Columbus Metropolitan Housing Authority

Consolidated Financial Statements,
Required Supplementary Information,
Federal Financial Assistance Schedules
as of and for the Year Ended
December 31, 2005, 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, 2005 through December 31, 2005. 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

September 12, 2006

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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, 2005, and the related consolidated statements of revenues, expenses, and changes in net assets, and of cash flows for the year then ended. These consolidated 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, 2005, 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 and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, such consolidated 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, 2005, and their changes in net assets and their cash flows where applicable 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 consolidated financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the 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 consolidated financial statements taken as a whole. The consolidating schedules on pages 37-41 are presented for the purpose of additional analysis of the 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 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 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 42-43 and the schedules of actual modernization costs on pages 44–45 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 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 consolidated financial statements and, in our opinion, are fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2006, 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

April 25, 2006

MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2005 AND 2004

As management of the Columbus Metropolitan Housing Authority (the "Authority"), we offer readers of the Authority's consolidated financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended December 31, 2005. We encourage readers to consider the information presented here in conjunction with the Authority's consolidated financial statements. This management discussion and analysis focuses on the operations of the Authority and not its discretely presented component units, Rosewind Limited Partnership, Gender Road Limited Partnership and Jenkins Terrace, LLC. Information pertaining to the discretely presented component units is located in footnotes 1, 11, 14, 15, and 16 to the financial statements.

Overview of the Financial Statements

The annual financial report consists of four parts: Management's Discussion and Analysis (this section), the consolidated financial statements, the supplemental financial data schedules, and the schedule of federal awards. The Authority 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.

The Authority 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):

> Net Assets, Invested in Capital Assets, Net of Related Debt: 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.
>
> Restricted Net Assets: This component of Net Assets consists of restricted assets, when constraints are placed on assets by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.
>
> Unrestricted Net Assets: 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, 2005:

- The Authority's total assets decreased by $3,416,969 or 2.0%.
- Total liabilities increased by $214,040 or .9%.
- Total revenues increased by $62,372,421; of this amount; $64,106,869 is due to an increase in the number of contracts being administrated by the Authority's wholly owned subsidiary, Assisted Housing Services Corporation (AHSC).
- Total expenses increased by $65,118,261; of this amount $62,233,734 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, the Authority 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 the Authority to provide the housing at a rent that is based upon 30% of adjusted gross income.

Section 8—Through Annual Contribution Contracts with HUD, the Authority 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.

Performance Based Contract Administration—The Authority 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—The Authority 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.

The Authority 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, 2005	December 31, 2004
Assets		
Current and other assets	$ 62.5	$ 57.6
Capital assets	104.8	113.1
Total assets	$ 167.3	$ 170.7
Liabilities		
Current liabilities	$ 14.9	$ 13.3
Long-term liabilities	9.2	11.0
Total liabilities	24.1	24.3
Net Assets		
Invested in capital assets, net of related debt	96.2	105.5
Restricted	9.1	5.6
Unrestricted	37.9	35.3
Total net assets	143.2	146.4
Total liabilities and net assets	$ 167.3	$ 170.7

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

Major factors affecting the Consolidated Statement of Net Assets

Current and other assets increased by $4.9 million while total liabilities decreased by $.2 million; cash increased by $3.6 million from the sale of property and deferred revenue.

Capital Assets decreased by $8.3 million due primarily to acquisitions of assets ($8.5 million) less current year depreciation ($9.8 million) and retirement of assets ($7.0 million).

Table 2
Change of Unrestricted Net Assets
(In Millions)

Unrestricted Net Assets at 12/31/04	$ 35.3
Results of Operations	(3.2)
Depreciation (1)	9.8
Capital Expenditures	(3.1)
Increase in Restricted Assets	(3.5)
Increase in Deferred Revenue	2.5
Unrestricted Net Assets at 12/31/05	$ 37.8

(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)

	December 31, 2005	December 31, 2004
Revenues		
Rental income	$ 5.6	$ 5.0
Operating subsidy and grants	32.8	30.1
Subsidy for housing assistance payments	358.8	297.8
Capital grants	3.5	6.9
Investment income	0.8	0.4
Other income	1.8	1.7
Gain on sale of property	1.4	0.4
Total revenues	404.7	342.3
Expenses		
Administrative and tenant services	26.2	23.8
Utilities	3.2	3.0
Maintenance and operation	6.8	6.2
Protective services	0.6	0.6
General	2.0	1.8
Housing assistance payments	358.8	297.8
Interest expense	0.5	0.5
Depreciation	9.8	9.0
Total expenses	407.9	342.7
Special item	0	(0.1)
Change in net assets	$ (3.2)	$ (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, 2005, the Authority had $104.8 million invested in Capital Assets as reflected in the schedule below, which represents a net decrease (additions, deductions and depreciation) of $8.3 million from the end of last year.

Table 4
Capital Assets at December 31, 2005
Net of Depreciation
(In Millions)

	2005	2004
Land	$ 2.9	$ 2.9
Buildings and site improvements	222.4	206.6
Equipment	5.4	4.7
Construction in process	4.2	29.6
Accumulated depreciation	(130.1)	(130.7)
Total	$ 104.8	$ 113.1

The following reconciliation summarizes the change in Capital Assets.

Beginning Balance	$ 113.1
Additions	8.5
Retirements, Net of Depreciation	(7.0)
Depreciation	(9.8)
Ending Balance	$ 104.8
Major activities for this year were	
Modernization of units	$ 4.0
Construction of New Village Homes Units	2.0
Equipment purchases	0.2
Total additions	$ 6.2

As of December 31, 2005, the Authority has $8.4 million in debt (bonds and notes) outstanding, excluding the current portion of $.3 million compared to $10.2 million last year, a $1.8 million decrease. During 2005, a wholly owned subsidiary of the Authority prepaid its mortgage of $1.8 million.

Table 6
Outstanding Debt
(In Millions)

	2005	2004
Business Type		
Energy program	$ 3.3	$ 3.5
Capital improvements	5.4	7.0
Less current portion	(0.3)	(0.3)
Total	$ 8.4	$ 10.2

Economic Factors

Significant economic factors affecting the Authority in 2005 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 negatively affected the cost to operate the programs.

COLUMBUS METROPOLITAN HOUSING AUTHORITY

CONSOLIDATED STATEMENT OF NET ASSETS
AS OF DECEMBER 31, 2005

ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents, including restricted cash of $7,880,300	$ 15,939,920
Accounts receivable—net:	
Tenants, net of allowance for doubtful accounts of $19,761	212,157
HUD	4,588,033
Other	1,098,684
Notes receivable from discretely presented component units	825,198
Investments	7,179,922
Investments—legally restricted	5,770,667
Inventory	185,291
Prepaid items and other	528,470
Total current assets	36,328,342
NONCURRENT ASSETS:	
Notes receivable from related party	2,015,820
Notes receivable from discretely presented component units, net of allowance of $1,793,730	23,904,500
Capital assets:	
Land	2,915,176
Other property and equipment, net of accumulated depreciation of $130,148,538	101,872,513
Other noncurrent assets	236,399
Total noncurrent assets	130,944,408
TOTAL	$ 167,272,750
LIABILITIES	
CURRENT LIABILITIES:	
Accounts payable:	
Trade	$ 5,459,735
HUD	4,446,611
Other	318,599
Accrued expenses	1,274,843
Deferred credits	2,689,321
Trust and deposit liabilities	505,044
Notes payable—current	261,183
Total current liabilities	14,955,336
NONCURRENT LIABILITIES:	
Bonds payable	5,420,000
Notes payable	2,946,082
Accrued compensated absences—noncurrent portion	247,969
Other liabilities	552,951
Total noncurrent liabilities	9,167,002
Total liabilities	24,122,338
NET ASSETS:	
Invested in capital assets—net of related debt	96,160,424
Restricted	9,124,308
Unrestricted	37,865,680
Total net assets	143,150,412
TOTAL	$ 167,272,750

See notes to consolidated financial statements.

COLUMBUS METROPOLITAN HOUSING AUTHORITY

BALANCE SHEETS—COMPONENT UNITS
AS OF DECEMBER 31, 2005

	Rosewind Limited Partnership	Gender Road Limited Partnership	Jenkins Terrace LLC	Total
ASSETS				
RENTAL PROPERTY:				
Buildings	$25,572,554	$ 7,943,830	$ 1,558,581	$35,074,965
Furniture and fixtures	456,973	60,555		517,528
Less accumulated depreciation	(7,278,663)	(1,576,682)		(8,855,345)
Net rental property	18,750,864	6,427,703	1,558,581	26,737,148
CASH	47,138	8,118		55,256
CASH RESERVES	1,285,414	367,281		1,652,695
ACCOUNTS RECEIVABLE	230,079	12,702	39,661	282,442
BOND CLOSING COST			200,866	200,866
LESS—Accumulated amortization			(48,286)	(48,286)
MONITORING FEES	41,000		28,476	69,476
LESS—Accumulated amortization	(27,700)			(27,700)
INVESTMENTS RESTRICTED			9,821,512	9,821,512
OTHER ASSETS	65,227	31,734		96,961
TOTAL	$20,392,022	$ 6,847,538	$11,600,810	$38,840,370
LIABILITIES AND PARTNERS' EQUITY				
LIABILITIES:				
Accounts payable—trade	$ 265,195	$ 27,070	$ 32,780	$ 325,045
Accrued expenses	53,482	17,633		71,115
Tenants' security deposits	51,963	26,675		78,638
Accrued interest			43,365	43,365
Bonds payable			6,800,000	6,800,000
Notes payable to primary government	18,996,789	6,340,082	1,184,557	26,521,428
Total liabilities	19,367,429	6,411,460	8,060,702	33,839,591
PARTNERS' EQUITY:				
General partner	156	(1,857)		(1,701)
Limited partners	1,024,437	958,495		1,982,932
Less note receivable from limited partners		(520,560)		(520,560)
Restricted assets			3,395,536	3,395,536
Unrestricted			144,572	144,572
Total partners' equity	1,024,593	436,078	3,540,108	5,000,779
TOTAL	$20,392,022	$ 6,847,538	$11,600,810	$38,840,370

See notes to consolidated financial statements.

COLUMBUS METROPOLITAN HOUSING AUTHORITY

CONSOLIDATED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2005

OPERATING REVENUE:	
Rental	$ 5,563,456
Other	1,790,418
Total operating revenue	7,353,874
OPERATING EXPENSES:	
Housing assistance payments	358,797,788
Depreciation	9,783,936
Administration	25,598,207
Tenant services	603,586
Utilities	3,167,648
Ordinary maintenance and operation	5,856,499
Protective services	580,476
General expenses	2,148,003
Nonroutine maintenance	968,599
Total operating expenses	407,504,742
OPERATING LOSS	(400,150,868)
NONOPERATING REVENUES (EXPENSES):	
HUD grants	391,656,314
HUD capital grants	3,533,123
Interest income	789,877
Interest expense	(421,605)
Gain on disposal of assets	1,390,230
Total nonoperating revenues	396,947,939
CHANGE IN NET ASSETS	(3,202,929)
NET ASSETS—Beginning of year	146,353,341
NET ASSETS—End of year	$ 143,150,412

See notes to consolidated financial statements.

COLUMBUS METROPOLITAN HOUSING AUTHORITY

STATEMENTS OF OPERATIONS—COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2005

	Rosewind Limited Partnership	Gender Road Limited Partnership	Jenkins Terrace LLC	Total
REVENUES:				
Rental	$ 930,568	$ 411,783	$ -	$ 1,342,351
Other	1,851	33,731		35,582
Interest	33,922	1,771	83,134	118,827
Total revenues	966,341	447,285	83,134	1,496,760
EXPENSES:				
Depreciation	828,040	292,355		1,120,395
Maintenance and decorating	257,494	117,174		374,668
Administrative and personnel	181,111	107,811		288,922
Water and sewer	119,024	38,046		157,070
Insurance expense	88,281	36,794		125,075
Management fee	42,834	36,335		79,169
Payment in lieu of taxes	26,181	18,556		44,737
Utilities	27,681	18,345		46,026
Interest expense			78,309	78,309
Audit and tax return	7,800	7,800		15,600
Legal		275	16,431	16,706
Asset management fee	7,596	4,638		12,234
Amortization	1,900	14,508	48,286	64,694
Total expenses	1,587,942	692,637	143,026	2,423,605
NET LOSS	$ (621,601)	$ (245,352)	$ (59,892)	$ (926,845)

See notes to consolidated financial statements.

COLUMBUS METROPOLITAN HOUSING AUTHORITY

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2005

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from tenants	$ 7,975,803
Cash payments to suppliers for goods and services	(26,012,669)
Cash paid for salaries and benefits	(12,828,980)
Housing assistance payments	(358,797,788)
Other receipts	1,672,162
Other payments	(2,479,027)
Net cash used in operating activities	(390,470,499)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES—HUD operating subsidies and grants	391,923,052
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
HUD capital grants	3,530,906
Property and equipment additions	(7,357,972)
Repayment of debt	(1,860,021)
Interest paid on debt	(518,662)
Proceeds from the sale of capital assets	3,165,758
Notes and mortgages receivable from sale of assets	2,529,027
Other	(8,210)
Net cash used in capital and related financing activities	(519,174)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of investments	(12,815,472)
Proceeds from maturity of investments	14,856,281
Interest income	643,308
Net cash provided by investing activities	2,684,117
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,617,496
CASH AND CASH EQUIVALENTS BALANCE (including restricted cash of $6,571,450)—Beginning of year	12,322,424
CASH AND CASH EQUIVALENTS BALANCE (including restricted cash of $7,880,300)—End of year	$ 15,939,920
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating loss	$ (400,150,868)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	9,783,936
Provision for uncollectible accounts	(8,200)
Amortization of bond issuance costs	6,375
(Increase) decrease in operating assets and liabilities:	
Accounts receivable tenants	(77,902)
Accounts receivable other	(118,256)
Notes receivable	(775,198)
Inventory	(22,716)
Prepaid expenses and other assets	(1,869,838)
Accounts payable—trade	275,945
Accrued expenses and other accounts payable	2,499,096
Trust and deposit and other liabilities	(12,873)
NET CASH USED IN OPERATING ACTIVITIES	$ (390,470,499)

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, Gender Road Limited Partnership, and Jenkins Terrace, LLC 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 GAAP as prescribed by the 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.

Jenkins Terrace, LLC—Jenkins Terrace, LLC was formed on January 27, 2004, for the purpose of acquiring, developing, leasing, operating, and administering an apartment complex of 100 single bedroom elderly public housing units in Columbus, Ohio. Jenkins Terrace, LLC's financial statements are prepared on the accrual basis of accounting in accordance with GAAP as prescribed by the FASB Statements and Interpretations. Because of Jenkins Terrace, LLC's dependency on the Authority, a component unit relationship is deemed to exist. See Note 16 to the consolidated financial statements for additional disclosures regarding Jenkins Terrace, LLC.

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 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, using the vesting method, 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, 2004	Increase	Decrease	Balance December 31, 2005	Due Within One Year
Accrued compensated absences	$ 414,844	$ -	$ (18,132)	$ 396,712	$ 148,743

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, 2004	Increase	Decrease	Balance December 31, 2005
Family Self-Sufficient Program Deposits	$ 459,030	$ -	$ (9,466)	$ 449,564
Other	87,256	16,131		103,387
Total	$ 546,286	$ 16,131	$ (9,466)	$ 552,951

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.

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 April 2004, the GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans*. The standards in this Statement apply for trust funds included in the financial reports of plan sponsors or employees, as well as for the stand-alone financial reports of OPEB plans or the public employee retirement system, or other third parties, that administer them. The provisions of this statement are effective for periods beginning after December 15, 2005. Ohio Public Employees Retirement System has not completed an analysis of the impact of this standard on the Authority's reported consolidated financial statements.

In June 2005, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and if applicable, required supplementary information in the financial reports of state and local governmental employers. This Statement is effective for periods beginning after December 15, 2006. Ohio Public Employees Retirement System has not completed an analysis of the impact of this standard on the Authority's 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 to 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. Management has determined that the implementation of GASB Statement No. 46 will not have an effect on its reported consolidated financial statements.

In June 2005, GASB issued Statement No. 47, *Accounting for Termination Benefits*. This statement establishes standards for accounting and financial reporting for termination benefits provided to employees including early retirement incentives, severance benefits, and other termination-related benefits. The provisions of this statement are effective for financial statements for periods beginning after June 15, 2005. Management has determined that the implementation of GASB Statement No. 47 will not have an effect on its reported consolidated financial statements.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Ohio statutes classify monies held by the Authority into three categories.

Active Deposits—Public deposits necessary to meet current demands for the Authority. Such monies must be maintained either as cash in the Authority's commercial accounts payable or withdrawal on demand accounts, including negotiable order of withdrawal ("NOW") accounts, or in money market deposit accounts.

Inactive Deposits—Public deposits that the Authority has identified as not required for use within the current two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim Deposits—Deposits of interim monies. Interim monies are those that are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of Authority's deposits is provided by the Federal Deposit Insurance Corporation ("FDIC") by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies are to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the Unites States;

2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of the federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be market to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio;

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

6. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse purchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within three years from the date of purchase unless matched to a specific obligation or debt of the Authority, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, *Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements* and GASB Statement No. 40, *Deposit and Investment Risk Disclosures*.

Deposits—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 as December 31, 2005, are as follows:

Active deposits:	
Deposits with Financial Institutions	$ 4,620,134
STAR Ohio	11,319,786
Carrying balance	$15,939,920

At year-end, the carrying amount of the Authority's deposits was $4,620,134 and the total bank balance was $4,983,263, the difference representing outstanding checks and other in-transit items. Of the bank balance, $300,000 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, 2005, the Authority had $11,319,786 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—As of December 31, 2005, the Authority had the following investments and maturities:

	Fair Value	Maturity Date	Credit Rating Moody's/S & P
Federal National Mortgage Association Discount Note	$ 3,200,189	January 27, 2006	Prime- 1/A-1+
Federal National Mortgage Association	4,216,737	June 1, 2006	Aaa/AAA
Certificate of Deposit	3,263,879	April 13, 2006	P1/A1+
Certificate of Deposit	2,000,000	February 9, 2006	P1/A1+
Certificate of Deposit	12,500	March 3, 2006	Unrated
Certificate of Deposit	51,397	January 2, 2007	Unrated
Mutual Fund	38,876	NA	Unrated
Guarantee Investment Contract	167,011	NA	Unrated
Total	$ 12,950,589		

Interest Rate Risk—Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investment. The Ohio Revised Code generally limits security purchases to those that mature within five years of settlement date.

Concentration of Credit Risk—The Authority places no limit on the amount the Authority may invest with one issuer. The Authority's total investments are:

FNMA	57.3 %
CD's	41.1
Guaranteed Investment Contract	1.3
Mutual Funds	0.3
Total	100 %

Custodial Credit Risk—For an investment, custodial credit risk is the risk that in the event of failure of the counterparty the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Except for the Mutual Fund, all of the Authority's investments balance is collateralized by underlying securities pledged by the investment's counterparty, not in the name of the Authority.

As of December 31, 2005, the Authority maintains cash balances of $7,880,300 and investments of $5,770,667 which are restricted as to their use. Of these amounts $3,471,100 is to be refunded to HUD, $7,285,791 is restricted to funding construction of housing and repaying related debt and $2,894,076 is restricted for other purposes.

3. LINES OF CREDIT

The Authority has unsecured bank lines of credit totaling $862,723 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 $17,669,107, net of allowance for doubtful accounts of $1,327,682 as of December 31, 2005.

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 $5,876,034, net of allowance for doubtful accounts of $466,048 at December 31, 2005.

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, 2005.

In December, 2002 the Authority entered into a Construction Loan (the "Waggoner Construction Loan") with Waggoner Senior Housing Limited Partnership (see Note 11) for the development of low-income housing. In 2005, the construction on the 75 unit housing unit was completed and the Construction Loan in the amount of $1,753,830 was issued to Waggoner Senior Housing Limited Partnership. The Construction Loan has an annual interest rate of .5% and provides that all 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 Construction Loan. The balance of the Construction Loan is $1,753,830 at December 31, 2005.

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

In August, 2005 the Authority entered into a Promissory Note (the "Jenkins Note") with Jenkins Terrace, LLC (see Note 11) for the development of low-income elderly housing in the maximum amount of $14,000,000. The Jenkins Note agreement has an annual interest rate of .5% and provides that payments are deferred until cash flows are sufficient to make payments and the entire balance of principal and interest shall be due and payable 40 years from the date of the Jenkins note. The balance of the Jenkins Note is $1,184,557 at December 31, 2005.

The Jenkins Note is non-recourse and is collateralized by an open-end mortgage granting the Authority a security interest in certain real property of Jenkins Terrace, LLC.

5. CAPITAL ASSETS

The changes in capital assets during the year ended December 31, 2005, are as follows:

	Balance December 31, 2004	Additions	Disposals	Transfers	Balance December 31, 2005
Land	$ 2,915,176	$ -	$ -	$ -	$ 2,915,176
Site improvements	26,102,285		(903,986)	3,559,360	28,757,659
Buildings	169,243,951	469,951	(11,061,764)	23,550,789	182,202,927
Community buildings	11,267,954			147,286	11,415,240
Other capital assets	4,702,401	237,237	(178,792)	679,590	5,440,436
Construction in process	29,605,327	7,795,087	(5,258,599)	(27,937,025)	4,204,790
Total	243,837,094	8,502,275	(17,403,141)	-	234,936,228
Accumulated depreciation	(130,741,824)	(9,783,936)	10,377,221		(130,148,539)
Capital assets—net	$ 113,095,270	$(1,281,661)	$ (7,025,920)	$ -	$ 104,787,689

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 2005, those payments totaled $ 318,599.

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 $247,733 in premiums to HARRG for the year ended December 31, 2005.

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 2005 is as follows:

	Balance December 31, 2004	Increase	Decrease	Balance December 31, 2005	Due Within One Year
Bonds Payable	$ 5,420,000	$ -	$ -	$ 5,420,000	$ -
Notes Payable	5,067,286		(1,860,021)	3,207,265	261,183
Total	$ 10,487,286	$ -	$ (1,860,021)	$ 8,627,265	$ 261,183

Bonds Payable—In December 2002, New Village Homes issued $5,420,000 of Columbus Metropolitan Housing Authority Multi-family Housing Mortgage Revenue Bonds, Series 2003A for the construction of the New Village Homes Project. Principal payments are due at various intervals with the balance due on November 20, 2044. The interest rate is 5.4%. The future debt service at December 31, 2005, is as follows:

Maturity Date	Principal Amount	Interest Amount	Total
2006	$ -	$ 269,984	$ 269,984
2007	120,000	269,584	389,584
2008		266,384	266,384
2009		266,384	266,384
2010		266,384	266,384
2011–2015	275,000	1,297,697	1,572,697
2016–2020		1,276,919	1,276,919
2021–2025	790,000	1,155,259	1,945,259
2026–2030	1,020,000	1,075,670	2,095,670
2031–2035		823,844	823,844
2036–2040		823,844	823,844
2041–2045	3,215,000	659,075	3,874,075
Total	$ 5,420,000	$ 8,451,028	$ 13,871,028

Notes Payable—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 at December 31, 2005, are as follows:

	Principal	Interest	Total
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	306,175	77,927	384,102
2011–2015	1,727,374	192,594	1,919,968
2016	63,731	827	64,558
Total	$3,207,265	$ 697,771	$3,905,036

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 $1,319,379, $1,347,139, and $1,313,284 for the years ended December 31, 2005, 2004, and 2003, 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 Governmental 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 2005 employer contribution rate for state employers was 13.31% 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 2005 and 2004 contributions that were used to fund postemployment benefits was $396,473 and $397,680, respectively. The Ohio Revised Code 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 OPERS's latest Actuarial Review performed as of December 31, 2004. 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 2004 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 eight years. In subsequent years (nine 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, 2004, the actuarial value of the OPERS's net assets available for OPEB was $10.8 billion. The number of active contributing participants was 367,109. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $29.5 billion and $18.7 billion, respectively.

The Health Care Preservation Plan ("HCCP") adopted by the OPERS Retirement Board on September 9, 2004, will be effective January 1, 2007. In addition to the HCPP, OPERS has taken additional action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. As an additional component of the HCPP, member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

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 2005.

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

Rosewind Limited Partnership (a discretely presented component unit)—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, 2005, the Authority has incurred accounts payable to Rosewind Limited Partnership of approximately $214,710 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 2005. There were no amounts held in escrow at December 31, 2005.

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 2005 or 2004. The General Partner does not receive a fee under this provision.

Gender Road Limited Partnership (a discretely presented component unit)—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, 2005, 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 $100,000 was made during 2005. The funds held in escrow were in the name of Gender Road Limited Partnership recorded in Gender Road Limited Partnership's financial statements. At December 31, 2005 the balance was reduced to $0 as bonds matured in 2005.

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 2005. The General Partner does not receive a fee under this provision.

Jenkins Terrace, LLC (a discretely presented component unit)—In March 2005, MHP became the majority owner of Jenkins Terrace, Incorporated, with a 75% ownership interest. Jenkins Terrace Inc. is the General Partner in Jenkins Terrace LLC, a component unit of the Authority (see Note 16).

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 Capital grant funds and the proceeds of a bond issuance. The Authority leases to Jenkins Terrace, LLC 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, 2005, the Authority has not incurred any accounts payable to Jenkins Terrace LLC for pass-through funds to subsidiaries. Additionally, the Authority has outstanding notes receivable (see Note 4) for the sale of the property.

In August 2005, Franklin County, Ohio issued $6.8 million in tax-exempt bonds on behalf of Jenkins Terrace LLC, as borrower. The proceeds of the bond issuance were used to repay the promissory note agreements owed to the Authority by Jenkins Terrace LLC. The Authority in turn pledged the monies and subsequent interest earned, on behalf of Jenkins Terrace LLC, as collateral for the repayment of the tax-exempt bonds issued and interest expense incurred on the bonds. The funds held in escrow were in the name of Jenkins Terrace LLC recorded in Jenkins Terrace LLC's financial statements. At December 31, 2005, the balance was $9,821,512.

Upon completion of the construction project, Jenkins Terrace LLC will be 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 Jenkins Terrace LLC and, therefore, have not been audited.

Waggoner Road LLC (a related party)—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 spent an amount of $7,202,254 to develop 75 units (30 public housing units and 45 nonpublic housing units.) Of this amount, the Authority invested a total of $2,095,194 in HOPE VI funds. The land on which this construction took place is wholly owned by the Authority; the Authority entered into a ground lease with Waggoner Road Senior Limited Partnership for use of the land.

For the year ended December 31, 2005, 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, 2005, the Authority has uncompleted contracts in the amount of $ 10,321,535 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.

Summary of Significant Accounting Policies

Use of Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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.

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. 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 and for the statement of cash flow purposes.

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.

Income Taxes—No provisions have been made in the financial statements for income taxes, since such taxes are the responsibility of the Partners.

Cash—The Partnership maintains seven bank accounts with two financial institutions.

Cash Reserves—Cash reserves at December 31, 2005, included the following:

Operating reserve	$ -
Tenants' security deposit	52,519
Rental payment escrow	16
Replacement reserve	541,728
Exit tax escrow	691,151
Total	$1,285,414

Other Assets—Other assets at December 31, 2005, included the following:

Prepaid insurance	$ 65,014
Prepaid contracts	213
Total	$ 65,227

Note Payable—The Partnership has a note payable to the Authority in the amount of $18,996,789 at December 31, 2005. The loan does not bear interest and is payable as funds are available. The loan matures in 2032. Proceeds of this loan were to be used for construction and operating expenditures. The loan is secured solely by the Partnership property.

Related Party Transactions—A Management fee based on 5% of the gross rental receipts is payable to CMHA. Management fees amounting to $42,834 were charged to expense in 2005.

All operating expenses are initially incurred and paid by the Authority. The Partnership reimburses the Authority for its monthly expenses. As of December 31, 2005, the Partnership owed the Authority $242,927. These amounts are included in accounts payable-trade in the accompanying balance sheets.

The Partnership also receives a subsidy from The Department of Housing and Urban Development (HUD) that passes through the Authority. As of December 31, 2005, the Authority owed the Partnership $214,710. These amounts are included in the accounts receivable in the accompanying balance sheets.

The Partnership Agreement provides that annual asset management fees 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 $7,596 were charged to expense in 2005.

Operating Deficit Guaranty—The Partnership has entered into a Development Agreement, Guaranty Agreement and Pledge Agreement with the Authority (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 2005. 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 (the "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 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 Partnership began leasing units in September 2000. 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 agreement.

Summary of Significant Accounting Policies

Use of Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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.

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 and for statement of cash flow purposes.

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.

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.

Income Taxes—No provisions have been made in the financial statements for income taxes, since such taxes are the responsibility of the Partners.

Cash—The Partnership maintains four bank accounts with two financial institutions, which at times may exceed federally insured limits.

Cash Reserves—Cash reserves at December 31, 2005, included the following:

Operating reserve	$208,359
Tenants' security deposit	27,603
Replacement reserve	131,319
Total	$367,281

Other Assets—Other assets at December 31, 2005, included the following:

Prepaid insurance	$23,818
Compliance monitoring fee—net	7,916
Prepaid miscellaneous	
Total other assets	$31,734

Bonds and Note Payable—The Partnership has a $10,000,000 open-end mortgage with the Columbus Metropolitan Housing Authority. At December 31, 2005, the outstanding balance on the loan was $6,340,082. The loan does not bear interest and is due on July 31, 2035. The mortgage is secured solely by the Partnership property.

The Partnership has issued bonds in the amount of $6,000,000 with interest ranging from 4.60% to 5.05% to finance construction. At December 31, 2005, the outstanding balance on the bonds was $0. The bonds mature in 2005.

Related Party Transactions—The note receivable from the Limited Partners in the amount of $520,560 as of December 31, 2005, is for the subscribed capital contributions. The note is secured solely by the Limited Partners' interest in the 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 $4,638 were charged to expense in 2005.

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, 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 2005. The General Partner does not receive a fee under this provision.

Commitments—The 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.

16. JENKINS TERRACE LIMITED PARTNERSHIP—NOTES TO DISCRETELY PRESENT COMPONENT UNIT FINANCIAL STATEMENTS

Nature and Scope of Business—Jenkins Terrace LLC (the "Partnership") is organized as a limited liability company under the laws of the State of Ohio for purposes of acquiring, developing, leasing, operating, and administering 100 one-bedroom elderly public housing units in Columbus, Ohio.

Jenkins Terrace, Inc is the managing member of the limited liability corporation and has a .10% ownership in the Partnership. The majority stockholder of the managing member is Metropolitan Housing Partner, a wholly owned subsidiary of Columbus Metropolitan Housing Authority is a 75% member and Columbus Housing Partnership is a 25% member of Jenkins Terrace, Inc. The project will be managed by the Authority.

Ohio Equity Fund for Housing ("OEFH") Limited Partnership XIV will have a 99.9% interest in Jenkins Terrace LLC. Ohio Capital Corporation for Housing ("OCCH") organized OEFH to enable corporations to take advantage of Housing Tax Credits. OCCH acts as the asset manager for OEFH Limited Partnerships.

Construction of the project commenced in June 2005. The project is expected to have a construction period of approximately 18 months and leased-up start date of January 2007.

Basis of Accounting—The financial statements 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.

Revenue Recognition—Tenant rental revenues are recognized during the period of occupancy as earned. Other receipts are recognized when the related expenses are incurred. Cash received in advance of the service being performed are recorded as deferred revenue. Expenses are recognized as incurred.

Cash and Cash Equivalents—Jenkins Terrace LLC considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

Capital Assets—Capital assets are recorded at historical cost. Donated capital assets are recorded at their fair value on the date donated. Jenkins Terrace LLC 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. Jenkins Terrace LLC 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 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	40 years

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

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.

Summary of Significant Accounting Policies

Use of Estimate—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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.

Cash and Investments—The Partnership maintains two investments accounts with two financial institutions.

Risk Management—During construction, the builder of the building maintains builders risk insurance with a private carrier.

Bonds and Notes Payable—Jenkins Terrace LLC is acquiring and constructing the building with funds loaned to it by the Authority and with funds available from the sale of Bonds. The Authority's loan will be repaid from the sale of low income housing tax credits. The bonds will be repaid with replacement housing factors funds received by the Authority. As of December 31, 2005, the outstanding balance on the bond payable was $6,800,000 and the outstanding balance on the note payable to the Authority was $1,184,557.

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SUPPLEMENTAL FINANCIAL DATA SCHEDULES

COLUMBUS METROPOLITAN HOUSING AUTHORITY

CONSOLIDATING STATEMENT OF NET ASSETS INFORMATION
AS OF DECEMBER 31, 2005

ASSETS	Low Rent 14.85	Section 8 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 B NC S/R 14.182	AHSC 14.195	Inter-program Elimin-ations	Total
CASH AND CASH EQUIVALENTS:											
Unrestricted	$3,392,132	$1,991,064	$49,967	$ -	$ -	$204,986	$2,370,271	$ 20,085	$ 31,115	$ -	$ 8,059,620
Restricted, modernization, and development	1,617,897						32,272				1,650,169
Other restricted	2,320						1,703,049		3,471,100		5,176,469
Tenant security deposits	485,449						85,092				570,541
Restricted for payment of current liability		483,121									483,121
Total cash and cash equivalents	5,497,798	2,474,185	49,967	-	-	204,986	4,190,684	20,085	3,502,215	-	15,939,920
ACCOUNTS AND NOTES RECEIVABLE:											
Accounts receivable—HUD, other projects	24,555		508	584,815	224,531	98,627		184,022	3,470,975		4,588,033
Accounts receivable—miscellaneous	372,012	43,332	214			2,030	375,440	2,299			795,327
Accounts receivable—tenants, dwelling rent	224,602						7,316				231,918
Allowance for doubtful accounts—dwelling rent	(19,761)										(19,761)
Notes and mortgages receivable	825,198										825,198
Fraud recovery		119,985									119,985
Allowance for doubtful accounts—fraud		(119,985)									(119,985)
Accrued interest receivable	173,972	49,878					79,507				303,357
Total receivables—net allowance for doubtful accounts	1,600,578	93,210	722	584,815	224,531	100,657	462,263	186,321	3,470,975	-	6,724,072
INVESTMENTS:											
Unrestricted		3,706,667					3,473,255				7,179,922
Restricted	5,500,883						269,784				5,770,667
Total investments	5,500,883	3,706,667	-	-	-	-	3,743,039	-	-	-	12,950,589

(Continued)

COLUMBUS METROPOLITAN HOUSING AUTHORITY

CONSOLIDATING STATEMENT OF NET ASSETS INFORMATION
AS OF DECEMBER 31, 2005

	Low Rent 14.85	Section 8 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 B NC S/R 14.182	AHSC 14.195	Inter-program Elimin-ations	Total
PREPAID EXPENSES AND OTHER ASSETS, EXCLUDING ACCRUED INTEREST RECEIVABLES	$ 361,907	$ 103,754	$ -	$ -	$ -	$ -	$ 62,809	$ -	$ -	$ -	$ 528,470
INVENTORIES	195,353	-	-	-	-	-	-	-	-	-	195,353
ALLOWANCE FOR OBSOLETE INVENTORIES	(10,062)	-	-	-	-	-	-	-	-	-	(10,062)
INTERPROGRAM RECEIVABLE	-	87,678	-	-	-	629	97,141	-	-	(185,448)	-
CAPITAL ASSETS:											
Land	1,400,282	699,041					815,853				2,915,176
Buildings	201,602,058						20,773,767				222,375,825
Furniture, equipment, and machinery—dwellings	2,837,727						559,336				3,397,063
Furniture, equipment, and machinery—administration		1,654,894	4,547			16,926	49,957	50,440	266,609		2,043,373
Accumulated depreciation	(127,540,891)	(1,122,416)	(4,547)			(16,926)	(1,148,351)	(50,440)	(264,967)		(130,148,538)
Construction in progress				4,103,654	101,136						4,204,790
Total capital assets—net of accumulated depreciation	78,299,176	1,231,519	-	4,103,654	101,136	-	21,050,562	-	1,642	-	104,787,689
OTHER ASSETS:											
Notes and mortgages receivable—noncurrent	25,658,330						261,990				25,920,320
Other assets	7,017						228,981				235,998
Investments and joint ventures							401				401
Total other assets	25,665,347	-	-	-	-	-	491,372	-	-	-	26,156,719
TOTAL	$ 117,110,980	$ 7,697,013	$50,689	$4,688,469	$325,667	$306,272	$30,097,870	$206,406	$6,974,832	$(185,448)	$ 167,272,750

(Continued)

COLUMBUS METROPOLITAN HOUSING AUTHORITY

CONSOLIDATING STATEMENT OF NET ASSETS INFORMATION
AS OF DECEMBER 31, 2005

LIABILITIES AND NET ASSETS	Low Rent 14.85	Section 8 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 B NC S/R 14.182	AHSC 14.195	Inter-program Elimin-ations	Total
LIABILITIES:											
Accounts payable, accrued liabilities, and other liabilities:											
Accounts payable—<90 days	$ 914,925	$ 219,524	$ -	$ 461,118	$124,076	$ -	$ 123,924	$ -	$3,309,112	$ -	$ 5,152,679
Accounts payable—>90 days	43,078	5,985		66,847	100,455		90,691				307,056
Accrued wages/payroll taxes payable	404,294	181,253		21,072			13,071		2,715		622,405
Accrued compensated absences—current portion	57,141	44,783		35,778			3,695		7,346		148,743
Accrued contingent liability	93,215										93,215
Accrued interest payable	4,615						29,998				34,613
Accounts payable—HUD, PHA program		801,071	1,319			115,726		57,395	3,471,100		4,446,611
Accounts payable—other government	88,930						229,669				318,599
Tenant security deposits	423,324						81,720				505,044
Deferred credits	165,390	2,504,750					19,181				2,689,321
Current portion of long-term debt—capital projects	261,183										261,183
Accrued liabilities—other	353,924	3,725					18,218				375,867
Interprogram payable	74,530		119				44	110,755		(185,448)	
Total accounts payable, accrued liabilities, and other liabilities	2,884,549	3,761,091	1,438	584,815	224,531	115,726	610,211	168,150	6,790,273	(185,448)	14,955,336
Debt and other liabilities:											
Long-term debt—net of current, capital projects	2,946,082						5,420,000				8,366,082
Noncurrent liabilities—other		449,564					103,387				552,951
Accrued compensated absences—noncurrent	176,471	63,467					8,031				247,969
Total debt and other liabilities	3,122,553	513,031	-	-	-	-	5,531,418	-	-	-	9,167,002
Total liabilities	6,007,102	4,274,122	1,438	584,815	224,531	115,726	6,141,629	168,150	6,790,273	(185,448)	24,122,338
NET ASSETS:											
Invested in capital assets—net of related debt	75,091,911	1,231,519		4,103,654	101,136		15,630,562		1,642		96,160,424
Restricted net assets	7,121,100						2,003,208				9,124,308
Unrestricted net assets	28,890,867	2,191,372	49,251			190,546	6,322,471	38,256	182,917		37,865,680
Total net assets	111,103,878	3,422,891	49,251	4,103,654	101,136	190,546	23,956,241	38,256	184,559	-	143,150,412
TOTAL	$117,110,980	$7,697,013	$50,689	$4,688,469	$325,667	$306,272	$30,097,870	$206,406	$6,974,832	$(185,448)	$167,272,750

(Concluded)

COLUMBUS METROPOLITAN HOUSING AUTHORITY

CONSOLIDATING STATEMENT OF REVENUES AND EXPENSES INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2005

	Low Rent 14.85	Section 8 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 B NC S/R 14.182	AHSC 14.195	Total
REVENUE:										
Net tenant rental revenues	$ 4,180,555	$ -	$ -	$ -	$ -	$ -	$1,382,901	$ -	$ -	$ 5,563,456
HUD, PHA operating grants	8,756,013	59,654,487	162,374	2,348,910	1,211,579	2,561,115		8,704,276	308,257,560	391,656,314
Capital grants				3,401,205	131,918					3,533,123
Interest income—unrestricted	151,965	170,520	1,892			7,087	200,682	35,457	892	568,495
Other revenue	496,065	93,937				3	1,200,390	23		1,790,418
Gain or loss on the sale of fixed assets	1,408,472	(10,033)					(8,209)			1,390,230
Interest income—restricted	150,859						70,523			221,382
Total revenue	15,143,929	59,908,911	164,266	5,750,115	1,343,497	2,568,205	2,846,287	8,739,756	308,258,452	404,723,418
EXPENSES:										
Administrative:										
Administrative salaries	2,959,315	2,645,287	12,722	344,706		135,069	320,558	142,215	115,367	6,675,239
Auditing fees	29,877	78,514	551			4,081	8,189	11,550	60,301	193,063
Outside management fees							74,256		14,063,120	14,137,376
Employee benefit contributions—administrative	961,320	842,026	4,101	112,156		43,329	102,323	46,155	34,349	2,145,759
Other administrative expenses	966,878	683,350	11,154	156,669	8,900	22,274	298,989	65,306	233,250	2,446,770
Total administrative expenses	4,917,390	4,249,177	28,528	613,531	8,900	204,753	804,315	265,226	14,506,387	25,598,207
Tenant services:										
Tenant services—salaries				91,669						91,669
Relocation costs				174,374	234,080					408,454
Employee benefit contributions—tenant services				29,826						29,826
Tenant services—other	73,637									73,637
Total tenant services	73,637	-	-	295,869	234,080	-	-	-	-	603,586
Utilities:										
Water	1,129,247	1,097	12			55	31,489	173		1,162,073
Electricity	879,218	29,044	293			1,467	67,121	4,597		981,740
Gas	916,709	293	3			15	106,769	46		1,023,835
Total utilities	2,925,174	30,434	308	-	-	1,537	205,379	4,816	-	3,167,648
Ordinary maintenance and operations:										
Ordinary maintenance and operations—labor	2,485,054	12,269	90			676	83,023	1,982		2,583,094
Ordinary maintenance and operations—materials and other	852,719	20,683	118			616	19,782	3,088		897,006
Ordinary maintenance and operations—contract costs	1,395,934	40,161	332			1,693	112,138	5,268		1,555,526
Employee benefit contributions—ordinary maintenance	807,259	3,905	29			217	8,820	643		820,873
Total ordinary maintenance and operations	5,540,966	77,018	569	-	-	3,202	223,763	10,981	-	5,856,499

(Continued)

COLUMBUS METROPOLITAN HOUSING AUTHORITY

CONSOLIDATING STATEMENT OF REVENUES AND EXPENSES INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2005

	Low Rent 14.85	Section 8 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 B NC S/R 14.182	AHSC 14.195	Total
EXPENSES (Continued):										
Protective services:										
Protective services—labor	$ -	$ -	$ -	$ 310,715	$ -	$ -	$ -	$ -	$ -	$ 310,715
Protective services—other contract costs	999			126,775			40,890			168,664
Employee benefit contributions—protective services				101,097						101,097
Total protective services	999	-	-	538,587	-	-	40,890	-	-	580,476
General expenses:										
Insurance premiums	443,396	52,314	356			2,573	3,481	7,714	104,520	614,354
Other general expenses	820,997	27,544					146,820			995,361
Payments in lieu of taxes and other real estate tax expense	88,930						229,669			318,599
Bad debt—tenant rents	178,201						26,197			204,398
Interest expense	133,093						288,512			421,605
Severance expense	10,255	3,592	127			939	38	340		15,291
Total general expenses	1,674,872	83,450	483	-	-	3,512	694,717	8,054	104,520	2,569,608
Other expenses:										
Nonroutine maintenance					968,599					968,599
Housing assistance payments		54,262,784	144,938			2,353,378		8,301,513	293,735,175	358,797,788
Depreciation expense	8,970,484	280,811				1,588	483,742		47,311	9,783,936
Total other expenses	8,970,484	54,543,595	144,938	-	968,599	2,354,966	483,742	8,301,513	293,782,486	369,550,323
Total expenses	24,103,522	58,983,674	174,826	1,447,987	1,211,579	2,567,970	2,452,806	8,590,590	308,393,393	407,926,347
OTHER FINANCING SOURCES (USES):										
Operating transfers in	900,923									900,923
Operating transfers out				(900,923)						(900,923)
Special item										
Total other financing sources (uses)	900,923	-	-	(900,923)	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES	$ (8,058,670)	$ 925,237	$ (10,560)	$3,401,205	$ 131,918	$ 235	$ 393,481	$ 149,166	$ (134,941)	$ (3,202,929)

(Concluded)

COLUMBUS METROPOLITAN HOUSING AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2005

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	$ 8,756,013
Revitalization of Severely Distressed Public Housing	14.866	1,343,497
Public Housing Capital Fund Program	14.872	5,750,115
Subtotal—Public Housing		15,849,625
Section 8 Housing Cluster—		
Direct Programs:		
Substantial Rehabilitation	14.182	8,704,276
Moderate Rehabilitation	14.856	162,374
Subtotal—Section 8 Housing Assistance Program (Section 8 Housing Cluster)		8,866,650
Direct Programs:		
Section 8 Housing Assistance Payment Program—Special Allocations	14.195	308,257,560
Shelter Care Plus	14.238	2,561,115
Housing Choice Vouchers	14.871	59,654,487
Subtotal—Direct Programs		370,473,162
Total Expenditures of Federal Awards		$ 395,189,437

See notes to the schedule of expenditures of federal awards.

COLUMBUS METROPOLITAN HOUSING AUTHORITY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2005

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 2005, the receipt of $522,057, $220,083, and $78,858 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 2005, 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–P001–501–03 THROUGH DECEMBER 31, 2005

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

Classification	Project OH16–P001–501–03
Operations	$ 1,017,942
Management improvements—soft costs	798,132
Administration	510,000
Fees and costs	298,647
Site improvements	154,734
Dwelling structures	2,038,801
Nondwelling structures	41,619
Nondwelling equipment	41,128
Relocations codes	207,550
Total costs	$ 5,108,553

2. The distribution of costs by major cost accounts as shown on the Performance and Evaluation Report dated March 12, 2006, for Project OH16–P001–501–03, as submitted to HUD for approval, is in agreement with the Authority's records.

3. Funds advanced for Project OH16–P001–501–03 totaled $5,108,553.

COLUMBUS METROPOLITAN HOUSING AUTHORITY

SCHEDULE OF ACTUAL MODERNIZATION COSTS INCURRED ON PROJECT OH16–URD001–I194 THROUGH DECEMBER 31, 2005

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

Classification	**Project OH16–URD001–I194**
Operations	$ -
Management improvements—soft costs	2,568,351
Administration	2,013,273
Fees and costs	7,344,137
Site Acquisition	1,010,858
Site improvements	7,861,625
Dwelling structures	18,301,222
Dwelling structures—Nonexpendable	239,060
Nondwelling structures	1,790,705
Nondwelling equipment	61,140
Demolition	644,425
Relocation costs	218,612
Total costs	$42,053,408

2. The distribution of costs by major cost accounts as shown on the Performance and Evaluation Report dated June 22, 2005, for Project OH16–URD001-I194, as submitted to HUD for approval, is in agreement with the Authority's records.

3. Funds advanced for Project OH16–URD001-I194 totaled $42,053,408.

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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, 2005, and have issued our report thereon dated April 25, 2006, 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 of America.

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*.

We noted certain matters that we have reported to the management of the Authority in a separate letter dated April 25, 2006.

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

April 25, 2006

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL AWARD 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, 2005. 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, 2005.

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

April 25, 2006

COLUMBUS METROPOLITAN HOUSING AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2005

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

Federal Awards:

4. Material weakness(es) identified?	______	Yes	X	No
5. Reportable condition(s) identified not considered to be material weaknesses?	______	Yes	X	None reported
Type of auditor's 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	X	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
Public Housing Capital Fund Program	14.872
Section 8 Housing Assistance Program	Section 8 Cluster

8. Dollar Threshold used to distinguish between Type A and Type B programs?			$ 3,000,000	
9. Auditee qualified as low-risk auditee:	______	Yes	X	No

PART II—FINANCIAL STATEMENT FINDINGS SECTION

No matters were reportable.

COLUMBUS METROPOLITAN HOUSING AUTHORITY

PART—III FEDERAL AWARDS FINDINGS SECTION

No findings for the year ended December 31, 2005.

PART IV—SUMMARY OF PRIOR AUDIT FINDINGS

Number	Finding	Status	Contact
04-1	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.	Corrected	Dennis Guest, Executive Director

The Homes at Second Avenue, LLC

(A Component Unit of Columbus Metropolitan Housing Authority)

Financial Statements and Schedules of Federal Financial Assistance as of and for the Period June 1, 2005 (Date of Occupancy) Through December 31, 2005, and Independent Auditors' Reports

THE HOMES AT SECOND AVENUE, LLC

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INDEPENDENT AUDITORS' REPORT

To the Members of
The Homes at Second Avenue, LLC
Columbus, Ohio

We have audited the accompanying statement of net assets of The Homes at Second Avenue, LLC ("New Village Homes"), a component unit of Columbus Metropolitan Housing Authority, as of December 31, 2005, and the related statements of revenues, expenses, and changes in net assets and of cash flows for the period June 1, 2005 (date of occupancy) through December 31, 2005. These financial statements are the responsibility of New Village Homes' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the respective financial statements are free of material misstatement. 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 New Village Homes' 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, such financial statements present fairly, in all material respects, the financial position of The Homes at Second Avenue, LLC as of December 31, 2005, and its change in net assets and cash flows of New Village Homes for the period June 1, 2005 through December 31, 2005, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis ("MD&A) on pages 3–6 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 New Village Homes' 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 respective financial statements that collectively comprise New Village Home's financial statements. The Schedule of Federal Awards on pages 19–20 is presented for the purpose of additional analysis and is not a required part of the financial statements. This supplementary information is the responsibility of New Village Home's management. The Schedule of Federal Awards on pages 19–20 has been subjected to the auditing procedures applied by us in relation to the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements than as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 10, 2006, 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

July 10, 2006

THE HOMES AT SECOND AVENUE, LLC
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 1, 2005 (DATE OF OCCUPANCY) THROUGH DECEMBER 31, 2005

As management of The Homes at Second Avenue LLC ("New Village Homes"), a blended component unit of Columbus Metropolitan Housing Authority, we offer readers of New Village Homes' financial statements this narrative overview and analysis of the financial activities of New Village Homes for the period June 1, 2005 (date of occupancy) through December 31, 2005. We encourage readers to consider the information presented here in conjunction with the financial statements.

Overview of the Financial Statements

The financial report consists of two parts: Management's Discussion and Analysis (this section) and the basic financial statements. New Village Homes 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.

New Village Homes 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.

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

1. *Net Assets, Invested in Capital Assets, Net of Related Debt*—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.

2. *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.

3. *Unrestricted Net Assets*—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, maintenance and depreciation, and Non-Operating Revenue and Expenses, such as 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 period ended December 31, 2005:

- New Village Homes' total assets decreased by $631,956 or 3%.
- Total liabilities decreased by $777,681 or 12%.

Basic Financial Statements

The following table reflects the Statement of Net Assets:

Consolidated Statement of Net Assets

	2005
ASSETS:	
Current assets	$ 238,370
Capital assets	17,573,664
Other noncurrent assets	523,570
Total assets	$18,335,604
LIABILITIES:	
Current liabilities	$ 429,877
Noncurrent liabilities	5,420,000
Total liabilities	5,849,877
NET ASSETS:	
Investment in capital assets—net of related debt	12,153,664
Restricted assets	199,283
Unrestricted net assets	132,780
Total net assets	12,485,727
TOTAL	$18,335,604

For more detailed information see the Statement of Net Assets.

Major factors affecting the Statement of Net Assets

Current assets decreased by $840,000 and liabilities decreased by $777,000. Capital assets increased by $119,000. This is due mainly to the completion of construction and the opening of New Village Homes in February 2005.

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses, and Changes in Net Assets presents the operating results of New Village Homes, as well as the non-operating revenues and expenses. Condensed information from the New Village Homes' Statement of Revenues, Expenses and Changes in Net Assets follows:

Statement of Revenues, Expenses, and Changes in Net Assets

	2005
OPERATING REVENUE:	
Rental	$ 502,715
Other	10,381
Total operating revenue	513,096
OPERATING EXPENSE:	
Administration	114,388
Depreciation	359,165
General expenses	313,975
Other	68,279
Total operating expense	855,807
OPERATING LOSS	(342,711)
NONOPERATING REVENUE	8,631
CAPITAL CONTRIBUTION	479,805
CHANGE IN NET ASSETS	$ 145,725

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

Construction of New Village Homes was completed in February 2005 and 100% occupancy was achieved by June 2005. Since it is the initial operating period, we had anticipated an initial operating loss during the lease-up period.

Capital Assets

As of December 31, 2005, New Village Homes had $17.6 million invested in Capital Assets as reflected in the schedule below, which represents a net increase (additions, deductions and depreciation) of $119,000 during the period.

Capital Assets

	2005
Land	$ 3,005
Buildings	15,102,990
Site improvements	2,370,337
Non-dwelling structures	76,149
Furniture and equipment	380,348
Total	17,932,829
Accumulated depreciation	(359,165)
Capital assets—net	$17,573,664

Outstanding Debt

As of December 31, 2005, New Village Homes has $5.4 million in long-term debt outstanding.

Economic Factors

Significant economic factors affecting New Village Homes in 2005 were as follows:

- Since it was the first year of operation, rents are for only part of the period and expenses are for the full period.
- Increase cost of property taxes, insurance, and utilities affected the cost to operate the project.

THE HOMES AT SECOND AVENUE, LLC

STATEMENT OF NET ASSETS
AS OF DECEMBER 31, 2005

ASSETS

CURRENT ASSETS:	
Cash and cash equivalents, including restricted cash of $35,926	$ 182,736
Accounts receivable—net:	
Tenants	6,544
Other	2,111
Prepaid items and other	46,979
Total current assets	238,370
NONCURRENT ASSETS:	
Cash and cash equivalents—legally restricted	294,589
Capital assets:	
Land	3,005
Other property and equipment, net of accumulated depreciation of $359,165	17,570,659
Other noncurrent assets	228,981
Total noncurrent assets	18,097,234
TOTAL	$18,335,604

LIABILITIES

CURRENT LIABILITIES:	
Accounts payable	$ 188,892
Accrued expenses	189,275
Deferred revenue	19,157
Trust and deposit liabilities	32,553
Total current liabilities	429,877
NONCURRENT LIABILITIES—Bonds payable	5,420,000
Total liabilities	5,849,877
NET ASSETS:	
Invested in capital assets—net of related debt	12,153,664
Restricted	199,283
Unrestricted	132,780
Total net assets	12,485,727
TOTAL	$18,335,604

See notes to financial statements.

THE HOMES AT SECOND AVENUE, LLC

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS FOR THE PERIOD JUNE 1, 2005 (DATE OF OCCUPANCY) THROUGH DECEMBER 31, 2005

OPERATING REVENUE:	
Rental	$ 502,715
Other	10,381
Total operating revenue	513,096
OPERATING EXPENSES:	
General	313,975
Administration	114,388
Depreciation	359,165
Utilities	17,887
Ordinary maintenance and operation	50,392
Total operating expenses	855,807
OPERATING LOSS	(342,711)
NONOPERATING REVENUES—Interest income	8,631
Total nonoperating revenues	8,631
LOSS BEFORE CAPITAL CONTRIBUTIONS	(334,080)
CAPITAL CONTRIBUTIONS	479,805
NET ASSETS—June 1, 2005	12,340,002
NET ASSETS—December 31, 2005	$ 12,485,727

See notes to financial statements.

THE HOMES AT SECOND AVENUE, LLC

STATEMENT OF CASH FLOWS
FOR THE PERIOD JUNE 1, 2005 (DATE OF OCCUPANCY) THROUGH DECEMBER 31, 2005

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from tenants	$ 497,136
Cash payments to suppliers for goods and services	(1,231,702)
Other receipts	69,224
Net cash used in operating activities	(665,342)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Transfer from the Columbus Metropolitan Housing Authority	479,805
Property and equipment additions	(478,387)
Net cash provided by capital and related financing activities	1,418
CASH FLOWS FROM INVESTING ACTIVITIES—Interest income	8,709
NET DECREASE IN CASH AND CASH EQUIVALENTS	(655,215)
CASH AND CASH EQUIVALENTS BALANCE (including restricted cash of $1,008,882)—June 1, 2005	1,132,540
CASH AND CASH EQUIVALENTS BALANCE (including restricted cash of $330,515)—December 31, 2005	$ 477,325
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating loss	$ (342,711)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	359,165
Amortization of bond issuance costs	3,485
Change in operating assets and liabilities:	
Accounts receivable—tenants	(5,387)
Accounts receivable—other	64,167
Prepaid expenses and other assets	33,619
Accounts payable	(839,136)
Accrued expenses and other	64,007
Deferred revenue	(5,516)
Security deposits	2,965
NET CASH USED IN OPERATING ACTIVITIES	$ (665,342)

See notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Entity—The Homes at Second Avenue LLC, ("New Village Homes") is organized as a limited liability company under the laws of the State of Ohio for purposes of acquiring, developing, leasing, operating, and administering 100 units of multi-family rental housing in downtown Columbus, Ohio.

The accompanying 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 New Village Homes is financially accountable. Financial accountability is defined by the component unit being fiscally dependent on New Village Homes. On this basis, no governmental organizations other than New Village Homes itself are included in the financial reporting entity.

Columbus Metropolitan Housing Authority is the sole member of the Board of New Village Homes. Additionally, the Columbus Metropolitan Housing is responsible for the operations of New Village Homes. As such the Columbus Metropolitan Housing Authority has the ability to impose its will on New Village Homes and is included as a blended component unit in the Columbus Metropolitan Housing Authority consolidated financial statements as required by GASB Statement No. 14, *The Financial Reporting Entity*.

Basis of Accounting—The consolidated financial statements 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 GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting,* New Village Homes 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.

Revenue Recognition—Tenant rental revenues are recognized during the period of occupancy as earned. Other receipts are recognized when the related expenses are incurred. Cash received in advance of the service being performed are recorded as deferred revenue. Expenses are recognized as incurred.

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

Capital Assets—Capital assets are recorded at historical cost. Donated capital assets are recorded at their fair value on the date donated. New Village Homes 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. New Village Homes 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.

Invested in Capital Assets, Net of Related Debt—Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

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.

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.

2. CASH AND CASH EQUIVALENTS

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.

At December 31, 2005, the carrying amount of New Village Homes' deposits was $477,325 and the total bank balance was $449,603, the difference representing deposit-in-transit items. Of the bank balance, $100,000 was covered by federal depository insurance 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 New Village Homes' name).

3. CAPITAL ASSETS

The changes in capital assets during the period June 1, 2005 through December 31, 2005, are as follows:

	Balance June 1, 2005	Additions	Disposals	Transfers	Balance December 31, 2005
Land	$ 3,005	$ -	$ -	$ -	$ 3,005
Buildings				15,102,990	15,102,990
Site improvements				2,370,337	2,370,337
Non-dwelling structures				76,149	76,149
Furniture and equipment				380,348	380,348
Construction in process	17,451,437	478,387		(17,929,824)	
Total	17,454,442	478,387	-	-	17,932,829
Accumulated depreciation		(359,165)			(359,165)
Capital assets—net	$ 17,454,442	$ 119,222	$ -	$ -	$ 17,573,664

4. RISK MANAGEMENT

New Village Homes 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.

New Village Homes 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.

5. BONDS AND NOTES PAYABLE

A roll-forward of the New Village Homes' long-term debt during the period June 1, 2005 through December 31, 2005, is as follows:

	Balance June 1, 2005	Increase	Decrease	Balance December 31, 2005
Bonds payable	$ 5,420,000	$ -	$ -	$ 5,420,000

Bonds Payable—In December 2002, New Village Homes 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. Principal payments are due at various intervals with the balance due on November 20, 2044. The interest rate is 5.4%. The future debt service at December 31, 2005, is as follows:

Maturity Date	Principal Amount	Interest Amount	Total
2006	$ -	$ 269,984	$ 269,984
2007	120,000	269,584	389,584
2008		266,384	266,384
2009		266,384	266,384
2010		266,384	266,384
2011–2015	275,000	1,297,697	1,572,697
2016–2020		1,276,919	1,276,919
2021–2025	790,000	1,155,259	1,945,259
2026–2030	1,020,000	1,075,670	2,095,670
2031–2035		823,844	823,844
2036–2040		823,844	823,844
2041–2044	3,215,000	659,075	3,874,075
	$ 5,420,000	$ 8,451,028	$ 13,871,028

* * * * * *

SINGLE AUDIT SECTION

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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 Members of
The Homes at Second Avenue LLC
Columbus, Ohio

We have audited the financial statements of The Homes at Second Avenue, LLC ("New Village Homes") as of and for the period June 1, 2005 (date of occupancy) through December 31, 2005, and have issued our report thereon dated July 10, 2006. 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 New Village Homes' 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 over financial reporting 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 New Village Homes' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Members of New Village Homes, management, 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

July 10, 2006

Deloitte.

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

To the Members of
The Homes at Second Avenue LLC
Columbus, Ohio:

Compliance

We have audited the compliance of The Homes at Second Avenue, LLC ("New Village Homes"), with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") Circular A-133 *Compliance Supplement*, that are applicable to its major federal program for the period June 1, 2005 (date of occupancy) through December 31, 2005. New Village Home's major federal program is 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 its major federal program is the responsibility of New Village Home's management. Our responsibility is to express an opinion on New Village Home'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 New Village Home'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 New Village Home's compliance with those requirements.

In our opinion, New Village Homes complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the period June 1, 2005 (date of occupancy) through December 31, 2005.

Internal Control Over Compliance

The management of New Village Homes 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 New Village Home'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

July 10, 2006

THE HOMES AT SECOND AVENUE, LLC

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE PERIOD JUNE 1, 2005 (DATE OF OCCUPANCY) THROUGH DECEMBER 31, 2005

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Loan Guarantee
U.S. Department of Housing and Urban Development—		
Direct Programs:		
Mortgage Insurance Rental and Cooperative Housing for Moderate Income Families and Elderly—Market Interest Rate	14.135	$5,420,000
Total		$5,420,000

See note to the schedule of expenditures of federal awards.

THE HOMES AT SECOND AVENUE, LLC

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE PERIOD JUNE 1, 2005 (DATE OF OCCUPANCY) THROUGH DECEMBER 31, 2005

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*

THE HOMES AT SECOND AVENUE, LLC

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR PERIOD JUNE 1, 2005 (DATE OF OCCUPANCY) THROUGH DECEMBER 31, 2005

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	X	No
2. Reportable condition(s) identified not considered to be material weaknesses?	________	Yes	X	None reported
3. Noncompliance material to financial statements noted?	________	Yes	X	No

Federal Awards:

4. Material weakness(es) identified?	________	Yes	X	No
5. Reportable condition(s) identified not considered to be material weaknesses?	________	Yes	X	None reported
Type of auditor's 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	X	No

7. The System's major program was:

Name of Federal Program or Cluster	CFDA Number
Mortgage Insurance Rental and Cooperative Housing for Moderate Income Families and Elderly—Market Interest Rate	14.135

8. Dollar Threshold used to distinguish between Type A and Type B programs?			$ 300,000	
9. Auditee qualified as low-risk auditee:	________	Yes	X	No

PART II—FINANCIAL STATEMENT FINDINGS SECTION

No matters were reportable.

PART III—FEDERAL AWARDS FINDINGS SECTION

No matters were reportable.

Auditor of State
Betty Montgomery

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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
SEPTEMBER 26, 2006