,000 for land acquisition, and $1,755,194 to service the Series B bonds.) The land on which this construction will take place is wholly owned by the Authority; the Authority will enter into a ground lease with Waggoner Road Senior Limited Partnership for use of the land.

For the year ended December 31, 2004, the Authority has not incurred accounts payable to Waggoner Road, LLC for pass-through funds to subsidiaries. Additionally, the Authority has outstanding notes receivable (see Note 4) for amounts loaned to Waggoner Senior Housing Limited partnership in connection with this development.

12. UNCOMPLETED CONTRACTS

At December 31, 2004, the Authority has uncompleted contracts in the amount of $3,888,662 for the Capital Grant Program.

13. CONTINGENT LIABILITIES

Under the terms of Federal grants, periodic audits are required and certain costs may be questioned as not being appropriate expenses under the terms of the grants. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenses which may be disallowed by the grantor cannot be determined at this time, although the Authority expects such amounts, if any, to be immaterial.

The Authority is a defendant in several lawsuits arising from its normal course of business. 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.

14. ROSEWIND LIMITED PARTNERSHIP—NOTES TO DISCRETELY PRESENTED COMPONENT UNIT FINANCIAL STATEMENTS

Nature and Scope of Business—Rosewind Limited Partnership (the “Partnership”), an Ohio limited partnership, was formed on January 7, 1997 with Rosewind GP Corporation as the General Partner and Rosewind Investor Limited Partnership. On March 31, 1998 the Partnership Agreement was amended to remove Rosewind Investor Limited Partnership and add Ohio Equity Fund for Housing Limited Partnership IV, Ohio Equity Fund for Housing Limited Partnership VII and Banc One Community Development Corporation as the Limited Partners.

The Partnership was formed to construct, own, and operate 230 residential apartments for low-income residents in Columbus, Ohio. The Partnership has received an allocation of low-income tax credits and must comply with the requirements of Section 42 of the Internal Revenue Code. Lease terms are typically one year or less.

The Partnership Agreement provides that the Partnership shall continue in existence until December 31, 2052 unless it is earlier dissolved and terminated by provisions of the Partnership Agreement.

Rental Property—Rental property is carried at cost, less accumulated depreciation computed on accelerated and straight-line methods. Major renewals and betterments are capitalized and depreciated; maintenance and repairs, which do not improve or extend the life of the respective assets, are charged to expense as incurred. Upon disposal of assets, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is included in income. Rental property assets are depreciated over their estimated useful lives as follows:

Buildings	15-40 years
Furniture and fixtures	7 years

Cash Reserves—Cash reserves include tenant security deposits, replacement and operating reserve accounts, and an exit tax escrow account. Use of the reserves is restricted as defined in the Partnership Agreement and, therefore, the reserves have been excluded from cash in the accompanying balance sheet.

Operating reserve	$ 16,087
Tenants' security deposit	54,515
Rental payment escrow	14
Replacement reserve	453,692
Exit tax escrow	671,860
	$1,196,168

Tenant Receivable and Bad Debt Policy—Tenant rent charges for the current month are due on the first of the month. Tenants who are evicted or move out are charged with any damages or cleaning fees. The Partnership accounts for all past-due rents at the contract rate and recognizes other tenant charges on the date assessed at the actual amount due. The Partnership does not accrue interest on tenant receivable balances. The carrying amount of tenant receivables is reduced by a valuation allowance that reflects management's best estimate of the amount that will be collected. This estimation takes into consideration historical trends, past history with specific tenants, and current economic conditions. Actual results could vary from the estimate. Accounts are charged against the allowance when management deems them not to be collectible.

Partners' Equity—Profit and loss, as defined in the amended and restated Partnership Agreement, are allocated between the Limited Partners and the General Partner, 99% and 1%, respectively, other than capital events and certain other items, which are specifically allocated in accordance with the Partnership Agreement.

Note Payable—The Partnership has a note payable to the Columbus Metropolitan Housing Authority ("CMHA") in the amount of $19,021,789 at December 31, 2004. The loan does not bear interest and is payable as funds are available. The loan matures in 2032. Proceeds of this loan were to by used for construction and operating expenditures. The loan is secured solely by the Partnership property.

Related Party Transactions—The Partnership Agreement provides that an annual asset management fee be paid to Ohio Capital Corporation for Housing ("OCCH"). The fee is $6,000 for the first year and increases 4% annually as set forth in the Partnership Agreement. Asset Management fees in the amount of $7,308 were charged to expense in 2004.

A Management fee based on 5% of the gross rental receipts is payable to CMHA. Management fees amounting to $39,406 were charged to expense in 2004.

All operating expenses are initially incurred and paid by CMHA. The Partnership reimburses CMHA for its monthly expenses.

Operating Deficit Guaranty—The Partnership has entered into a Development Agreement, Guaranty Agreement and Pledge Agreement with CMHA (the "Sponsor") whereby the Sponsor has agreed, in consideration for its Development fee, to provide to the Partnership such funds as are necessary to enable the Partnership to meet cash expenditures for reasonable current costs of owning and operating the project property when they come due to the extent, if any, they exceed cash revenues. The Sponsor has agreed to pledge $1,431,406 of its developer fee as security for its obligations pursuant to this guaranty.

Credit Reduction Payment—The Partnership is allocated Federal Low Income Housing Tax Credits under the program described by the Internal Revenue Code §42. These tax credits are not reflected in the accompanying financial statements of the Partnership and, therefore, have not been audited. However, the Partnership Agreement provides for a credit reduction payment. In the event that the total amount of tax credits obtained is less than the total amount projected, the Limited Partners shall reduce their required capital contribution by the amount of the shortfall (as defined in the Partnership Agreement). Further, if the full amount of annual tax credits is not obtained, the General Partner of the project partnership is obligated to pay the Limited Partners the amount of the shortfall. Under the terms of the Partnership Agreement, Rosewind General Partner is required to provide the Limited Partner a maximum of $1,331,406 for this purpose. No credit reduction payments were made during 2004 or 2003. The General Partner does not receive a fee under this provision.

***Commitments*—**The Partnership is bound by a restrictive covenant. This covenant states that 99.13% of the project property must be maintained as low-income housing for an initial compliance period of 15 years, and for the extended-use period of an additional 15 years, unless terminated after the end of the initial 15 year period.

In addition, the covenant further states that 50% of the low-income units must be rented to persons with incomes at or below 60% of the area median gross income (AMGI), adjusted for family size.

15. GENDER ROAD LIMITED PARTNERSHIP—NOTES TO DISCRETELY PRESENTED COMPONENT UNIT FINANCIAL STATEMENTS

Nature and Scope of Business—Gender Road Limited Partnership ("Gender Road Partnership"), an Ohio limited partnership, was formed on May 23, 1997, by Gender Road GP Corporation (the "General Partner") and Gender Road Investor Limited Partnership (the "Original Limited Partner"). The Partnership Agreement was subsequently amended and restated in January 2001 to evidence the withdrawal of the Original Limited Partner and to admit Ohio Equity Fund for Housing Limited Partnership X and Banc One Community Development Corporation as the Limited Partners.

The Gender Road Partnership was formed to acquire, construct, own, and operate a 95-unit apartment complex intended for rental to individuals and families of low and moderate income located in Columbus, Ohio. The Gender Road Partnership began leasing units in September 2000. Lease terms are typically one year or less.

The Partnership Agreement provides that the Gender Road Partnership shall continue in existence until December 31, 2052 unless it is earlier dissolved and terminated by provisions of the agreement.

Rental Property—Rental property is carried at cost, less accumulated depreciation computed on accelerated methods. Major renewals and betterments are capitalized and depreciated; maintenance and repairs, which do not improve or extend the life of the respective assets, are charged to expense as incurred. Upon disposal of assets, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is included in income. Rental property assets are depreciated over their estimated useful lives as follows:

Buildings	27.5 years
Furniture and fixtures	5 years

Cash Reserves—Cash reserves include tenant security deposits and replacement and operating reserve accounts. The reserves have been established in amounts considered by the Partners to be adequate and in accordance with the Partnership Agreement. Use of the reserves is restricted as defined in the Partnership Agreement and, therefore, the reserves have been excluded from cash in the accompanying balance sheet.

Operating reserve	$ 155,255
Tenants' security deposit	26,896
Replacement reserve	101,340
	$ 283,491

Tenant Receivable and Bad Debt Policy—Tenant rent charges for the current month are due on the first of the month. Tenants who are evicted or move out are charged with any damages or cleaning fees. The Gender Road Partnership accounts for all past-due rents at the contract rate and recognizes other tenant charges on the date assessed at the actual amount due. The Gender Road Partnership does not accrue interest on tenant receivable balances.

Bond Closing Costs—Direct costs included in connection with obtaining bond financing described in the bonds and note payable footnote have been capitalized and are being amortized over the life of the bonds using the straight-line method.

Partners' Equity—Profit and loss, as defined in the amended and restated Partnership Agreement, are allocated between the Limited Partners and the General Partner, 99.90% and .10%, respectively, other than special allocations (as defined by the Partnership Agreement) and certain other items that are specifically allocated in accordance with the Partnership Agreement.

***Bonds and Note Payable*—**The Gender Road Partnership has a $10,000,000 open-end mortgage with the Columbus Metropolitan Housing Authority ("CMHA"). At December 31, 2004, the outstanding balance on the loan was $6,262,556. The loan does not bear interest and is due on July 31, 2035. The mortgage is secured solely by the Gender Road Partnership property.

The Gender Road Partnership has issued bonds in the amount of $6,000,000 with interest ranging from 4.6% to 5.05% to finance construction. Accrued interest amounted to $2,525 as of December 31, 2004. At December 31, 2004, the outstanding balance on the bonds was $100,000. The bonds mature in 2005.

Related Party Transactions—The note receivable from the Limited Partners in the amount of $572,450 as of December 1, 2004, is for the subscribed capital contributions. The note is secured solely by the Limited Partners' interest in the Gender Road Partnership. The balance is due in installments ranging from $51,890 to $313,000 through the year 2011.

The Partnership Agreement provides that an annual asset management fee be paid to Ohio Capital Corporation for Housing ("OCCH"). The fee is $4,000 for the first year and increases 4% annually as set forth in the Partnership Agreement. Asset management fees in the amount of $4,848 were charged to expense in 2004.

Credit Reduction Payment—The Gender Road Partnership is allocated Federal Low Income Housing Tax Credits under the program described by the Internal Revenue Code §42. These tax credits are not reflected in the accompanying financial statements of the Gender Road Partnership and, therefore, have not been audited. However, the Partnership Agreement provides for a credit reduction payment. In the event that the total amount of tax credits obtained is less than the total amount projected, the Limited Partners shall reduce their required capital contribution by the amount of the shortfall (as defined in the Partnership Agreement). Further, if the full amount of annual tax credits is not obtained, the General Partner of the project partnership is obligated to pay the Limited Partners the amount of the shortfall. Under the terms of the Partnership Agreement, Gender Road General Partner is required to provide the Limited Partner a maximum of $600,000 for this purpose. No credit reduction payments were made during 2004. The General Partner does not receive a fee under this provision.

Commitments—The Gender Road Partnership is bound by a restrictive covenant. This covenant states that 100% of the project property must be maintained as low-income housing for an initial compliance period of 15 years, and for the extended-use period of an additional 15 years, unless terminated after the end of the initial 15 year period.

In addition, the covenant further states that 100% of the low-income units must be rented to persons with incomes at or below 60% of the area median gross income (AMGI), adjusted for family size.

* * * * * *

SUPPLEMENTAL FINANCIAL DATA SCHEDULES

COLUMBUS METROPOLITAN HOUSING AUTHORITY

CONSOLIDATING STATEMENT OF NET ASSETS INFORMATION
DECEMBER 31, 2004

ASSETS	Low Rent 14.850	Section 8 Housing Choice Vouchers 14.871	Section 8 Mod Rehab 14.856	Capital Grant 14.872	HOPE VI 14.866	Shelter Care Plus 14.238	Other Business Ventures	Section B NC S/R 14.182	AHSC 14.195	Interprogram Eliminations	Total
Cash and cash equivalents:											
Unrestricted	$ 883,294	$2,185,190	$17,109	$ -	$ -	$ 56,442	$ 2,312,884	$ 205,782	$ 90,273	$ -	$ 5,750,974
Restricted, modernization, and development	621,559						1,469				623,028
Other restricted	2,902						1,558,855		3,380,799		4,942,556
Tenant security deposits	470,797						52,068				522,865
Restricted for payment of current liability		483,001									483,001
Total cash and cash equivalents	1,978,552	2,668,191	17,109	-	-	56,442	3,925,276	205,782	3,471,072	-	12,322,424
Accounts and notes receivable:											
Accounts receivable—HUD, other projects	43,534		7,503	743,697	63,432	4,551		424,305	3,408,750		4,695,772
Accounts receivable—miscellaneous	353,665	7,902					315,504				677,071
Accounts receivable—tenants, dwelling rent	153,732						284				154,016
Allowance for doubtful accounts—dwelling r	(27,961)										(27,961)
Notes and mortgages receivable	50,000										50,000
Fraud recovery		119,985									119,985
Allowance for doubtful accounts—fraud		(119,985)									(119,985)
Accrued interest receivable	76,782	1,414	305			990	72,013	5,284			156,788
Total receivables—net allowance for doubtful accounts	649,752	9,316	7,808	743,697	63,432	5,541	387,801	429,589	3,408,750	-	5,705,686
Investments:											
Unrestricted	3,641,533	196,389	42,140			136,715	3,936,571	729,904			8,683,252
Restricted	3,174,867						3,088,463				6,263,330
Restricted for payment of current liability							44,816				44,816
Total investments	6,816,400	196,389	42,140	-	-	136,715	7,069,850	729,904	-	-	14,991,398
Prepaid expenses and other assets, excluding accrued interest receivables	271,710	66,455					65,732				403,897
Inventories	167,614										167,614
Allowance for obsolete inventories	(5,039)										(5,039)
Interprogram receivable	80,072						66,980			(147,052)	
Capital assets:											
Land	1,400,282	699,041					815,853				2,915,176
Buildings	203,869,906						2,744,284				206,614,190
Furniture, equipment, and machinery—dwellings	2,546,893						175,753				2,722,646
Furniture, equipment, and machinery—administration		1,591,276	4,547			16,926	49,957	50,440	266,609		1,979,755
Accumulated depreciation	(128,946,359)	(843,436)	(4,547)			(15,338)	(664,048)	(50,440)	(217,656)		(130,741,824)
Construction in progress				11,894,208	4,432,660		13,278,459				29,605,327
Total capital assets—net of accumulated depreciation	78,870,722	1,446,881	-	11,894,208	4,432,660	1,588	16,400,258	-	48,953	-	113,095,270
Other assets:											
Notes and mortgages receivable—non-current	23,545,142						261,990				23,807,132
Other assets	7,017						193,995				201,012
Investments and joint ventures							325				325
Total other assets	23,552,159	-	-	-	-	-	456,310	-	-	-	24,008,469
TOTAL ASSETS	$ 112,381,942	$4,387,232	$67,057	$12,637,905	$4,496,092	$200,286	$28,372,207	$1,365,275	$6,928,775	$(147,052)	$ 170,689,719

(Continued)

COLUMBUS METROPOLITAN HOUSING AUTHORITY

CONSOLIDATING STATEMENT OF NET ASSETS INFORMATION
DECEMBER 31, 2004

LIABILITIES AND NET ASSETS	Low Rent 14.850	Section 8 Housing Choice Vouchers 14.871	Section 8 Med Rehab 14.856	Capital Grant 14.872	HOPE VI 14.866	Shelter Care Plus 14.238	Other Business Ventures	Section 8 NC S/R 14.182	AHSC 14.195	Interprogram Eliminations	Total
LIABILITIES:											
Accounts payable, accrued liabilites, and other liabilities:											
Accounts payable—<90 days	$ 734,897	$ 244,057	$ 293	$ 299,388	$ 41,763	$ 482	$ 791,407	$ 102	$3,218,990	$ -	$ 5,331,379
Accounts payable—>90 days	42,131			371,654	21,671		679,344				1,114,800
Accrued wages/payroll taxes payable	467,223	190,458					14,682		2,618		674,981
Accrued compensated absences—current portion	94,272	35,948					4,713		6,868		141,801
Accrued contingent liability	40,571										40,571
Accrued interest payable	4,615						40,577				45,192
Accounts payable—HUD, PHA program		816,501	6,953			9,493		76,083	3,380,799		4,289,829
Accounts payable—other government	112,618						168,036				280,654
Tenant security deposits	470,235						54,347				524,582
Deferred credits	164,085						26,787				190,872
Current portion of long-term debt—capital projects	251,008						40,087				291,095
Accrued liabilities—other	380,657	110					14,335				395,102
Interprogram payable		74,397		72,655						(147,052)	
Total accounts payable, accrued liabilities, and other liabilities	2,762,312	1,361,471	7,246	743,697	63,434	9,975	1,834,315	76,185	6,609,275	(147,052)	13,320,858
Debt and other liabilities:											
Long-term debt—net of current, capital projects	3,207,265						6,988,926				10,196,191
Non-current liabilities—other		459,030					87,256				546,286
Accrued compensated absences—non-current	195,405	69,077					8,561				273,043
Total debt and other liabilities	3,402,670	528,107	-	-	-	-	7,084,743	-	-	-	11,015,520
Total liabilities	6,164,982	1,889,578	7,246	743,697	63,434	9,975	8,919,058	76,185	6,609,275	(147,052)	24,336,378
NET ASSETS:											
Invested in capital assets—net of related debt	75,412,449	1,446,881		11,894,208	4,432,658	1,588	12,212,520		48,953		105,449,257
Restricted net assets	3,799,328						1,806,530				5,605,858
Unrestricted net assets	27,005,183	1,050,773	59,811			188,723	5,434,099	1,289,090	270,547		35,298,226
Total net assets	106,216,960	2,497,654	59,811	11,894,208	4,432,658	190,311	19,453,149	1,289,090	319,500	-	146,353,341
TOTAL LIABILITIES AND NET ASSETS	$ 112,381,942	$4,387,232	$67,057	$12,637,905	$4,496,092	$200,286	$28,372,207	$1,365,275	$6,928,775	$(147,052)	$ 170,689,719

(Concluded)

COLUMBUS METROPOLITAN HOUSING AUTHORITY

CONSOLIDATING STATEMENT OF REVENUES AND EXPENSES INFORMATION
DECEMBER 31, 2004

	Low Rent 14.850	Housing Choice Vouchers 14.871	Mod Rehab 14.856	Capital Grant 14.872	HOPE VI 14.866	Shelter Care Plus 14.238	Other Business Ventures	Section 8 NC S/R 14.182	AHSC 14.195	Total
REVENUE:										
Net tenant rental revenues	$ 4,194,750	$ -	$ -	$ -	$ -	$ -	$ 775,204	$ -	$ -	$ 4,969,954
HUD, PHA operating grants	8,866,946	60,633,273	336,807	2,223,171	403,009	2,618,510		8,711,523	244,151,018	327,944,257
Capital grants				6,359,331	552,759					6,912,090
Interest income—unrestricted	67,003	17,979	1,148			2,875	114,417	17,167	565	221,154
Other revenue	574,073	122,307					992,029	2		1,688,411
Gain or loss on the sale of fixed assets	461,848	406								462,254
Interest income—restricted	49,830						103,047			152,877
Total revenue	14,214,450	60,773,965	337,955	8,582,502	955,768	2,621,385	1,984,697	8,728,692	244,151,583	342,350,997
EXPENSES:										
Administrative:										
Administrative salaries	3,069,572	2,640,739	14,548	413,334	32,091	138,927	300,307	121,811	113,864	6,845,193
Auditing fees	21,749	58,765	411		3,960	3,100	946	9,590	23,713	122,234
Outside management fees							46,463		12,141,057	12,187,520
Employee benefit contributions—administrative	918,988	790,576	4,363	124,052	7,438	41,253	86,741	35,648	37,449	2,046,508
Other administrative expenses	847,365	542,139	2,580	45,101	142,835	20,001	332,687	62,177	430,191	2,425,076
Total administrative expenses	4,857,674	4,032,219	21,902	582,487	186,324	203,281	767,144	229,226	12,746,274	23,626,531
Tenant services:										
Tenant services—salaries				114,407						114,407
Relocation costs				(12,642)						(12,642)
Employee benefit contributions—tenant services				34,336						34,336
Tenant services—other	86,946									86,946
Total tenant services	86,946	-	-	136,101	-	-	-	-	-	223,047
Utilities:										
Water	1,141,079	1,285	9			71	62,599	209		1,205,252
Electricity	965,852	33,228	230			1,858	66,803	5,487		1,073,458
Gas	691,612	318	2			18	37,438	52		729,440
Total utilities	2,798,543	34,831	241	-	-	1,947	166,840	5,748	-	3,008,150
Ordinary maintenance and operations:										
Ordinary maintenance and operations—labor	2,634,544	16,163	118			892	51,028	2,619		2,705,364
Ordinary maintenance and operations—materials and other	754,618	19,824	102			781	14,651	2,296		792,272
Ordinary maintenance and operations—contract costs	1,638,689	46,709	334			2,523	110,458	7,409		1,806,122
Employee benefit contributions—ordinary maintenance	788,746	4,839	35			265	8,250	766		802,901
Total ordinary maintenance and operations	5,816,597	87,535	589	-	-	4,461	184,387	13,090	-	6,106,659

(Continued)

COLUMBUS METROPOLITAN HOUSING AUTHORITY

CONSOLIDATING STATEMENT OF REVENUES AND EXPENSES INFORMATION
DECEMBER 31, 2004

	Low Rent 14.850	Section 8 Housing Choice Vouchers 14.871	Section 8 Mod Rehab 14.856	Capital Grant 14.872	HOPE VI 14.866	Shelter Care Plus 14.238	Other Business Ventures	Section 8 NC S/R 14.182	AHSC 14.195	Total
EXPENSES (Continued):										
Protective services:										
Protective services—labor	$ -	$ -	$ -	$ 347,063	$ -	$ -	$ -	$ -	$ -	$ 347,063
Protective services—other contract costs		98		146,857			11,893			158,848
Employee benefit contributions—protective services				104,162						104,162
Total protective services	-	98	-	598,082	-	-	11,893	-	-	610,073
General expenses:										
Insurance premiums	460,087	39,969	294			2,204	52,284	6,467	104,520	665,825
Other general expenses	662,166	45,995					784			708,945
Payments in lieu of taxes and other real estate tax expense	112,618						71,900			184,518
Bad debt—tenant rents	211,031									211,031
Interest expense	118,156						352,803			470,959
Severance expense	13,657	2,307	4			26	704	77		16,775
Total general expenses	1,577,715	88,271	298	-	-	2,230	478,475	6,544	104,520	2,258,053
Other expenses:										
Nonroutine maintenance					216,685					216,685
Housing assistance payments		55,556,338	294,927			2,409,029		8,294,262	231,250,761	297,805,317
Depreciation expense	8,515,898	252,565	42			3,175	123,787		58,104	8,953,571
Total other expenses	8,515,898	55,808,903	294,969		216,685	2,412,204	123,787	8,294,262	231,308,865	306,975,573
Total expenses	23,653,373	60,051,857	317,999	1,316,670	403,009	2,624,123	1,732,526	8,548,870	244,159,659	342,808,086
OTHER FINANCING SOURCES (USES):										
Operating transfers in	906,500									906,500
Operating transfers out				(906,500)						(906,500)
Special item							(126,688)			(126,688)
Total other financing sources (uses)	906,500	-	-	(906,500)	-	-	(126,688)	-	-	(126,688)
EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES	$ (8,532,423)	$ 722,108	$ 19,956	$6,359,332	$552,759	$ (2,738)	$ 125,483	$ 179,822	$ (8,076)	$ (583,777)

(Concluded)

COLUMBUS METROPOLITAN HOUSING AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2004

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Expenditures
U.S. Department of Housing and Urban Development:		
Direct Programs:		
Low-Rent Public Housing—PHA-Owned and Leased	14.850	$ 8,866,946
Revitalization of Severely Distressed Public Housing	14.866	955,768
Public Housing Capital Fund Program	14.872	8,582,502
Subtotal—Public Housing		18,405,216
Section 8 Housing Cluster:		
Direct Programs:		
Substantial Rehabilitation	14.182	8,711,523
Moderate Rehabilitation	14.856	336,807
Subtotal—Section 8 Housing Assistance Program (Section 8 Housing Cluster)		9,048,330
Direct Programs:		
Section 8 Housing Assistance Payment Program—Special Allocations	14.195	244,151,018
Shelter Care Plus	14.238	2,618,510
Housing Choice Vouchers	14.871	60,633,273
Total Expenditures of Federal Awards		$ 334,856,347

See notes to the schedule of expenditures of federal awards.

COLUMBUS METROPOLITAN HOUSING AUTHORITY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2004

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards has been prepared using the accrual basis of accounting in accordance with the format as set forth in the *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget Circular A-133, *Audits of State and Local Governments*.

2. PROGRAM STATUS

The Columbus Metropolitan Housing Authority (the "Authority") receives assistance in the form of a HOPE VI grant and other grant monies from the United States Department of Housing and Urban Development ("HUD") to be used in conjunction with the revitalization activities of federally built low-rent housing units.

The Authority receives assistance in the form of an operating subsidy from HUD (CFDA No. 14.850) to be used for the purpose of maintaining the low-rent character of the local housing program. The monies are being received under one program number. During 2004, the receipt of $447,516, $171,118, and $43,534 were considered federal pass-through awards to the Rosewind Limited Partnership, Gender Road Limited Partnership and the Waggoner Senior Housing Limited Partnership, respectively (related entities of the Authority).

The Authority also has a Guaranty and Supplemental Funding Agreement with Gender Road Limited Partnership (the "Partnership") that it will provide nonfederal funds for debt service payments if the Partnership has insufficient cash flow. During 2004, the Authority provided $25,000 to the Partnership for this purpose.

3. SECTION 8 HOUSING CLUSTER

CFDA 14.195, Section 8 Housing Assistance Payment Program – Special Allocations, is not considered part of the Section 8 Housing Cluster, as this is an administrative services contract in which the Authority monitors Section 8 funding for compliance at a variety of housing authorities and is not responsible for direct administration and distribution of Section 8 funding to individuals applying to the authorities for housing assistance.

COLUMBUS METROPOLITAN HOUSING AUTHORITY

SCHEDULE OF ACTUAL MODERNIZATION COSTS INCURRED ON PROJECT OH16–P001–501–01 THROUGH DECEMBER 31, 2004

1. The actual modernization costs of the project are as follows:

Classification	**Project OH16–P001–501–01**
Operations	$ 718,780
Management improvements—soft costs	660,263
Administration	489,468
Fees and costs	835,692
Site improvements	598,495
Dwelling structures	3,649,459
Relocations codes	235,642
Total costs	$ 7,187,799

2. The distribution of costs by major cost accounts as shown on the Performance and Evaluation Report dated November 1, 2004 for Project OH16–P001–501–01, as submitted to HUD for approval, is in agreement with the Authority's records.

3. Funds advanced for Project OH16–P001–501–01 totaled $7,187,799.

COLUMBUS METROPOLITAN HOUSING AUTHORITY

SCHEDULE OF ACTUAL MODERNIZATION COSTS INCURRED ON PROJECT OH16–P001–501–02 THROUGH DECEMBER 31, 2004

1. The actual modernization costs of the project are as follows:

Classification	**Project OH16–P001–501–02**
Operations	$ 681,999
Management Improvements—Soft Costs	747,137
Administration	449,852
Fees and costs	394,619
Site improvement	568,437
Dwelling Structures	3,590,147
Nondwelling Structures	61,080
Nondwelling Equipment	309,273
Relocation Costs	21,445
Total costs	$ 6,823,989

2. The distribution of costs by major cost accounts as shown on the Performance and Evaluation Report dated February 8, 2005 for Project OH16–P001–501–02, as submitted to HUD for approval, is in agreement with the Authority's records.

3. Funds advanced for Project OH16–P001–501–02 totaled $6,823,989.

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

To the Board of Commissioners of
Columbus Metropolitan Housing Authority:

We have audited the consolidated financial statements of the Columbus Metropolitan Housing Authority (the "Authority") as of and for the year ended December 31, 2004, and have issued our report thereon dated May 18, 2005 which included a reference to other auditors who audited the financial statements of Rosewind Limited Partnership and Gender Road Limited Partnership, discretely presented component units of the Authority. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the Authority in a separate letter dated May 18, 2005.

This report is intended solely for the information and use of the Commissioners, management, the Department of Housing and Urban Development, and the Auditor of the State of Ohio, and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte + Touche LLP

May 18, 2005

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH *OMB CIRCULAR A-133*

To the Board of Commissioners of
Columbus Metropolitan Housing Authority:

Compliance

We have audited the compliance of the Columbus Metropolitan Housing Authority (the "Authority"), with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") *Circular A-133 Compliance Supplement*, that are applicable to each of its major federal programs for the year ended December 31, 2004. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2004. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 04-01.

Internal Control Over Compliance

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

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

This report is intended solely for the information and use of the Commissioners, management, the Department of Housing and Urban Development, and the Auditor of State of Ohio, and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte + Touche LLP

May 18, 2005

COLUMBUS METROPOLITAN HOUSING AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2004

PART I—SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

1. Material Weakness(es) identified?	______	Yes	✓	No
2. Reportable condition(s) identified not considered to be material weaknesses?	______	Yes	✓	None reported
3. Noncompliance material to financial statements noted?	______	Yes	✓	No

Federal Awards:

Internal control over major programs:

4. Material weakness(es) identified?	______	Yes	✓	No
5. Reportable condition(s) identified not considered to be material weakness(es)?	______	Yes	✓	None Reported

Type of auditors' report issued on compliance for major programs: Unqualified

6. Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510(a) of Circular A-133?	✓	Yes	______	No

7. The System's major program was:

Name of Federal Program or Cluster	CFDA Number
Section 8 Housing Assistance Payment Program Special Allocations	14.195
Low-Income Housing—PHA-Owned and Leased	14.850

8. Dollar Threshold used to distinguish between Type A and Type B programs? $ 3,000,000

9. Auditee qualified as low-risk auditee:	______	Yes	✓	No

PART II—FINANCIAL STATEMENT FINDINGS SECTION

No matters were reportable.

PART III—FEDERAL AWARDS FINDINGS SECTION

#04–01 Special Tests and Provisions

Grantor—Department of Housing and Urban Development

Sponsor Identification Number—Various

CFDA Number—CFDA 14.850 – Low Income Housing—PHA-Owned and Leased

Criteria—The OMB *Circular A-133 Compliance Supplement* requires that the PHA establish and adopt written policies for admission of tenants. The PHA tenant selection policies must include requirements for applications and waiting lists, description of the policies for selection of applicants from the waiting lists, and policies for verification and documentation of information relevant to acceptance or rejection of an applicant (24 CFR sections 960.202 through 960.206).

Finding—It is the Authority's policy to have each tenant complete an application. Those applications are then entered into the system and placed on the waiting list. In one selection of 25, the date the application was submitted was incorrectly typed into the system. Further in one selection of 25, the application was not entered into the system. When identified, the applications were corrected in the system and there was no effect on the applicant's status on the waiting list.

Effect—Tenants may not be properly placed on the waiting list, which could result in improper housing placement.

Questioned Cost—N/A

Recommendation—The Authority should establish review procedures to ensure that individuals are being place on the waiting list correctly. This could involve a supervisory review of all applications input or developing sampling techniques to ensure that tenants are being placed on the waiting list.

COLUMBUS METROPOLITAN HOUSING AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2004

PART IV – SUMMARY OF PRIOR AUDIT FINDINGS

Number	Finding	Status	Contact
03-1	A number of the tenant files relating to the Low-Income Housing—PHA-Owned and Leased Program (CFDA 14.850) lacked documentation of an annual reexamination. The sample testing of 85 tenant files as of November 30, 2003 disclosed 23 instances (27%) where tenant files selected did not include documentation of a review during the previous 12 months. The sample testing of 60 tenant files as of December 31, 2003 disclosed 10 instances (17%) where the tenant files selected did not include documentation of a review during the previous 12 months. The sample testing of 60 tenant files as of March 31, 2004 disclosed 7 instances (12%) where the tenant files selected did not include documentation of a review during the previous 12 months. Causes included (1) significant staff turnover in the department and (2) new training program requiring special reviews which utilized staff resources.	Corrected	Dennis Guest, Executive Director

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COLUMBUS METROPOLITAN HOUSING AUTHORITY

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 23, 2005