

Columbus Metropolitan Housing Authority

Consolidated Financial Statements, Consolidating Supplemental
Financial Data Schedules, and Federal Financial Data Schedules as of
and for the Year Ended December 31, 2011, and Independent Auditors'
Report

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*

Independent Auditors' Report on Compliance with Requirements
That Could Have a Direct and Material Effect on Each Major Program
and on Internal Control over Compliance in Accordance with
OMB Circular A-133



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Columbus Metropolitan Housing Authority, Franklin County, prepared by Deloitte & Touche LLP, for the audit period January 1, 2011 through December 31, 2011. 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.

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

Dave Yost
Auditor of State

August 2, 2012

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COLUMBUS METROPOLITAN HOUSING AUTHORITY

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners of
the Columbus Metropolitan Housing Authority:

We have audited the accompanying consolidated statement of the net assets of the Columbus Metropolitan Housing Authority (the "Authority") as of December 31, 2011, 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, Gender Road Limited Partnership, Jenkins Terrace, LLC, Worley Terrace, LLC, and Elim Manor Elderly Housing, LLC, as of December 31, 2011, and the related statements of operations and changes in equity for the year then ended. We did not audit the statement of net assets of the blended component unit, The Homes at Second Avenue, LLC as of December 31, 2011, and the related statement of revenue, expenses, and changes in net assets and cash flows for the year then ended which represents 7% and 5% respectively, of the assets and net assets of the Authority. 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, Gender Road Limited Partnership, Jenkins Terrace, LLC, Worley Terrace, LLC, Elim Manor Elderly Housing, LLC, and The Homes at Second Avenue, LLC, is based solely on the report of other auditors.

We, and the auditors for Rosewind Limited Partnership and The Homes at Second Avenue, LLC, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Gender Road Limited Partnership, Jenkins Terrace, LLC, Worley Terrace, LLC, and Elim Manor Elderly Housing, LLC 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, such consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Authority and its discretely presented component units as of December 31, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 19, 2012, on our consideration of internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

The Management's Discussion and Analysis on pages 3 through 10 is not a required part of the consolidated financial statements, but is supplementary information required by the Governmental Accounting Standards Board. 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 the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's consolidated financial statements. The consolidating supplemental financial data schedules that consist of the consolidating statement of net assets information and the consolidating statement of revenue and expenses information, on pages 49 through 55, the reconciliation of the consolidated financial statements to the financial data schedule, and the notes to the financial data schedules and the reconciliation of the consolidated financial statements to the consolidated financial data schedule, on pages 57 through 59, are presented for the purpose of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual programs and entities and are not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's 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 60, the notes to the schedule of expenditures of federal awards on page 61, and the schedules of actual modernization costs on page 62, 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 consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

Deloitte & Touche LLP

April 19, 2012

COLUMBUS METROPOLITAN HOUSING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011

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, 2011. 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, Jenkins Terrace, LLC, Worley Terrace, LLC, Elim Manor Elderly Housing, LLC, and Franklin Station, LLC. Information pertaining to the discretely presented component units is located in Note 13 through Note 17 to the consolidated financial statements.

Overview of the Consolidated Financial Statements

The annual financial report consists of two parts: Management's Discussion and Analysis (this section) and the basic financial statements. The Authority follows enterprise fund reporting; accordingly, the consolidated financial statements are presented using a flow of economic resources measurement focus and the accrual basis of accounting. These consolidated 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." 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 represent the net available liquid (noncapital) assets, net of liabilities, for the entire Authority. Net assets 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 asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

Unrestricted Net Assets — Unrestricted net assets consist 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 consolidated financial statements also include a consolidated statement of revenues, expenses, and changes in net assets (similar to an 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 consolidated statement of cash flows is included, which discloses net cash provided by, or used for, operating activities, non-capital financing activities, investing activities, and capital and related financing activities.

Financial Highlights

During the year ended December 31, 2011:

- The Authority’s total assets decreased by \$1,693,889 or 1.0%
- Total liabilities decreased by \$5,171,782 or 27.5%
- Total revenues increased by \$23,038,725; of this amount, \$31,811,941 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 \$31,851,437; of this amount, \$31,811,941 related to housing assistance payments for 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 the U.S. Department of Housing and Urban Development (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.

Due to the significant changes in Public Housing financing stemming from the conversion to Asset Based Management and the continuing reductions in funding for operating expenses, the Authority undertook a thorough analysis of its public housing stock and its impact upon the community. The Authority was confronted with an aging inventory (only five projects are less than 25 years old), high-rise structures that are inappropriate for the local market, projects in unstable neighborhoods and projects in financial and physical distress. In some cases, the Authority’s projects are even considered obstacles to neighborhood revitalization by local organizations and public officials.

The Authority engaged in extensive dialogue with local elected officials, neighborhood organizations, other non-profit housing related organizations and resident groups, Legal Aid, the Community Shelter Board for the Homeless and other interest groups. The Authority also engaged recognized real estate experts to assess the marketability of its projects if they were converted to market rate affordable rental housing, the ability of the local market to absorb residents who must be relocated, capital improvement needs, and potential rehabilitation costs.

In general terms, participants in these dialogues agreed that the Authority must take action to maintain its financial solvency, dispose of projects that are physically distressed and are a detriment to their neighborhoods and, importantly, ensure that residents are relocated to comparable housing in nonaffected areas. The Authority developed a plan to demolish or sell 1,920 Public Housing units over the next five years and submitted the plan to HUD for approval. Our plan was approved by HUD in 2008, and since 2008, we have disposed of 1,270 units.

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 ensure 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, the Authority was awarded a contract by HUD to provide similar contract administrative services to Washington D.C.

Central Office Cost Center — Under the new HUD Asset Management requirements, a separate fund was established to capture administrative overhead and centralized maintenance costs. Expenses charged to Central Office Cost Center are recovered by charging management, bookkeeping, and services fees to other programs.

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. Seven 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. One program provides 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 consolidated statement of net assets for the year ended December 31, 2011, compared to the prior year, is as follows:

Table 1
Consolidated Statement of Net Assets
(In millions)

	2011	2010
Assets:		
Current and other assets	\$ 102.7	\$ 103.3
Capital assets	<u>66.7</u>	<u>67.8</u>
Total assets	<u>\$ 169.4</u>	<u>\$ 171.1</u>
Liabilities:		
Current liabilities	\$ 8.1	\$ 13.2
Long-term liabilities	<u>5.5</u>	<u>5.6</u>
Total liabilities	<u>13.6</u>	<u>18.8</u>
Net assets:		
Invested in capital assets — net of related debt	61.6	62.6
Restricted	25.0	26.9
Unrestricted	<u>69.2</u>	<u>62.8</u>
Total net assets	<u>155.8</u>	<u>152.3</u>
Total liabilities and net assets	<u>\$ 169.4</u>	<u>\$ 171.1</u>

For more detailed information, see the consolidated statement of net assets.

Major Factors Affecting the Consolidated Statement of Net Assets

Current and other assets decreased by \$0.6 million while current liabilities decreased by \$5.1 million. Current assets include cash and investments that decreased by \$0.6 million due to: 1) \$1.4 million from sale of assets; 2) \$1.9 million increase from operation changes; and 3) \$3.7 million decrease from investment in other assets.

Capital assets decreased by \$1.1 million primarily due to acquisitions of assets (\$7.3 million) less current-year depreciation (\$6.2 million), less impairment (\$0.4 million), and retirement of assets (\$1.8 million).

Table 2
Change of Unrestricted Net Assets
(In millions)

Unrestricted net assets — December 31, 2010	\$ 62.8
Increase in net assets	3.4
Depreciation (1)	6.2
Impairment of capital assets (1)	0.4
Capital expenditures	(7.3)
Change in other investments	<u>3.7</u>
Unrestricted net assets — December 31, 2011	<u>\$ 69.2</u>

(1) Depreciation and impairment are treated as an expense and reduces the increase in net assets, but does not have an impact on unrestricted net assets.

While the increase in net assets measure 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 is as follows:

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

	2011	2010
Revenues:		
Rental income	\$ 4.5	\$ 4.4
Operating subsidy and grants	40.2	43.6
Subsidy for housing assistance payment	633.6	599.0
Capital grants	2.9	11.0
Investment income	0.2	0.4
Other income	3.2	3.4
Gain on sale of property	<u>0.5</u>	<u>0.4</u>
Total revenues	<u>685.1</u>	<u>662.2</u>
Expenses:		
Administrative and tenant services	32.2	33.5
Utilities	2.1	2.4
Maintenance and operation	4.3	5.2
Protective services	0.4	0.5
General	5.4	3.5
Housing assistance payment	630.4	597.7
Interest expense	0.3	0.3
Depreciation	6.2	6.8
Impairment of capital assets	<u>0.4</u>	<u> </u>
Total expenses	<u>681.7</u>	<u>649.9</u>
Change in net assets	<u>\$ 3.4</u>	<u>\$ 12.3</u>

Major Factors Affecting the Consolidated 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. and the increased funding of Section 8 Housing Choice Voucher Program.

Capital Assets

As of December 31, 2011, the Authority had \$66.7 million in capital assets as reflected in the schedule below, which represents a net decrease (additions, deductions, impairment, and depreciation) of \$1.1 million from the end of last year.

Table 4
Capital Assets at December 31, 2011
Net of Depreciation
(In millions)

	2011	2010
Land	\$ 5.9	\$ 3.1
Buildings	193.6	215.2
Furniture and fixtures	7.2	6.8
Accumulated depreciation	(143.3)	(169.8)
Construction in process	<u>3.3</u>	<u>12.5</u>
Total	<u>\$ 66.7</u>	<u>\$ 67.8</u>

The summary of reconciliation of the change in capital assets is as follows:

Table 5
Change in Capital Assets
(In millions)

Beginning balance	\$ 67.8
Additions	7.3
Retirements — net of depreciation	(1.8)
Depreciation	(6.2)
Impairment of capital assets	<u>(0.4)</u>
Ending balance	<u>\$ 66.7</u>
Major activities for this year:	
Modernization of units	\$ 3.8
Purchase of land	2.8
Furniture and fixtures purchases	<u>0.7</u>
Total additions	<u>\$ 7.3</u>

As of December 31, 2011, the Authority has \$5.1 million in debt (bonds) outstanding, including the current portion of \$0.1 million compared to \$5.1 million last year.

Economic Factors

Significant economic factors affecting the Authority in 2011 are 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 HUD and is insufficient to cover operating cost and capital improvements for Public Housing Units.
- Increased costs for health insurance, plus utility rate increases negatively affected the cost to operate the programs.
- Lower interest rates had an adverse impact on interest revenue.

COLUMBUS METROPOLITAN HOUSING AUTHORITY

CONSOLIDATED STATEMENT OF NET ASSETS AS OF DECEMBER 31, 2011

ASSETS

CURRENT ASSETS:

Cash and cash equivalents — including restricted cash of \$11,457,902	\$ 22,204,403
Accounts receivable — net:	
Tenants — net of allowance for doubtful accounts of \$18,700	91,068
HUD	4,639,289
Other — net of allowance for doubtful accounts of \$1,721,448	1,518,075
Note receivable	1,102,073
Notes receivable from discretely presented component units	50,000
Investments	14,727,777
Investments — legally restricted	14,321,423
Inventory	18,326
Prepaid items and other	342,117
	<hr/>
Total current assets	59,014,551

NONCURRENT ASSETS:

Notes receivable from discretely presented component units — net of allowance of \$6,291,729	18,695,141
Notes receivable from related party — net of allowance of \$62,482	1,953,338
Capital assets:	
Land	5,881,034
Other property and equipment — net of accumulated depreciation of \$143,284,271	57,553,219
Construction in progress	3,289,157
Other noncurrent assets	23,064,749
	<hr/>
Total noncurrent assets	110,436,638

TOTAL \$ 169,451,189

LIABILITIES

CURRENT LIABILITIES:

Accounts payable:	
Trade	\$ 5,875,596
HUD	53,708
Other	243,604
Accrued expenses	1,461,864
Deferred credits	104,046
Tenant security deposits	355,573
Bonds payable — current	60,000
	<hr/>
Total current liabilities	8,154,391

NONCURRENT LIABILITIES:

Bonds payable	5,025,000
Accrued compensated absences — noncurrent portion	190,848
Other liabilities	231,490
	<hr/>
Total noncurrent liabilities	5,447,338
	<hr/>
Total liabilities	13,601,729

NET ASSETS:

Invested in capital assets — net of related debt	61,638,410
Restricted	25,043,670
Unrestricted	69,167,380
	<hr/>
Total net assets	155,849,460

TOTAL \$ 169,451,189

See notes to consolidated financial statements.

COLUMBUS METROPOLITAN HOUSING AUTHORITY

CONSOLIDATED BALANCE SHEETS — COMPONENT UNITS AS OF DECEMBER 31, 2011

	Rosewind Limited Partnership	Gender Road Limited Partnership	Jenkins Terrace, LLC	Worley Terrace, LLC	Elim Manor Elderly Housing, LLC	Franklin Station, LLC	Total
ASSETS							
RENTAL PROPERTY:							
Buildings	\$ 26,688,171	\$ 8,797,570	\$11,699,378	\$11,474,351	\$ -	\$ -	\$ 58,659,470
Site improvements		381,687	457,970	780,984			1,620,641
Furniture and fixtures	424,084	113,393	406,730	423,873			1,368,080
Construction in process		1,745			3,908,778	433,561	4,344,084
Less accumulated depreciation	<u>(12,225,300)</u>	<u>(3,445,625)</u>	<u>(1,770,437)</u>	<u>(1,476,644)</u>			<u>(18,918,006)</u>
Net rental property	14,886,955	5,848,770	10,793,641	11,202,564	3,908,778	433,561	47,074,269
CASH	55,491	117,687	255,349	357,332	1,598,403		2,384,262
CASH RESERVES	757,591	884,685	24,187	376,833			2,043,296
ACCOUNTS RECEIVABLE	908	1,788	183	999			3,878
PREPAID EXPENSES			63,151	12,898		194	76,243
OTHER ASSETS	<u>62,954</u>	<u>23,930</u>	<u>57,550</u>	<u>132,000</u>		<u>15,946</u>	<u>292,380</u>
TOTAL	<u>\$ 15,763,899</u>	<u>\$ 6,876,860</u>	<u>\$11,194,061</u>	<u>\$12,082,626</u>	<u>\$5,507,181</u>	<u>\$449,701</u>	<u>\$ 51,874,328</u>
LIABILITIES AND PARTNERS'/MEMBER'S EQUITY							
LIABILITIES:							
Accounts payable — trade	\$ 165,295	\$ 46,918	\$ 58,201	\$ 58,755	\$ 301,423	\$ -	\$ 630,592
Accounts payable — primary government					7,238		7,238
Accrued expenses	56,526	25,634	27,068	15,407	11,388	329	136,352
Tenants' security deposits	58,044	30,594	24,333	24,685			137,656
Deferred developer fee					493,934		493,934
Mortgage and other notes payable					2,295,095		2,295,095
Notes payable to primary government	<u>18,846,789</u>	<u>6,190,082</u>					<u>25,036,871</u>
Total liabilities	<u>19,126,654</u>	<u>6,293,228</u>	<u>109,602</u>	<u>98,847</u>	<u>3,109,078</u>	<u>329</u>	<u>28,737,738</u>
PARTNERS'/MEMBER'S EQUITY (DEFICIENCY):							
General partners'/member's equity	7,899	1,066,143	8,160,935	8,308,335	91		17,543,403
Limited partners/investor members	(3,370,654)	(482,511)	3,409,896	3,775,444	3,359,752	449,372	7,141,299
Less note receivable from limited partners/investor members			<u>(486,372)</u>	<u>(100,000)</u>	<u>(961,740)</u>		<u>(1,548,112)</u>
Total partners'/member's (deficiency) equity	<u>(3,362,755)</u>	<u>583,632</u>	<u>11,084,459</u>	<u>11,983,779</u>	<u>2,398,103</u>	<u>449,372</u>	<u>23,136,590</u>
TOTAL	<u>\$ 15,763,899</u>	<u>\$ 6,876,860</u>	<u>\$11,194,061</u>	<u>\$12,082,626</u>	<u>\$5,507,181</u>	<u>\$449,701</u>	<u>\$ 51,874,328</u>

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, 2011

OPERATING REVENUES:	
Rental	\$ 4,508,090
Other	<u>3,177,941</u>
Total operating revenues	<u>7,686,031</u>
OPERATING EXPENSES:	
Housing assistance payments	630,386,287
Depreciation	6,191,615
Administration	31,406,419
Tenant services	821,823
Utilities	2,112,066
Ordinary maintenance and operations	4,288,223
Protective services	441,793
Impairment of capital assets	452,232
General expenses	<u>5,401,786</u>
Total operating expenses	<u>681,502,244</u>
OPERATING LOSS	<u>(673,816,213)</u>
NONOPERATING REVENUES (EXPENSES):	
HUD grants	673,813,384
HUD capital grants	2,945,444
Interest income	217,551
Interest expense	(259,601)
Gain on disposal of assets	<u>577,328</u>
Total nonoperating revenues	<u>677,294,106</u>
CHANGE IN NET ASSETS	3,477,893
NET ASSETS — Beginning of year	<u>152,371,567</u>
NET ASSETS — End of year	<u>\$ 155,849,460</u>

See notes to consolidated financial statements.

COLUMBUS METROPOLITAN HOUSING AUTHORITY

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN EQUITY — COMPONENT UNITS FOR THE YEAR ENDED DECEMBER 31, 2011

	Rosewind Limited Partnership	Gender Road Limited Partnership	Jenkins Terrace, LLC	Worley Terrace, LLC	Elim Manor Elderly Housing, LLC	Franklin Station, LLC	Total
REVENUES:							
Rental	\$ 1,273,446	\$ 559,255	\$ 485,998	\$ 432,376	\$ -	\$ -	\$ 2,751,075
Other	31,881	41,255	5,873	6,673			85,682
Interest	180	1,437	114	1,356	738		3,825
Total revenues	<u>1,305,507</u>	<u>601,947</u>	<u>491,985</u>	<u>440,405</u>	<u>738</u>	<u>-</u>	<u>2,840,582</u>
EXPENSES:							
Depreciation	903,528	349,828	405,191	424,103			2,082,650
Maintenance and decorating	437,513	193,979	176,466	211,946			1,019,904
Administrative and personnel	265,443	109,340	126,751	119,444			620,978
Water and sewer	180,080	78,548	21,672	26,851		379	307,530
Insurance expense	112,582	37,017	26,275	21,521		117	197,512
Management fees	94,395	39,340	46,804	45,238			225,777
Payment in lieu of taxes	12,060	4,922	6,230		4,961		28,173
Utilities	73,324	13,225	56,817	55,590			198,956
Audit and tax return	11,250	8,950	8,950	10,400	4,850		44,400
Legal			32,409	32			32,441
Bad debts	27,934						27,934
Asset management fees	9,600	5,916	4,333	5,000			24,849
Advertising and marketing						1,713	1,713
Amortization	1,900	792	5,232	6,000			13,924
Total expenses	<u>2,129,609</u>	<u>841,857</u>	<u>917,130</u>	<u>926,125</u>	<u>9,811</u>	<u>2,209</u>	<u>4,826,741</u>
NET LOSS	(824,102)	(239,910)	(425,145)	(485,720)	(9,073)	(2,209)	(1,986,159)
(DEFICIENCY) EQUITY IN NET ASSETS — Beginning of year							
	(2,538,653)	(371,858)	11,509,604	12,469,499	2,407,176		23,475,768
CURRENT-YEAR CONTRIBUTIONS							
		1,195,400				451,581	1,646,981
(DEFICIENCY) EQUITY IN NET ASSETS — End of year							
	<u>\$(3,362,755)</u>	<u>\$ 583,632</u>	<u>\$11,084,459</u>	<u>\$11,983,779</u>	<u>\$2,398,103</u>	<u>\$449,372</u>	<u>\$23,136,590</u>

See notes to consolidated financial statements.

COLUMBUS METROPOLITAN HOUSING AUTHORITY

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from tenants	\$ 4,550,358
Cash payments to suppliers for goods and services	(38,704,736)
Cash paid for salaries and benefits	(12,223,174)
Housing assistance payments	(630,386,287)
Other receipts	<u>6,613,606</u>
Net cash used in operating activities	<u>(670,150,233)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES — HUD operating subsidies and grants	<u>676,607,484</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
HUD capital grants	2,224,733
Property and equipment additions	(5,653,454)
Repayment of debt and capital lease obligations	(55,000)
Interest paid on debt obligations	(259,786)
Proceeds from the sale of capital assets - net	265,390
Investment in joint ventures	(3,909,083)
Other receipts	<u>50,000</u>
Net cash used in capital and related financing activities	<u>(7,337,200)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of investments	(28,980,394)
Proceeds from maturity of investments	23,642,739
Interest income	<u>238,984</u>
Net cash used in investing activities	<u>(5,098,671)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,978,620)
CASH AND CASH EQUIVALENTS BALANCE (Including restricted cash of \$18,089,976) — beginning of year	<u>28,183,023</u>
CASH AND CASH EQUIVALENTS BALANCE (Including restricted cash of \$11,457,902) — end of year	<u>\$ 22,204,403</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating loss	\$(673,816,213)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	6,191,615
Impairment	452,232
Provision for uncollectible accounts	1,425,274
Amortization of bond issuance costs	6,375
Change in operating assets and liabilities:	
Accounts receivable — tenants	55,122
Accounts receivable — other	889,003
Inventory	164,113
Prepaid items and other	12,422
Accounts payables	(5,400,107)
Accrued expenses and other	(98,771)
Tenant security deposits	<u>(31,298)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>\$(670,150,233)</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION — Note receivable from sale of assets	<u>\$ 1,102,073</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION — Capital expenditures in accounts payable	<u>\$ 1,321,610</u>
See notes to consolidated financial statements.	

COLUMBUS METROPOLITAN HOUSING AUTHORITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The U.S. 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.

Principles of Consolidation — The accompanying consolidated financial statements include the accounts of the Authority and all significant subsidiaries. All significant intercompany balances and transactions have been eliminated in the consolidated financial statements. The accompanying consolidated financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units — an amendment of GASB Statement No. 14*, in that the consolidated financial statements include all organizations, activities, and functions for which the Authority is financially accountable (see discussion of New Village Homes below). 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; Jenkins Terrace, LLC; Worley Terrace, LLC; Elim Manor Elderly Housing, LLC; and Franklin Station, LLC as discretely presented component units.

New Village Homes — In May 2001, the Authority established The Homes at Second Avenue, LLC (“New Village Homes”), a limited liability company under the laws of the State of Ohio, for the purposes of acquiring, developing, leasing, operating, and administering 100 units of multifamily rental housing. The Authority is the sole member of the Board of New Village Homes and is responsible for the operations of New Village Homes. As such, the Authority has the ability to impose its will on New Village Homes and it is included as a blended component unit in the Authority’s consolidated financial statements as required by GASB Statement No. 14.

Rosewind Limited Partnership — Rosewind Limited Partnership was formed on January 7, 1997, for the purposes of constructing, owning, and operating 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 principles generally accepted in the United States of America (GAAP) as prescribed by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Because of Rosewind Limited Partnership's fiscal dependency on the Authority, a component unit relationship is deemed to exist. See Note 13 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 purposes of acquiring, constructing, owning, and operating 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 ASC. Because of Gender Road 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 Gender Road Limited Partnership.

Jenkins Terrace, LLC — Jenkins Terrace, LLC was formed on January 27, 2004, for the purposes 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 ASC. Because of Jenkins Terrace, LLC'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 Jenkins Terrace, LLC.

Worley Terrace, LLC — Worley Terrace, LLC was formed on February 22, 2006, for the purposes of acquiring, developing, leasing, operating, and administering an apartment complex of 100 single-bedroom, elderly, public housing units in Columbus, Ohio. Worley Terrace, LLC's financial statements are prepared on the accrual basis of accounting in accordance with GAAP as prescribed by the ASC. Because of Worley Terrace, LLC's fiscal dependency on the Authority, a component unit relationship is deemed to exist. See Note 16 to the consolidated financial statements for additional disclosures regarding Worley Terrace, LLC.

Elim Manor Elderly Housing, LLC — Elim Manor Elderly Housing, LLC was formed on December 10, 2010, for the purposes of constructing, financing, leasing, operating, and administering an apartment complex of 63 qualified low-income units in Columbus, Ohio. Elim Manor Elderly Housing, LLC's financial statements are prepared on the accrual basis of accounting in accordance with GAAP as prescribed by the ASC. Because of Elim Manor Elderly Housing, LLC's fiscal dependency on the Authority, a component unit relationship is deemed to exist. See Note 17 to the consolidated financial statements for additional disclosures regarding Elim Manor Elderly Housing, LLC.

Franklin Station, LLC — Franklin Station, LLC was formed on September 8, 2011, for the purposes of constructing, financing, leasing, operating, and administering an apartment complex of 100 qualified low-income units in Columbus, Ohio. Because of Franklin Station, LLC's fiscal dependency on the Authority, a component unit relationship is deemed to exist. As of December 31, 2011, Franklin Station, LLC did not have significant operating activity as the operating agreement was not completed until subsequent to year-end. Refer to Note 18 for disclosures of activity subsequent to December 31, 2011.

Waggoner Road, LLC (a Related Party) — In October 2002, the Authority established a wholly owned subsidiary, Waggoner Road, LLC, which is fully consolidated in the accompanying financial statements. Waggoner Road, LLC entered into Waggoner Road Senior Limited Partnership. The general partner is Waggoner Senior Housing, Inc., a wholly owned subsidiary of the National Church Residences, which has a 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 Residences have entered into development agreements to collaborate for codevelopment of the project.

Avondale Woods Senior Housing Limited Partnership (a Related Party) — In June 2011, the Authority entered into the Avondale Woods Senior Housing Limited Partnership. The amount invested in 2011 was \$2,595,000. The general partner is National Church Residences of Avondale Woods Senior Housing Inc., a wholly owned subsidiary of the National Church Residences, which has a 0.01% interest in the owner entity. The Authority is the special limited partner and has a 0.01% interest in the owner entity. The limited partner is NHT Avondale, LLC, which has a 99.98% interest in the owner entity. National Church Residences is the developer of the project. The Authority accounts for Avondale Woods Senior Housing Inc., as another investment that is recorded within other noncurrent assets.

Basis of Accounting — The accompanying consolidated financial statements, which include the Authority and its wholly owned subsidiaries, are prepared on the accrual basis of accounting 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 FASB 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. The Authority has elected not to apply FASB Statements and Interpretations issued after November 30, 1989.

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.

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.

Housing Assistance Payments — Under Section 8 of the Low-Rent 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.

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. Seven 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 fund provides 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 maturity of three or less months when purchased to be cash equivalents. The Authority records cash that is only allowed to be expended for certain activities or has restrictions on the use of funds by the sources of the funds as restricted cash.

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. The Authority records investments that are only allowed to be expended for certain activities or has restrictions on the use of funds by the sources of the funds as restricted. Investment income, including changes in the fair value of investments, is recorded as nonoperating revenue in the consolidated statement of revenues, expenses, and changes in net assets. Investment income is recognized and recorded when earned and is allocated to programs based upon monthly investment balances.

Inventory — Inventory consists of supplies 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 the following two conditions are met:

The employees’ rights to receive compensation are attributable to services already rendered.

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 as of December 31, 2011, is as follows:

	Balance — 2010	Increase	Decrease	Balance — 2011	Due within One Year
Accrued compensated absences	<u>\$ 349,746</u>	<u>\$ -</u>	<u>\$ (29,736)</u>	<u>\$ 320,010</u>	<u>\$ 129,162</u>

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 nondwelling equipment and office equipment that 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 also 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 as follows:

	Balance — 2010	Increase	Decrease	Balance — 2011
Family Self-Sufficient Program deposits	<u>\$ 280,864</u>	<u>\$ 158,805</u>	<u>\$ (208,179)</u>	<u>\$ 231,490</u>

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. Restricted net assets represent funds received from HUD that are restricted to assistant housing payments and proceeds from the sale of properties that are restricted to capital improvements on housing units.

Use of Estimates — The preparation of consolidated 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 consolidated 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 November 2010, GASB issued GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*. This statement modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, and financial reporting entity display and disclosure requirements. The requirements of this statement are effective for periods beginning after June 15, 2012. Management has determined that the implementation of GASB Statement No. 61 will not have a material effect on its reported consolidated financial statements.

In December 2010, GASB issued GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement modifies government accounting and financial reporting standards to incorporate applicable provisions in FASB and American Institute of Certified Public Accountants (AICPA) pronouncements issued on or before November 30, 1989. The requirements of this statement are effective for periods

beginning after December 15, 2011. Management is in the process of determining the impact of this update.

In June 2011, GASB issued GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. The requirements of this statement are effective for periods beginning after December 15, 2011. Management is in the process of determining the impact of this update.

In March 2012, GASB issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The requirements of this statement are effective for periods beginning after December 15, 2012. Management is in the process of determining the impact of this update.

In March 2012, GASB issued GASB Statement No. 66, *Technical Corrections – 2012, an amendment of GASB Statements No. 10 and No. 62*. The purpose of this statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The requirements of this statement are effective for periods beginning after December 15, 2012. Management is in the process of determining the impact of this update.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

Active Deposits — These are 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 accounts, or in money market deposit accounts.

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

Protection of the Authority's deposits is provided by the Federal Deposit Insurance Corporation and 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:

- U.S. Treasury notes, bills, bonds, or other obligations or securities issued by the U.S. Treasury or any other obligation guaranteed as to principal or interest by the United States.
- 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.
- 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 2% and be marked to market daily, and that the term of the agreement must not exceed 30 days.
- Bonds and other obligations of the State of Ohio.
- 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.
- The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio ("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 it is 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 (including Repurchase Agreements), and Reverse Repurchase Agreements*; and GASB Statement No. 40, *Deposit and Investment Risk Disclosures — an amendment of GASB Statement No. 3*.

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 of December 31, 2011, are as follows:

Active deposits:	
Deposits with financial institutions	\$ 9,365,069
STAR Ohio	<u>12,839,334</u>
Carrying balance	<u>\$ 22,204,403</u>

At year-end, the carrying amount of the Authority's active deposits was \$22,204,403 and the total bank balance was \$22,577,349. The difference represents outstanding checks and other in-transit items. Of the bank balance, \$10,090,022 is covered by federal depository insurance, \$750 is 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, 2011, the Authority had \$12,839,334 held in STAR Ohio. STAR Ohio is a highly liquid investment pool with participation restricted to subdivisions of the State of Ohio. 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 — The Authority's investments and maturities as of December 31, 2011, are as follows:

	Fair Value	Maturity Date	Credit Rating S&P/Moody's
CD	\$ 6,217,000	May 30, 2012	N/A
CD	10,330,000	August 7, 2012	N/A
CD	6,217,000	December 3, 2012	N/A
CD	6,217,000	May 31, 2013	N/A
Guaranteed investment contract	<u>68,200</u>	N/A	N/A
Total	<u>\$ 29,049,200</u>		

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 it may invest with one issuer. The Authority's total investments are as follows:

CDs	99.8 %
Guaranteed investment contract	<u>0.2</u>
Total	<u>100 %</u>

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. All of the Authority's investments balances are

collateralized by underlying securities pledged by the investment's counterparty, not in the name of the Authority.

As of December 31, 2011, the Authority maintains cash balances of \$11,457,902 and investments of \$14,321,423, which are restricted as to their use. Of these amounts, \$8,013,830 is restricted to funding construction of housing and repaying related debt, \$11,089,589 for housing assistance payments, and \$6,675,906 is restricted for other purposes.

3. 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 10), 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 \$18,846,789, and is presented net of allowance for doubtful accounts of \$5,827,682 as of December 31, 2011. The Rosewind Note 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 10), 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 \$6,190,082, and is presented net of allowance for doubtful accounts of \$464,047 at December 31, 2011. The Gender Road Note 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 10) 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. 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, 2011.

In December 2002, the Authority entered into a construction loan (the "Waggoner Construction Loan") with Waggoner Senior Housing Limited Partnership (see Note 10) for the development of low-income housing. In 2006, the construction on the 75-unit housing project was completed, and the Waggoner Construction Loan, in the amount of \$1,753,830, was issued to Waggoner Senior Housing Limited Partnership. The Waggoner Construction Loan has an annual interest rate of 0.5% and provides that all payments are deferred until cash flows are sufficient to make payments. The entire balance of principal and all unpaid interest shall be due and payable 40 years from the date of the Waggoner Construction Loan. The balance of the Waggoner Construction Loan is \$1,753,830 at December 31, 2011, and is presented net of an allowance for doubtful accounts of \$62,482.

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

In June 2011, the Authority entered into an agreement with VTT Lincoln, LLC (“VTT”), whereby the Authority sold certain real estate property known as the Lincoln Park Apartments in exchange for cash of \$275,000 and a promissory note (the “VTT Lincoln note”) of \$1,100,000 to a third party. The VTT Lincoln note has an annual interest rate of 5% and an initial maturity date of June 22, 2012. If the note is not paid on the initial maturity date, VTT can extend the note for one year at an annual interest rate of 8%. The balance due on the VTT Lincoln note is \$1,100,000 at December 31, 2011.

4. CAPITAL ASSETS

The changes in capital assets during the year ended December 31, 2011, are as follows:

	Balance 2010	Additions	Disposals	Transfers	Impairment	Balance 2011
Land	\$ 3,146,882	\$ 2,759,073	\$ (24,921)	\$ -	\$ -	\$ 5,881,034
Site improvements	28,882,276	253,820	(7,766,947)	534,882	(5,802)	21,898,229
Buildings	174,813,858	427,307	(23,342,002)	10,806,466	(400,762)	162,304,867
Buildings non-dwelling	11,500,762		(2,069,110)			9,431,652
Furniture and fixtures	6,775,213	781,257	(320,199)	12,139	(45,668)	7,202,742
Construction in process	<u>12,460,954</u>	<u>3,064,057</u>	<u></u>	<u>(12,235,854)</u>	<u></u>	<u>3,289,157</u>
Total	237,579,945	7,285,514	(33,523,179)	(882,367)	(452,232)	210,007,681
Accumulated depreciation	<u>(169,800,114)</u>	<u>(6,191,615)</u>	<u>32,707,458</u>	<u></u>	<u></u>	<u>(143,284,271)</u>
Capital assets — net	<u>\$ 67,779,831</u>	<u>\$ 1,093,899</u>	<u>\$ (815,721)</u>	<u>\$ (882,367)</u>	<u>\$(452,232)</u>	<u>\$ 66,723,410</u>

During 2011, the Authority transferred \$882,367 worth of capital improvements to Gender Road Limited Partnership. These transfers are accounted for as additional capital contributions to the other noncurrent asset.

5. 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 2011, those payments totaled \$319,225.

6. 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 Housing Authority Risk Retention Group (HARRG), which is a comprehensive general liability insurance group operated as a joint venture by its public housing authority members. Through HARRG, the Authority carries \$5,000,000 of general liability coverage, with a \$10,000 deductible; \$1,000,000 of law enforcement liability, with a \$10,000 deductible; \$1,000,000 of public officials’ errors and omissions coverage, with a \$50,000 deductible; \$100 million of property coverage with a \$25,000 deductible; \$1,000,000 flood and earthquake coverage with a \$25,000 deductible; \$50 million boiler coverage with a \$1,000 deductible; and \$100,000 coverage for mold or other fungus, with a \$25,000 deductible. The Authority paid \$465,650 in premiums to HARRG for the year ended December 31, 2011.

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 statewide 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.

7. BONDS AND NOTES PAYABLE

A rollforward of the Authority's long-term debt as of December 31, 2011, is as follows:

	Balance 2010	Increase	Decrease	Balance 2011	Due within One Year
Bonds payable	\$5,140,000	\$ -	\$ 55,000	\$ 5,085,000	\$ 60,000

Bonds Payable — In December 2002, New Village Homes issued \$5,420,000 of Columbus Metropolitan Housing Authority Multifamily Housing Mortgage Revenue Bonds, Series 2003, guaranteed by HUD, 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 bonds are fully collateralized by the building. The interest rate is 5.4%. The future debt service as of December 31, 2011, is as follows:

Maturity Date	Principal Amount	Interest Amount	Total
2012	\$ 60,000	\$ 257,184	\$ 317,184
2013	60,000	254,641	314,641
2014	65,000	251,548	316,548
2015	70,000	248,330	318,330
2016	75,000	244,741	319,741
2017–2021	425,000	1,165,420	1,590,420
2022–2026	550,000	1,045,974	1,595,974
2027–2031	725,000	888,329	1,613,329
2032–2036	945,000	679,831	1,624,831
2037–2041	1,235,000	405,516	1,640,516
2042–2044	<u>875,000</u>	<u>77,516</u>	<u>952,516</u>
Total	<u>\$ 5,085,000</u>	<u>\$ 5,519,030</u>	<u>\$ 10,604,030</u>

8. 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 of Ohio. OPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefits is provided by State Statute per Chapter 145 of the Ohio Revised Code. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. OPERS administers three separate pension plans:

- The Traditional Pension Plan — A cost-sharing, multiple-employer defined benefit pension plan.

- The Member-Directed Plan — A defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
- The Combined Plan — A cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor, and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.

OPERS maintains a cost-sharing multiple employer defined benefit postemployment health care plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including postemployment health care coverage. In order to qualify for postemployment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plan must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

OPERS also issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, OH 43215-4642 or by calling +1 614 222 5601 or +1 800 222 7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2011, member and employer contributions rate were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. The 2011 member contribution rates were 10.0% of covered payroll for members in state and local classifications. Public safety and law enforcement members contributed 11.0% and 11.6% respectively. The 2011 employer contribution rate for state and local employers were 14.0% of covered payroll. The law enforcement and public safety division employer contribution rate was 18.1% of covered payroll.

The Authority's expense for OPERS, representing 100% of employer contributions, were \$1,281,539, \$1,299,737, and \$1,367,742, for the years ended December 31, 2011, 2010, and 2009, respectively.

OPEB for health care costs provided by OPERS are as follows:

- The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care benefits.
- Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, state and local employers contributed at a rate of 14.0% of covered payroll and public safety and law enforcement employers contributed at 18.1%. These are the maximum employer

contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB plan.

- OPERS Postemployment Health Care Plan was established under, and is administrated in accordance with, Internal Revenue Code (IRC) Section 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% during calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar year 2011. The OPERS Board of Trustees is also authorized to establish rules for the payment of a portion of health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.
- The portion of the Authority's 2011 and 2010 expense that was used to fund postemployment benefits was \$366,136 and \$510,667, respectively.

The Health Care Preservation Plan, adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, 2007, and 2008. Rates for law and public safety employers increased over a six-year period beginning January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

9. DEFERRED COMPENSATION

The Authority offers its employees a deferred compensation plan created in accordance with IRC 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 2011.

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 consolidated financial statements, as the Authority does not hold these assets in a trustee capacity.

10. 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 13). 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 Rosewind Limited Partnership.

Construction was funded using HOPE VI grant funds and the proceeds of a bond issuance. The Authority leases to 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, 2011, the Authority has not incurred any accounts payable to Rosewind Limited Partnership for pass-through funds to subsidiaries. Additionally, the Authority has outstanding notes receivable (see Note 3) for the construction 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 2011. There were no amounts held in escrow at December 31, 2011.

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 development 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 IRC Section 42. These tax credits are not reflected in the accompanying consolidated 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, the 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 2011. The General Partner does not receive a fee under this provision.

Gender Road Limited Partnership (a Discretely Presented Component Unit) — MHP is the majority owner, with 79% interest of Gender Road GP Corporation, which is the 0.1% general partner in Gender Road 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 Gender Road Limited Partnership.

Construction has been funded using HOPE VI grant funds and the proceeds of a bond issuance. The Authority leases to 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, 2011, 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 3) 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 the borrower. The proceeds of the bond issuance were used to repay the promissory note agreements owed to the Authority by Gender Road Limited Partnership. The Authority, in turn, pledged the monies and subsequent interest earned, on behalf of Gender Road Limited Partnership, as collateral for the repayment of the tax-exempt bonds issued and interest expense incurred on the bonds. A principal payment in the amount of \$25,000 was made during 2011. There were no amounts held in escrow at December 31, 2011.

Gender Road Limited Partnership is allocated Federal Low-Income Housing Tax Credits under the program described by IRC Section 42. These tax credits are not reflected in the accompanying consolidated 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 2011. 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 Managing Member in Jenkins Terrace, LLC, 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 Jenkins Terrace, LLC.

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, 2011, the Authority has not incurred any accounts payable to Jenkins Terrace, LLC for pass-through funds to subsidiaries.

In August 2005, Franklin County, Ohio, issued \$6.8 million in tax-exempt bonds on behalf of Jenkins Terrace, LLC, as the 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 and are recorded in Jenkins Terrace, LLC's financial statements.

Upon completion of the construction project, Jenkins Terrace, LLC was allocated Federal Low-Income Housing Tax Credits under the program described by IRC Section 42.

Waggoner Road, LLC (a Related Party) — In October 2002, the Authority established a wholly owned subsidiary, Waggoner Road, LLC, which entered into Waggoner Road Senior Limited Partnership. The general partner is Waggoner Senior Housing, Inc., a wholly owned subsidiary of the National Church Residences, which has a 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 Residences have entered into development agreements to collaborate for codevelopment of the project.

The codevelopers expended \$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.

Construction has been funded using capital grant funds and the proceeds of a bond issuance. The Authority leases to Waggoner Road, 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, 2011, the Authority has not incurred any accounts payable to Waggoner Road, LLC for pass-through funds to subsidiaries. Additionally, the Authority has outstanding notes receivable (see Note 3) for amounts loaned to Waggoner Senior Housing Limited Partnership in connection with this development.

Worley Terrace, LLC (a Discretely Presented Component Unit) — In February 2006, MHP became the sole owner of Worley Terrace, Incorporated, which has a 0.01% ownership interest in Worley 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 Worley Terrace, LLC.

Construction has been funded using capital grant funds and the proceeds of a bond issuance. The Authority leases to Worley 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, 2011, the Authority has not incurred any accounts payable for pass-through funds to subsidiaries.

In November 2006, Franklin County, Ohio, issued \$7 million in tax-exempt bonds on behalf of Worley Terrace, LLC, as the borrower. The proceeds of the bond issuance were used to repay the promissory note agreements owed to the Authority by Worley Terrace, LLC. The Authority, in turn, pledged the monies and subsequent interest earned, on behalf of Worley 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 Worley Terrace, LLC and were recorded in Worley Terrace, LLC's financial statements.

Upon completion of the construction project, Worley Terrace, LLC was allocated Federal Low-Income Housing Tax Credits under the program described by IRC Section 42.

Elim Manor Elderly Housing, LLC (a Discretely Presented Component Unit) — In December 2010, the Authority purchased 0.049% ownership interest in Elim Manor Elderly Housing, LLC, a component unit of the Authority (see Note 17).

This entity was established to construct, finance, lease, and operate a qualified low-income project within the meaning of Section 42 of the IRC, for which third-party investors will receive low-income tax credits in return for equity investments in Elim Manor Elderly Housing, LLC.

The Authority leases to Elim Manor Elderly Housing, LLC the property on which the low-income housing will be constructed. The lease term is for 75 years at \$100 per year.

For the year ended December 31, 2011, the Authority has not incurred any accounts payable for pass-through funds to subsidiaries.

Avondale Senior Housing Limited Partnership (a Related Party) — In June 2011, the Authority purchased 0.1% ownership interest in Avondale Senior Housing Limited Partnership. The amount invested in 2011 was \$2,595,000.

This entity was established to construct, finance, lease, and operate a qualified low-income project within the meaning of Section 42 of the IRC, for which third-party investors will receive low-income tax credits in return for equity investments in Avondale Senior Housing Limited Partnership.

The Authority leases to Avondale Senior Housing Limited Partnership the property on which the low-income housing will be constructed. The lease term is for 75 years at \$100 per year.

For the year ended December 31, 2011, the Authority has not incurred any accounts payable for pass-through funds to subsidiaries.

Franklin Station, LLC (a Discretely Presented Component Unit) — In September 2011 Franklin Station, LLC was established. In February 2012, the Authority purchased 0.1% ownership interest in Franklin Station, LLC.

This entity was established to construct, finance, lease, and operate a qualified low-income project within the meaning of Section 42 of the IRC, for which third-party investors will receive low-income tax credits in return for equity investments in Franklin Station, LLC.

The Authority leases to Franklin Station, LLC the property on which the low-income housing will be constructed. The lease term is for 75 years at \$100 per year.

For the year ended December 31, 2011, the Authority has not incurred any accounts payable for pass-through funds to subsidiaries.

11. UNCOMPLETED CONTRACTS

At December 31, 2011, the Authority has commitments of \$2,474,546 in uncompleted contracts for the capital grant program.

12. 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 that 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 consolidated financial statements for the effect, if any, of such contingencies. The ultimate outcome of these matters is not presently determinable.

13. 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 (“OEF IV”), Ohio Equity Fund for Housing Limited Partnership VII (“OEF VII”), and Banc One Community Development Corporation (“Banc One”) 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 IRC. 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 the 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 costs 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

Impairment of Assets — The carrying value of long-lived assets and certain intangible assets are reviewed for impairment whenever events or changes in circumstances indicate the amount of assets may not be recoverable. When an indication of impairment is present and the undiscounted cash flows estimated to be generated by the related assets are less than the assets' carrying amount, an impairment loss will be recorded based on the difference between the carrying amount of the assets and their estimated fair value. Management has determined that no impairment existed as of December 31, 2011.

Cash Reserves — Cash reserves include tenant security deposits, replacement reserve accounts, a rental payments escrow account, 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.

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 provision has been made in the financial statements for income taxes, since such taxes are the responsibility of the Partners. The Partnership accounts for uncertainty in income taxes in its financial statements as required under FASB ASC, *Accounting for Uncertainty in Income Taxes*. The standard prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The standard also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition accounting. Income tax returns prior to 2008 are closed. Management determined there were no material uncertain positions taken by the Partnership in its tax returns.

Cash — The Partnership maintains its cash and cash reserves in six accounts with three financial institutions, and balances may at times exceed the federally insured limit. All of the Partnership's non-interest bearing cash balances were fully insured at December 31, 2011 due to a temporary federal program in effect from December 31, 2010 through December 31, 2012. Under the program, there is no limit to the amount of insurance for eligible accounts. Beginning 2013, insurance coverage will revert to \$250,000 per depositor at each financial institution, and the Partnership's non-interest bearing cash balances may again exceed federally insured limits. Interest-bearing amounts on deposits exceeded federally insured limits by approximately \$449,000 at December 31, 2011.

Cash Reserves — Cash reserves included the following at December 31, 2011:

Tenants' security deposits	\$ 58,877
Rental payment escrow	2
Replacement reserve	48,707
Exit tax escrow	<u>650,005</u>
Total	<u>\$ 757,591</u>

Other Assets — Other assets included the following at December 31, 2011:

Prepaid insurance	\$ 57,959
Monitoring fees	1,900
Prepaid contracts	<u>3,095</u>
Total	<u>\$ 62,954</u>

Note Payable — The Partnership has a note payable to the Columbus Metropolitan Housing Authority (CMHA) in the amount of \$18,846,789 at December 31, 2011. The note does not bear interest and is payable as funds are available. The note matures in 2032. Proceeds of this note were to be used for construction and operating expenditures. The note is secured solely by the Partnership property.

Related-Party Transactions — 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 \$9,600 were charged to expense in 2011.

Management fees are based on \$35 per occupied unit per month and are payable to CMHA. Management fees amounting to \$94,395 were charged to expense in 2011.

All operating expenses are initially incurred and paid by CMHA. The Partnership reimburses CMHA for its monthly expenses. As of December 31, 2011, the Partnership owed CMHA \$82,873. These amounts were included in accounts payable — trade in the accompanying balance sheet.

Operating Deficit Guaranty — The Partnership has entered into a Development Agreement, Guaranty Agreement, and Pledge Agreement with CMHA (the “Sponsor”) whereby the Sponsor has agreed, in consideration for its development fee, to provide to the Partnership such funds as are necessary to enable the Partnership to meet cash expenditures for reasonable current costs of owning and operating the project property when they come due to the extent, if any, they exceed cash revenues. The Sponsor has agreed to pledge \$1,431,406 of its development 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 IRC Section 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 Limited Partnership is required to provide the General Partner a maximum of \$1,331,406 for this purpose. No credit reduction payments were made during 2011. 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.

Subsequent Events — Date of Management Evaluation — Management has evaluated subsequent events through February 21, 2012, the date on which the financial statements were available to be issued.

14. 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 (“OEF X”) and Banc One Community Development Corporation (“Banc One”) 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 the straight-line method. 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. Assets purchased but not placed in service are capitalized and depreciation is not computed until the assets are placed in service. Upon disposal of assets, the costs 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
Site improvements	15 years
Furniture and fixtures	5 years

Impairment of Assets — The carrying value of long-lived assets and certain intangible assets are reviewed for impairment whenever events or changes in circumstances indicate the amount of the assets may not be recoverable. When an indication of impairment is present and the undiscounted cash flows estimated to be generated by the related assets are less than the assets' carrying amount, an impairment loss will be recorded on the difference between the carrying amount of the assets and their estimated fair value. Management has determined that no impairment existed as of December 31, 2011.

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.

Accounts Receivable — Tenants — 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 not 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, 99.9% and 0.1%, 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. The Partnership accounts for uncertainty in income taxes in its financial statements as required under FASB ASC, *Accounting for Uncertainty in Income Taxes*. The standard prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The standard also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition accounting. Income tax returns prior to 2008 are closed. Management determined there were no material uncertain positions taken by the Partnership in its tax returns.

Cash — The Partnership maintains seven bank accounts with three financial institutions, which at times may exceed federally insured limits. All of the Partnership’s non-interest bearing cash balances were fully insured at December 31, 2011 due to a temporary federal program in effect from December 31, 2010 through December 31, 2012. Under this program, there is no limit to the amount of insurance for eligible accounts. Beginning in 2013, insurance coverage will revert to \$250,000 per depositor at each financial institution, and the Partnership’s noninterest bearing cash balances may again exceed federally insured limits. Interest-bearing amounts on deposit exceeded federally insured limits by approximately \$385,000 at December 31, 2011.

Cash Reserves — Cash reserves included the following at December 31, 2011:

Operating reserve	\$ 441,330
Tenants’ security deposits	30,708
Exit tax escrow	313,255
Replacement reserve	<u>99,392</u>
Total	<u>\$ 884,685</u>

Other Assets — Other assets included the following at December 31, 2011:

Prepaid insurance	\$ 19,119
Prepaid contracts	1,645
Compliance monitoring fee — net	<u>3,166</u>
Total other assets	<u>\$ 23,930</u>

Note Payable — The Partnership has a \$10,000,000 open-end mortgage with the Authority. The Partnership is required to make minimum annual payments of \$25,000 per year. At December 31, 2011, the outstanding balance on the loan was \$6,190,082. The loan does not bear interest and is due on July 31, 2035. The mortgage is secured solely by the Partnership property.

Related-Party Transactions — The note receivable from the Limited Partners in the amount of \$313,000 as of December 31, 2010, was for the subscribed capital contributions. The note was secured solely by the Limited Partners’ interest in the Partnership. The balance of \$313,000 was paid in full during 2011 and used to fund the exit tax escrow included in cash reserves at December 31, 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 \$ 5,916 were charged to expense in 2011.

Management fees are based on \$35 per occupied unit, per month and are payable to the Authority. Management fees amounting to \$39,340 were charged to expense in 2011.

All operating expenses are initially incurred and paid by the Authority. The Partnership reimburses the Authority for its monthly expenses. As of December 31, 2011, the Partnership owed the Authority \$27,026. This amount is included in accounts payable — trade in the accompanying balance sheet.

Credit Reduction Payment — The Partnership is allocated Federal Low-Income Housing Tax Credits under the program described by the IRC Section 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 Limited Partnership is required to provide the General Partner a maximum of \$600,000 for this purpose. No credit reduction payments were made during 2011. 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 AMGI, adjusted for family size.

Subsequent Events — Date of Management Evaluation — Management has evaluated subsequent events through February 21, 2012, the date on which the financial statements were available to be issued.

15. JENKINS TERRACE, LLC— NOTES TO DISCRETELY PRESENTED COMPONENT UNIT FINANCIAL STATEMENTS

Nature and Scope of Business — Jenkins Terrace, LLC (the “Company”), an Ohio Limited Liability company, was formed on January 27, 2004, with Jenkins Terrace, Inc. as the sole member. On August 30, 2005, the Operating Agreement was amended to add Ohio Equity Fund of Housing Limited Partnership XIV as the Investor Member and Jenkins Terrace, Inc. as the Managing Member.

The Company was formed to construct, own, and operate 100 residential apartments for elderly, low-income residents in Columbus, Ohio. The Project began leasing units in April 2007. As incentive for investment equity, the Company applied for and received an allocation certificate for low-income housing tax credits through an allocation of tax-exempt bonds. Tenant eligibility and rental charges are further restricted in accordance with IRC Section 42. Lease terms are typically one year or less.

The Operating Agreement provides that the Company shall continue in perpetuity, unless it is earlier dissolved and terminated by provisions of the Operating 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 the straight-line method. 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 costs 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 and improvements	40 years
Site improvements	15 years
Furniture and fixtures	3–5 years

Impairment of Assets — The carrying value of long-lived assets and certain intangible assets are reviewed for impairment whenever events or changes in circumstances indicate the amount of the assets may not be recoverable. When an indication of impairment is present and the undiscounted cash flows estimated to be generated by the related assets are less than the assets' carrying amount, an impairment loss will be recorded based on the difference between the carrying amount of the assets and their estimated fair value. Management has determined that no impairment existed as of December 31, 2011.

Cash Reserves — Cash reserves consist of a tenant security deposit account. The reserves have been established in an amount considered by the Members to be adequate and in accordance with the Operating Agreement. Use of the reserves is restricted as defined in the Operating Agreement and, therefore, the reserves have been excluded from cash in the accompanying balance sheets.

Tenant Receivable — 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 Company 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 Company 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 not 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.

Other Assets — Other assets consist of compliance monitoring fees and tax credit fees incurred to obtain the low-income housing tax credits. These fees have been capitalized and are being amortized over 15 years using the straight-line method.

Members' Equity — Profit and loss, as defined in the amended and restated Operating Agreement, are allocated between the Investor Member and the Managing Member, 99.9% and 0.1%, respectively, other than special allocations (as defined by the amended and restated Operating Agreement) and certain other items that are specifically allocated in accordance with the amended and restated Operating Agreement.

Income Taxes — No provisions have been made in the financial statements for income taxes, since such taxes are the responsibility of the members. The Company accounts for uncertainty in income taxes in its

financial statements as required under FASB ASC, *Accounting for Uncertainty in Income Taxes*. The standard prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The standard also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition accounting. Income tax returns prior to 2008 are closed. Management determined there were no material uncertain positions taken by the Company in its tax returns.

Cash — The Company maintains two bank accounts with one financial institution, which at times may exceed federally insured limits. All of the Company’s non-interest bearing cash balances were fully insured at December 31, 2011 due to a temporary federal program in effect from December 31, 2010 through December 31, 2012. Under this program, there is no limit to the amount of insurance for eligible accounts. Beginning in 2013, insurance coverage will revert to \$250,000 per depositor at each financial institution, and the Company’s noninterest bearing cash balances may again exceed federally insured limits. There were no interest bearing amounts on deposit in excess federally insured limits at December 31, 2011.

Cash Reserves — Cash reserves included the following at December 31, 2011:

Tenants’ security deposits	<u>\$ 24,187</u>
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Other Assets — Other assets included the following at December 31, 2011:

Compliance monitoring fee	\$ 36,668
Tax credit fees	<u>20,882</u>
Total other assets	<u>\$ 57,550</u>

Related-Party Transactions — The note receivable from the Investor Member in the amount of \$486,372 as of December 31, 2011, is for the subscribed capital contributions. The note is secured solely by the Investor Member’s interest in the Company. The balance is due in an installment of \$486,372 on or before April 30, 2013.

The Operating Agreement provides that an asset management fee be paid to Ohio Capital Corporation for Housing (OCCH). The fee for the term of the agreement (15 years) is \$65,000 and was paid in November 2007. The asset management fee will be amortized over the term of the agreement beginning in 2008. Prepaid asset management fees were \$47,667 as of December 31, 2011, and are included in prepaid expenses in the accompanying balance sheet.

Beginning in 2007, monthly management fees of \$35 per occupied unit are payable to CMHA. This amount increases by 3% annually. Management fees amounting to \$46,804 were charged to expense in 2011.

All operating expenses are initially incurred and paid by the Authority. The Company reimburses CMHA for its monthly expenses. As of December 31, 2011, the Company owed CMHA \$32,342. These amounts are included in accounts payable — trade in the accompanying balance sheet.

The Operating Agreement provides that a disposition fee of 3% of net cash from the sale or refinancing is to be paid to OCCH upon the sale of the rental property or any position thereof.

Credit Reduction Payment — The Company is allocated Federal Low-Income Housing Tax Credits under the program described by IRC Section 42. These tax credits are not reflected in the accompanying

financial statements of the Company, and therefore, have not been audited. However, the Operating 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 Investor Member shall reduce their required capital contribution by the amount of the shortfall (as defined in the Operating Agreement). Further, if the full amount of annual tax credits is not obtained, the Managing Member of the Company is obligated to pay the Investor Member the amount of the shortfall. Under the terms of the Operating Agreement, Jenkins Terrace, LLC is required to provide the Managing Member with a maximum of \$1,884,700 for this purpose. No credit reduction payments were made during 2011. The Managing Member does not receive a fee under this provision.

Operating Deficit Funding Agreement — Effective March 1, 2006, CMHA and the Company entered into an operating deficit funding agreement. As part of this agreement, CMHA will deposit \$924,000 in a Public Housing Operating Deficit Funding Account. Additionally, the Authority will deposit \$811,719 in a Pledged Reserve Account. CMHA will not be entitled to repayment of any portion of these amounts.

Commitments — The Company 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 requires rent restrictions so that the units can be rented at a level that is affordable to persons with income at or below specific percentages of the AMGI. These restrictions are as follows:

Income restrictions — 100 units with household income at or below 60% of the AMGI

Rent restrictions — 100 units with rents at or below 60% of the AMGI

Additionally, 100 units must be rented to elderly households meeting the HUD definition of elderly (the head of household must be age 62 or older, or handicapped, or disabled).

Subsequent Events — Date of Management Evaluation — Management has evaluated subsequent events through February 21, 2012, the date on which the financial statements were available to be issued.

16. **WORLEY TERRACE, LLC— NOTES TO DISCRETELY PRESENTED COMPONENT UNIT FINANCIAL STATEMENTS**

Nature and Scope of Business — Worley Terrace, LLC (the “Company”), an Ohio Limited Liability Company, was formed on February 22, 2006, with Worley Terrace, Inc. as the Managing Member and Ohio Equity Fund for Housing Limited Partnership XVI as the Investor Member. On October 31, 2007, the Operating Agreement was amended and restated to add National City Community Development Corporation as an additional Investor Member.

The Company was formed to construct, own, and operate 100 residential apartments for elderly low-income residents in Columbus, Ohio. The Project began operations in July 2008. As incentive for investment equity, the Company applied for and received an allocation certificate for low-income housing tax credits through an allocation of tax-exempt bonds. Tenant eligibility and rental charges are further restricted in accordance with Section 42 of the IRC. Lease terms are typically one year or less.

The Operating Agreement provides that the Company shall continue in perpetuity, unless it is earlier dissolved and terminated by provisions of the Operating Agreement.

Summary of Significant Accounting Policies

Use of Estimates — The preparation of the 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 the straight-line method. 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 and improvements	40 years
Site improvements	15 years
Furniture and fixtures	5 years

Impairment of Assets — The carrying value of long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate the amount of the assets may not be recoverable. When an indication of impairment is present and the undiscounted cash flows estimated to be generated by the related assets are less than the assets' carrying amount, an impairment loss will be recorded based on the difference between the carrying amount of the assets and their estimated fair value.

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

Tenant Receivable — 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 Company 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 Company 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 not 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.

Members' Equity — Profit and loss, as defined in the amended and restated Operating Agreement, are allocated between the Investor Members and the Managing Member, 99.90% and 0.10%, respectively, other than special allocations (as defined by the amended and restated Operating Agreement) and certain other items that are specifically allocated in accordance with the amended and restated Operating Agreement.

Income Taxes — No provisions have been made in the financial statements for income taxes, since such taxes are the responsibility of the Members. The Company accounts for uncertainty in income taxes in its financial statements as required under Financial Accounting Standards Codification, *Accounting for Uncertainty in Income Taxes*. This standard prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to

be taken in a tax return. The standard also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition accounting. Income tax returns prior to 2008 are closed. Management determined there were no material uncertain positions taken by the Company in its tax returns.

Cash — The Company maintains four bank accounts with two financial institutions, which at times may exceed federally insured limits. All of the Company’s non-interest bearing cash balances were fully insured at December 31, 2011 due to a temporary federal program in effect from December 31, 2010 through December 31, 2012. Under this program, there is no limit to the amount of insurance for eligible accounts. Beginning in 2013, insurance coverage will revert to \$250,000 per depositor at each financial institution, and the Company’s noninterest bearing cash balances may again exceed federally insured limits. There were no interest bearing amounts on deposit in excess federally insured limits at December 31, 2011.

Cash Reserves — Cash reserves included the following at December 31, 2011:

Tenants’ security deposit	\$ 24,362
Operating reserve	<u>352,471</u>
Total	<u>\$ 376,833</u>

Other Assets — Other assets included the following at December 31, 2011:

Compliance monitoring fee — net	\$ 72,000
Asset management fee — net	<u>60,000</u>
Total	<u>\$ 132,000</u>

Related-Party Transactions — The note receivable from the Investor Members in the amount of \$100,000 as of December 31, 2011, is for the subscribed capital contributions. The note is secured solely by the Investor Members’ interest in the Company. The balance is due in one installment of \$100,000 in 2014.

The Operating Agreement provides that an asset management fee be paid to Ohio Capital Corporation for Housing (OCCH). The fee for the term of the agreement (15 years) is \$75,000 and was paid during 2009. The asset management fee will be amortized over the term of the agreement and began in 2009.

Monthly management fees per occupied unit are payable to CMHA. Management fees amounting to \$45,238 were charged to expense during 2011.

The Partnership Agreement provides that a disposition fee of 3% of net cash from sale or refinancing is to be paid to OCCH upon the sale of the rental property or any position thereof.

All operating expenses are initially incurred and paid by CMHA. The Project reimburses CMHA for its monthly expenses. As of December 31, 2011, the Project owed CMHA \$37,526. This amount is included accounts payable — trade in the accompanying balance sheet.

Credit Reduction Payment — The Company is allocated Federal Low-Income Housing Tax Credits under the program described by IRC Section 42. These tax credits are not reflected in the accompanying financial statements of the Company and, therefore, have not been audited. However, the Operating 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 Investor Members shall reduce their required capital contribution by the amount of the shortfall (as defined in the Operating Agreement). Further, if the full amount of annual tax credits is not obtained, the Managing Member of the Company is obligated to pay the Investor Members the amount of the shortfall. Under the terms of the Operating Agreement, Worley Terrace, LLC is required to provide the Managing Member a maximum of \$1,958,591 for this purpose. No credit reduction payments were made during 2011. The Managing Member does not receive a fee under this provision.

Operating Deficit Funding Agreement — Effective November 30, 2006, the Authority and the Company entered into an operating deficit funding agreement. As part of this agreement, the Authority will deposit \$1,418,883 in a Public Housing Operating Deficit Funding Account. Additionally, the Authority will deposit \$464,531 in a pledged reserve account. The Authority will not be entitled to repayment of any portion of these amounts.

Commitments and Contingencies

Restrictive Covenant — The Company's participation in the housing tax credit program requires the Company to enter into and be bound by a restrictive covenant with HUD. The 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 requires rent restrictions so that the units can be rented at a level that is affordable to persons with income at or below specific percentages of the area median gross income (AMGI). These restrictions are as follows:

Income restrictions:

75 units with household income at or below 60% of the AMGI

25 units with household income at or below 50% of the AMGI

Rent restrictions:

75 units with rents at or below 60% of the AMGI

25 units with rents at or below 50% of the AMGI

Additionally, 100 units must be rented to elderly households meeting the HUD definition of elderly (the head of household must be age 62 or older, handicapped, or disabled).

Subsequent Events — Date of Management Evaluation — Management has evaluated subsequent events through February 21, 2012, the date on which the financial statements were available to be issued.

17. ELIM MANOR ELDERLY HOUSING, LLC — NOTES TO DISCRETELY PRESENTED COMPONENT UNIT FINANCIAL STATEMENTS

Organization — Elim Manor Elderly Housing, LLC (the "Company"), an Ohio limited liability company, was originally formed on October 26, 2009, by Elim Manor Elderly Facilities, Inc. ("Managing Member"). The Operating Agreement was subsequently amended and restated on December 10, 2010 ("Operating Agreement") to evidence the admission of Huntington Ohio ARRA Fund, LLC ("ARRA Fund") as the Investor Member and the admission of Columbus Metropolitan Housing Authority as the Special Investor Member.

Elim Manor Holding Corp LLC, an Ohio limited liability company, was formed on November 12, 2010, and is a wholly owned subsidiary of the Company created to maintain the capital assets of the housing project.

The Company was formed to construct, finance, lease and operate qualified low-income housing project with 63 units known as Elim Manor in Columbus, Ohio. The Company is in the development stage where operations are currently devoted primarily to raising capital, obtaining financing, constructing project housing, and administrative functions.

The Operating Agreement provides that the Company shall continue in existence until December 31, 2085, unless it is earlier dissolved and terminated by provisions of the Agreement.

Principles of Consolidation — The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary. All significant intercompany accounts and transactions have been eliminated in consolidation.

Basis of Accounting — The consolidated financial statements of the Company have been prepared on the accrual basis of accounting.

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 and disclosure of contingent 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 these estimates.

Rental Property — The Company reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property, including the low-income housing tax credits and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. There were no impairment losses recognized in 2011.

Cash and Cash Equivalents — For the purpose of reporting cash flows, cash and cash equivalents include unrestricted petty cash, demand deposits, and savings accounts. The Company has certain construction related escrow accounts included in cash and cash equivalents that amounted to \$470,394 at December 31, 2011.

Deferred Loan Costs — Direct costs incurred in connection with obtaining the mortgages and other notes payable have been capitalized and will be amortized over the term of the respective loan using the straight-line method.

Members' Equity — Profit and loss is to be allocated between the Investor Member, Special Investor Member, and Managing Member, 99.9%, 0.049%, and 0.051%, respectively, other than special allocations (as defined by the Operating Agreement) and certain other items that would be specifically allocated to the Members in accordance with the Operating Agreement.

Advertising — Advertising costs are expensed as incurred. No advertising costs were incurred during the year ended December 31, 2011.

Income Taxes — No provision has been made in the financial statements for income taxes, since such taxes are the responsibility of the Members.

Accounting for Uncertainty in Income Taxes — The Company's income tax filings are subject to audit by various taxing authorities. In evaluating the Company's tax provisions and accruals, future taxable income, and the reversal of temporary differences, interpretations and tax planning strategies are considered. The Company believes their estimates are appropriate based on current facts and circumstances.

Subsequent Events — The Company evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through February 28, 2012, the date which the financial statements were available to be issued.

Mortgage and Other Notes Payable — Mortgage and other notes payable consists of the following at December 31, 2011:

Note payable to The Affordable Housing Trust for Columbus and Franklin County, bearing interest at 2.5%, compounded monthly, interest payable in monthly installments beginning through the December 31, 2012 maturity date. Guaranteed by Columbus Housing Partnership, Inc.	\$ 650,000
Note payable to the Ohio Housing Finance Agency, bearing a variable interest rate (2.75% as of December 31, 2011), interest payable in monthly installments through December 15, 2012 maturity date, principal balance due upon maturity. Guaranteed by Columbus Housing Partnership, Inc.	179,048
Mortgage note payable to Red Mortgage Capital, LLC, bearing interest at 3.68%, compounded monthly, interest-only payments through March 1, 2012, principal and interest payable in monthly installments of \$9,957 beginning April 1, 2012 through the March 1, 2052 maturity date.	<u>1,466,047</u>
Total	<u>\$2,295,095</u>

The minimum principal payments of the mortgages and other notes payable at December 31, 2011, due in each of the next five years and thereafter are as follows:

2012	\$ 849,911
2013	28,727
2014	29,802
2015	30,918
2016	32,075
Thereafter	<u>1,323,662</u>
Total	<u>\$2,295,095</u>

The Ohio Housing Finance Agency (OHFA) issued Multifamily Housing Revenue Bonds Series 2010C in the aggregate principal amount of \$700,000 and has made the proceeds available to Company. This arrangement is evidenced through a promissory note and loan agreement between the Company and OHFA. At December 31, 2011, \$520,952 was available for future withdrawal.

The Company has entered into a \$2,500,000 mortgage note held by Red Mortgage Capital, LLC. At December 31, 2011, \$1,033,953 was available for future withdrawal.

Related Party Transactions — The non-interest bearing note receivable for the Investor Member's subscribed capital contribution in the amount of \$961,740 at December 31, 2011, is secured solely by the Investor Member's interest in the Company. In accordance with the Operating Agreement, \$123,217 of the total \$1,084,957 Investor Member's capital contributions was paid in 2010. There was no Investor Member's capital contributions paid in 2011.

The Special Investor Member has made capital contributions in the amount of \$2,284,080 during 2010 in accordance with the Operating Agreement.

The Operating Agreement provides that an asset management and supportive services fee be paid to Columbus Housing Partnership, Inc., minority owner of the Managing Member. The fees are \$4,000 each year and increase 3% annually as set forth in the Operating Agreement. No asset management fees or supportive service fees were paid or charged to expense during 2011.

The Operating Agreement provides that an asset management fee be paid to Ohio Capital Corporation for Housing (OCCH), an affiliate of the Investor Member. The fee is \$80,000 and is to be paid from the second installment of the Investor Member's capital contribution. Asset management fees in the amount of \$0 were charged to expense in 2011.

The Operating Agreement provides that a disposition fee of 1% of any amounts payable to the Company upon the sale of the rental property or any portion thereof shall be paid to OCCH, up to a maximum of \$50,000. No fee was charged to expense during 2011.

The Company agreed to pay a development fee of \$822,868 to Columbus Housing Partnership, Inc. (CHP) and the Authority for certain services provided during construction and development. As of December 31, 2011, \$493,934 was payable under this agreement and capitalized as construction in progress. The deferred development fee is to be paid from available cash flow as permitted by the Operating Agreement. The Managing Member is required to make an additional capital contribution, on the maturity date of the tenth anniversary of the date the project is placed in service, in an amount equal to the outstanding amount of any unpaid development fee of which the proceeds shall be used by the Company to repay the unpaid development fee.

As of December 31, 2011, \$7,238 was due to CHP for expenses paid on behalf of the Company.

The Company entered into a lease agreement with CMHA on December 10, 2010, to lease land on which the housing project is being constructed. Annual rent payments of \$100 are to be paid to CMHA for the term of 75 years. After the lease terminates in the 75th year, all assets affixed to the land will revert to CMHA.

Guarantees — The Operating Agreement provides for a construction completion guaranty, whereby the Managing Member and Columbus Housing Partnership, Inc. ("Guarantors") guarantee that the project will be constructed in accordance with defined plans and specifications. The guaranty includes funding all amounts incurred to complete construction in excess of existing sources of financing. Any financing arrangements arranged by the Managing Member should be the sole obligation of the Managing Member. Funds made available by the Guarantors will be treated as income to the Company. No funds have been advanced as part of this guaranty as of December 31, 2011.

The Managing Member is required to loan the Company an amount equal to any financing that was less than projected in the Operating Agreement.

The Operating Agreement requires Columbus Housing Partnership, Inc. and Columbus Metropolitan Housing Authority to jointly provide up to \$186,093 to the Company in order to permit the Company to meet all reasonable current costs of owning and operating the project property throughout the period as defined in the Agreement. Amounts paid by CHP and the Authority to the Company pursuant to this agreement shall be treated as a non-interest bearing loan repayable as cash flow of the Company permits. CHP and the Authority have not advanced any funds to the Company pursuant to this agreement. CHP and the Authority do not receive a fee for providing this guaranty.

Current Vulnerability Due to Certain Concentrations — The Company's largest asset is a 63-unit apartment project currently under construction. The Company's operations will be concentrated in the multifamily real estate market in Columbus, Ohio. In addition, the Company will operate in a heavily regulated environment. The operations of the Company are subject to the administrative directives, rules, and regulations of federal, state, and local regulatory agencies, including, but not limited to, the Internal Revenue Service (IRS) and Ohio Housing Finance Agency (OHFA). Such administrative directives, rules, and regulations are subject to change by an act of Congress or an administrative change mandated by the IRS or OHFA. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

The Company deposits its cash in financial institutions. At various times during the year, the account balances may exceed the institution's federally insured limits. The Company has not experienced any losses on such accounts.

18. SUBSEQUENT EVENTS

Management evaluated all events or transactions that occurred after December 31, 2011 up through April 19, 2012, the date these consolidated financial statements were available to be issued. On February 15, 2012, the Authority signed an amended and restated operating agreement for Franklin Station, LLC. Under the terms of the agreement, MHP will act as the Managing Member with a 0.51% ownership interest, OEF 5/3 Fund III, LLC will act as the Investor Member with a 99.9% ownership interest, and the Authority will act as the Special Investor Member with a 0.49% ownership interest. On February 15, 2012, the Authority issued a promissory note of \$3,000,000 to Franklin Station, LLC to fund construction. The note commences on March 1, 2012, and bears interest at a fixed rate of 5.0%. Monthly principal and interest payments of \$16,105 begin on March 1, 2012, and go through February 15, 2029, at which time the balloon payment of \$1,838,491 is due.

On February 15, 2012, the Authority signed a lease agreement whereby the Authority will lease to Franklin Station, LLC the property on which the low-income housing is to be constructed. The lease term is for 75 years at \$100 per year.

* * * * *

**CONSOLIDATING SUPPLEMENTAL
FINANCIAL DATA SCHEDULES**

COLUMBUS METROPOLITAN HOUSING AUTHORITY

**CONSOLIDATING STATEMENT OF NET ASSETS INFORMATION
AS OF DECEMBER 31, 2011**

	Low Rent 14.85	Section 8 Housing Choice Vouchers 14.871	DHAP 97.109	MainStream 14.181	Section 8 Veterans 14. VASH	Capital Grant 14.872	Capital Stimulus 14.884	Ross Grant 14.877	HOPE VI 14.866	Shelter Care Plus 14.238	Other Business Ventures	Section 8 NC S/R 14.182	Central Office	AHSC 14.195	Interprogram Eliminations	Total
ASSETS																
CASH AND CASH EQUIVALENTS:																
Unrestricted	\$ 2,103,351	\$ 1,053,913	\$ -	\$ 166,675	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 199,403	\$ 4,645,481	\$ -	\$ 2,164,228	\$ 413,450	\$ -	\$ 10,746,501
Restricted, modernization, and development	859,122					3,060					377,202		18,834			1,258,218
Other restricted	618	4,033,614	82,193								5,789,239					9,905,664
Tenant security deposits	14,240										131,781					146,021
Restricted for payment of current liability		1,812									146,187					147,999
Total cash and cash equivalents	<u>2,977,331</u>	<u>5,089,339</u>	<u>82,193</u>	<u>166,675</u>	<u>-</u>	<u>3,060</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>199,403</u>	<u>11,089,890</u>	<u>-</u>	<u>2,183,062</u>	<u>413,450</u>	<u>-</u>	<u>22,204,403</u>
ACCOUNTS AND NOTES RECEIVABLE:																
Accounts receivable — PHA projects		15,600														15,600
Accounts receivable — HUD, other projects		4,000				1,356,236				13,739				3,265,314		4,639,289
Accounts receivable — miscellaneous	241	291,295	475	17,400						7,407	5,899		1,410,346		(165,938)	1,567,125
Allowance for doubtful accounts — miscellaneous																-
Accounts receivable — tenants, dwelling rent	96,861										12,907					109,768
Allowance for doubtful accounts — tenants, dwelling rent	(9,467)										(9,233)					(18,700)
Allowance for doubtful accounts — other		(286,947)	(475)	(17,400)						(7,407)			(4,562,482)			(4,874,711)
Notes and mortgages receivable — current	1,102,073												50,000			1,152,073
Fraud recovery		1,407,935		1,284												1,409,219
Allowance for doubtful accounts — fraud		(1,407,935)		(1,284)												(1,409,219)
Accrued interest receivable	5,428	8,289									151,058		82,804			247,579
Total accounts and notes receivable — net allowance for doubtful accounts	<u>1,195,136</u>	<u>32,237</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,356,236</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,739</u>	<u>160,631</u>	<u>-</u>	<u>(3,019,332)</u>	<u>3,265,314</u>	<u>(165,938)</u>	<u>2,838,023</u>

See notes to consolidated financial statements.

(Continued)

COLUMBUS METROPOLITAN HOUSING AUTHORITY

**CONSOLIDATING STATEMENT OF NET ASSETS INFORMATION
AS OF DECEMBER 31, 2011**

	Low Rent 14.85	Section 8 Housing Choice Vouchers 14.871	DHAP 97.109	Main Stream 14.181	Section 8 Veterans 14. VASH	Capital Grant 14.872	Capital Stimulus 14.884	Ross Grant 14.877	HOPE VI 14.866	Shelter Care Plus 14.238	Other Business Ventures	Section 8 NC S/R 14.182	Central Office	AHSC 14.195	Interprogram Eliminations	Total
INVESTMENTS:																
Unrestricted	\$ 5,712,670	\$ 600,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,016,554	\$ -	\$ 6,398,553	\$ -	\$ -	\$ 14,727,777
Restricted for payment of current liability	211,635	230,000														441,635
Restricted	<u>2,744,000</u>	<u>7,055,975</u>									<u>68,200</u>		<u>4,011,613</u>			<u>13,879,788</u>
Total investments	<u>8,668,305</u>	<u>7,885,975</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,084,754</u>	<u>-</u>	<u>10,410,166</u>	<u>-</u>	<u>-</u>	<u>29,049,200</u>
PREPAID EXPENSES AND OTHER ASSETS — Excluding accrued interest receivables	<u>135,696</u>	<u>91,808</u>								<u>67</u>	<u>52,011</u>		<u>62,535</u>			<u>342,117</u>
INVENTORIES													<u>18,326</u>			<u>18,326</u>
ALLOWANCE FOR OBSOLETE INVENTORIES																<u>-</u>
INTERPROGRAM RECEIVABLE													<u>10</u>		<u>(10)</u>	<u>-</u>
CAPITAL ASSETS:																
Land	873,591	785,041									308,605		3,913,797			5,881,034
Buildings	145,123,347	318,040									35,780,388		12,634,466			193,856,241
Furniture, equipment, and machinery — dwellings	1,319,324										265,381		2,182,576			3,767,281
Furniture, equipment, and machinery — administration		2,367,415								16,926	563,018			266,609		3,213,968
Accumulated depreciation	(119,197,308)	(2,098,449)								(16,926)	(14,468,422)		(7,236,557)	(266,609)		(143,284,271)
Construction in progress						<u>3,167,550</u>					<u>121,607</u>					<u>3,289,157</u>
Total capital assets — net of accumulated depreciation	<u>28,118,954</u>	<u>1,372,047</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,167,550</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,570,577</u>	<u>-</u>	<u>11,494,282</u>	<u>-</u>	<u>-</u>	<u>66,723,410</u>
OTHER ASSETS:																
Notes and mortgages receivable — noncurrent											261,990		24,948,971			25,210,961
Other assets											190,729					190,729
Investments and joint ventures	<u>451,582</u>										<u>1,119</u>		<u>22,421,319</u>			<u>22,874,020</u>
Total other assets	<u>451,582</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>453,838</u>	<u>-</u>	<u>47,370,290</u>	<u>-</u>	<u>-</u>	<u>48,275,710</u>
TOTAL	<u>\$ 41,547,004</u>	<u>\$ 14,471,406</u>	<u>\$ 82,193</u>	<u>\$ 166,675</u>	<u>\$ -</u>	<u>\$ 4,526,846</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 213,209</u>	<u>\$ 36,411,701</u>	<u>\$ -</u>	<u>\$ 68,519,339</u>	<u>\$ 3,678,764</u>	<u>\$ (165,948)</u>	<u>\$ 169,451,189</u>

See notes to consolidated financial statements.

(Continued)

COLUMBUS METROPOLITAN HOUSING AUTHORITY

**CONSOLIDATING STATEMENT OF NET ASSETS INFORMATION
AS OF DECEMBER 31, 2011**

	Low Rent 14.85	Section 8 Housing Choice Vouchers 14.871	DHAP 97.109	Main Stream 14.181	Section 8 Veterans 14. VASH	Capital Grant 14.872	Capital Stimulus 14.884	Ross Grant 14.877	HOPE VI 14.866	Shelter Care Plus 14.238	Other Business Ventures	Section 8 NC S/R 14.182	Central Office	AHSC 14.195	Interprogram Eliminations	Total
LIABILITIES AND NET ASSETS																
LIABILITIES:																
Accounts payable, accrued liabilities, and other liabilities:																
Accounts payable — <90 days	\$ 1,027,660	\$ 527,853	\$ -	\$ 10	\$ -	\$ 1,187,682	\$ -	\$ -	\$ -	\$ 6,035	\$ 227,878	\$ -	\$ 145,745	\$ 2,764,697	\$ (165,938)	\$ 5,721,622
Accounts payable — >90 days	16,493	41				133,928							3,512			153,974
Accrued wages/payroll taxes payable	167,620	236,530				20,881				4,550	15,667		368,641			813,889
Accrued compensated absences — current portion	20,996	46,663				3,379					4,387		53,737			129,162
Accrued contingent liability	117,445										89,843		80,479			287,767
Accrued interest payable											27,596					27,596
Accounts payable — HUD, PHA program				48,917						4,791						53,708
Accounts payable — other government	35,257										208,347					243,604
Tenant security deposits	228,413										127,160					355,573
Deferred revenue	80,931										21,577		1,538			104,046
Current portion of long-term debt — capital projects											60,000					60,000
Other current liabilities											101,102					101,102
Accrued liabilities — other	97,251	100									4,195		797			102,348
Interprogram payable											10				(10)	-
Total accounts payable, accrued liabilities, and other liabilities	<u>1,792,066</u>	<u>811,187</u>	<u>-</u>	<u>48,927</u>	<u>-</u>	<u>1,345,870</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,381</u>	<u>887,762</u>	<u>-</u>	<u>654,449</u>	<u>2,764,697</u>	<u>(165,948)</u>	<u>8,154,391</u>
Debt and other liabilities:																
Long-term debt — net of current — capital projects																
Noncurrent liabilities — other		231,490									5,025,000					5,025,000
Accrued compensated absences — noncurrent	45,227	27,256				10,369				339	6,371		101,286			190,848
Total debt and other liabilities	<u>45,227</u>	<u>258,746</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,369</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>339</u>	<u>5,031,371</u>	<u>-</u>	<u>101,286</u>	<u>-</u>	<u>-</u>	<u>5,447,338</u>
Total liabilities	<u>1,837,293</u>	<u>1,069,933</u>	<u>-</u>	<u>48,927</u>	<u>-</u>	<u>1,356,239</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,720</u>	<u>5,919,133</u>	<u>-</u>	<u>755,735</u>	<u>2,764,697</u>	<u>(165,948)</u>	<u>13,601,729</u>
NET ASSETS:																
Invested in capital assets — net of related debt																
Restricted net assets	28,118,957	1,372,047				3,167,547					17,485,577		11,494,282			61,638,410
Unrestricted net assets	3,603,740	11,089,589	82,193			3,060					6,234,641		4,030,447			25,043,670
	<u>7,987,014</u>	<u>939,837</u>		<u>117,748</u>						<u>197,489</u>	<u>6,772,350</u>		<u>52,238,875</u>	<u>914,067</u>		<u>69,167,380</u>
Total net assets	<u>39,709,711</u>	<u>13,401,473</u>	<u>82,193</u>	<u>117,748</u>	<u>-</u>	<u>3,170,607</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>197,489</u>	<u>30,492,568</u>	<u>-</u>	<u>67,763,604</u>	<u>914,067</u>	<u>-</u>	<u>155,849,460</u>
TOTAL	<u>\$41,547,004</u>	<u>\$14,471,406</u>	<u>\$82,193</u>	<u>\$166,675</u>	<u>\$-</u>	<u>\$4,526,846</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$213,209</u>	<u>\$36,411,701</u>	<u>\$-</u>	<u>\$68,519,339</u>	<u>\$3,678,764</u>	<u>\$ (165,948)</u>	<u>\$169,451,189</u>

See notes to consolidated financial statements.

(Concluded)

COLUMBUS METROPOLITAN HOUSING AUTHORITY

**CONSOLIDATING STATEMENT OF REVENUES AND EXPENSES INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Low Rent 14.85	Section 8 Housing Choice Vouchers 14.871	DHAP 97.109	Main Stream 14.181	Section 8 Veterans 14. VASH	Capital Grant 14.872	Capital Stimulus 14.884	Ross Grant 14.877	HOPE VI 14.866	Shelter Care Plus 14.238	Other Business Ventures	Section 8 NC S/R 14.182	Central Office	AHSC 14.195	Eliminations	Total
REVENUES:																
Net tenant rental revenues	\$ 1,751,952	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,756,138	\$ -	\$ -	\$ -	\$ -	\$ 4,508,090
HUD, PHA operating grants	10,768,499	85,121,108		374,841	352,028	2,016,746		11,623		3,449,043				571,719,496		673,813,384
Capital grants						2,945,444										2,945,444
Total fee revenue													5,525,028		(5,203,894)	321,134
Other government grants																
Interest income — unrestricted	22,082	10,158		81	86					154	48,029		39,395			119,985
Other revenue	120,998	222,998									1,078,257		2,250,119		(1,111,711)	2,560,661
Fraud recovery		296,146														296,146
Gain or loss on the sale of fixed assets	578,611	3,700											(4,983)			577,328
Interest income — restricted	35,508	18,282	52		357						6,624		36,743			97,566
Total revenues	13,277,650	85,672,392	52	374,922	352,471	4,962,190	-	11,623	-	3,449,197	3,889,048	-	7,846,302	571,719,496	(6,315,605)	685,239,738
EXPENSES:																
Administrative:																
Administrative salaries	754,071	2,817,595								109,890	388,636		3,373,230	75,976		7,519,398
Auditing fees	39,509	128,877									21,907		11,376	27,554		229,223
Outside management fees	1,565,454	2,321,452		14,074	7,745	509,757				117,665	229,349			19,464,566	(5,719,192)	18,510,870
Employee benefit contributions — administrative	234,172	906,563								46,026	107,211		897,555	18,409		2,209,936
Other administrative expenses	439,945	981,807		153				6,250		27,377	219,037		997,941	264,482		2,936,992
Total administrative expenses	3,033,151	7,156,294	-	14,227	7,745	509,757	-	6,250	-	300,958	966,140	-	5,280,102	19,850,987	(5,719,192)	31,406,419
Total asset management fee	174,480	-	-	-	-	-	-	-	-	-	9,000	-	-	-	(183,480)	-
Tenant services:																
Tenant services — salaries						41,372					17,640					59,012
Relocation costs						647,075										647,075
Employee benefit contributions — tenant services						13,366					3,559					16,925
Tenant services — other	44,239							5,373			3,662		45,537			98,811
Total tenant services	44,239	-	-	-	-	701,813	-	5,373	-	-	24,861	-	45,537	-	-	821,823

See notes to consolidated financial statements.

(Continued)

COLUMBUS METROPOLITAN HOUSING AUTHORITY

**CONSOLIDATING STATEMENT OF REVENUES AND EXPENSES INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Low Rent 14.85	Section 8 Housing Choice Vouchers 14.871	DHAP 97.109	Main Stream 14.181	Section 8 Veterans 14. VASH	Capital Grant 14.872	Capital Stimulus 14.884	Ross Grant 14.877	HOPE VI 14.866	Shelter Care Plus 14.238	Other Business Ventures	Section 8 NC S/R 14.182	Central Office	AHSC 14.195	Eliminations	Total
Utilities:																
Water	\$ 897,851	\$ 1,004	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 46	\$ 79,277	\$ -	\$ 9,408	\$ -	\$ -	\$ 987,586
Electricity	457,482	12,379								570	180,834		137,486			788,751
Gas	265,637	1,123								52	63,132		5,785			335,729
Total utilities	1,620,970	14,506	-	-	-	-	-	-	-	668	323,243	-	152,679	-	-	2,112,066
Ordinary maintenance and operations:																
Labor	1,088,701										186,982		290,556			1,566,239
Materials and other	525,930	55,127								4	52,650		111,930			745,641
Contract costs	1,347,848	42,217								59	315,864		234,224		(412,933)	1,527,279
Employee benefit contributions — maintenance and operations	329,697										42,055		77,312			449,064
Total ordinary maintenance and operations	3,292,176	97,344	-	-	-	-	-	-	-	63	597,551	-	714,022	-	(412,933)	4,288,223
Protective services:																
Protective services — labor	17,582					245,158										262,740
Protective services — other contract costs						77,692					14,368					92,060
Protective services — other Employee benefit contributions — protective services	6,521					80,472										86,993
Total protective services	24,103	-	-	-	-	403,322	-	-	-	-	14,368	-	-	-	-	441,793
General expenses:																
Insurance premiums	341,467	181,051				8,966				4,290	95,687		171,521	77,757		880,739
Other general expenses	1,887,375	88,443			640						200					1,976,658
Payments in lieu of taxes and other real estate tax expense	43,192										276,033					319,225
Bad debt — tenant rents	107,900										10,146					118,046
Bad debt — other													1,699,667			1,699,667
Interest expense											259,601					259,601
Severance expense	19,279	426									1,652		8,558			29,915
Total general expenses	2,399,213	269,920	-	-	640	8,966	-	-	-	4,290	643,319	-	1,879,746	77,757	-	5,283,851

See notes to consolidated financial statements.

(Continued)

COLUMBUS METROPOLITAN HOUSING AUTHORITY

**CONSOLIDATING STATEMENT OF REVENUES AND EXPENSES INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Low Rent 14.85	Section 8 Housing Choice Vouchers 14.871	DHAP 97.109	Main Stream 14.181	Section 8 Veterans 14. VASH	Capital Grant 14.872	Capital Stimulus 14.884	Ross Grant 14.877	HOPE VI 14.866	Shelter Care Plus 14.238	Other Business Ventures	Section 8 NC S/R 14.182	Central Office	AHSC 14.195	Eliminations	Total
Other expenses:																
Nonroutine maintenance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 344,888	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32,648	\$ -	\$ -	\$ 377,536
Housing assistance payments		75,076,671		322,647	209,481					3,118,938				551,658,550		630,386,287
Impairment	452,232															452,232
Depreciation expense	3,752,566	93,112									1,642,249		703,688			6,191,615
Total other expenses	4,204,798	75,169,783	-	322,647	209,481	344,888	-	-	-	3,118,938	1,642,249	-	736,336	551,658,550	-	637,407,670
Total expenses	14,793,130	82,707,847	-	336,874	217,866	1,968,746	-	11,623	-	3,424,917	4,220,731	-	8,808,422	571,587,294	(6,315,605)	681,761,845
OTHER FINANCING SOURCES (USES):																
Operating transfers in	48,000														(48,000)	-
Operating transfers out						(48,000)									48,000	-
Total other financing uses	48,000	-	-	-	-	(48,000)	-	-	-	-	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF TOTAL REVENUES OVER (UNDER)	\$ (1,467,480)	\$ 2,964,545	\$52	\$ 38,048	\$134,605	\$ 2,945,444	\$ -	\$ -	\$ -	\$ 24,280	\$ (331,683)	\$ -	\$ (962,120)	\$ 132,202	\$ -	\$ 3,477,893
TOTAL EXPENSES																

See notes to consolidated financial statements.

(Concluded)

FEDERAL FINANCIAL DATA SCHEDULES

COLUMBUS METROPOLITAN HOUSING AUTHORITY

RECONCILIATION OF CONSOLIDATED FINANCIAL STATEMENTS TO THE FINANCIAL DATA SCHEDULE

	Combined Statement of Net Assets	Reconciling Amount		Financial Data Schedule
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 22,204,403	\$ -		\$ 22,204,403
Accounts receivable — net:				
Tenants	91,068			91,068
HUD	4,639,289			4,639,289
Other	1,518,075			1,518,075
Allowance for doubtful accounts — other		(4,562,482)	a.	(4,562,482)
Notes receivable	1,102,073			1,102,073
Notes receivable from discretely presented component units	50,000			50,000
Investments	14,727,777			14,727,777
Investments — legally restricted	14,321,423			14,321,423
Inventory	18,326			18,326
Prepaid items and other	342,117			342,117
Total current assets	<u>59,014,551</u>	<u>(4,562,482)</u>		<u>54,452,069</u>
NONCURRENT ASSETS:				
Notes receivable from discretely presented component units	18,695,141	4,500,000	a.	23,195,141
Notes receivable from related party	1,953,338	62,482	a.	2,015,820
Capital assets:				
Land	5,881,034			5,881,034
Other property and equipment	57,553,219			57,553,219
Construction in progress	3,289,157			3,289,157
Other noncurrent assets	23,064,749			23,064,749
Total noncurrent assets	<u>110,436,638</u>	<u>4,562,482</u>		<u>114,999,120</u>
TOTAL	<u>\$ 169,451,189</u>	<u>\$ -</u>		<u>\$ 169,451,189</u>
LIABILITIES				
CURRENT LIABILITIES:				
Accounts payable:				
Trade	\$ 5,875,596	\$ -		\$ 5,875,596
HUD	53,708			53,708
Other	243,604			243,604
Accrued expenses	1,461,864			1,461,864
Deferred credits	104,046			104,046
Trust and deposit liabilities	355,573			355,573
Bonds and notes payable — current	60,000			60,000
Total current liabilities	<u>8,154,391</u>	<u>-</u>		<u>8,154,391</u>
NONCURRENT LIABILITIES:				
Bonds payable	5,025,000			5,025,000
Accrued compensated absences — noncurrent portion	190,848			190,848
Other liabilities	231,490			231,490
Total noncurrent liabilities	<u>5,447,338</u>	<u>-</u>		<u>5,447,338</u>
Total liabilities	<u>13,601,729</u>	<u>-</u>		<u>13,601,729</u>
NET ASSETS:				
Invested in capital assets — net of related debt	61,638,410			61,638,410
Restricted	25,043,670			25,043,670
Unrestricted	69,167,380			69,167,380
Total net assets	<u>155,849,460</u>	<u>-</u>		<u>155,849,460</u>
TOTAL	<u>\$ 169,451,189</u>	<u>\$ -</u>		<u>\$ 169,451,189</u>

See notes to the financial data schedule and the reconciliation of the consolidated financial statements to the financial data schedule.

COLUMBUS METROPOLITAN HOUSING AUTHORITY

RECONCILIATION OF CONSOLIDATED FINANCIAL STATEMENTS TO THE FINANCIAL DATA SCHEDULE

	Combined Statement of Net Assets	Reconciling Amount		Financial Data Schedule
OPERATING REVENUES:				
Rental	\$ 4,508,090	\$ -		\$ 4,508,090
Other	<u>3,177,941</u>	<u> </u>		<u>3,177,941</u>
Total operating revenues	<u>7,686,031</u>	<u>-</u>		<u>7,686,031</u>
OPERATING EXPENSES:				
Housing assistance payments	630,386,287			630,386,287
Depreciation	6,191,615			6,191,615
Administration	31,406,419			31,406,419
Tenant services	821,823			821,823
Utilities	2,112,066			2,112,066
Ordinary maintenance and operations	4,288,223			4,288,223
Protective services	441,793			441,793
Impairment expense	452,232	(452,232)	b.	
General expenses	<u>5,401,786</u>	<u> </u>		<u>5,401,786</u>
Total operating expenses	<u>681,502,244</u>	<u>(452,232)</u>		<u>681,050,012</u>
OPERATING LOSS	<u>(673,816,213)</u>	<u>(452,232)</u>		<u>(673,363,981)</u>
NONOPERATING REVENUES (EXPENSES):				
HUD grants	673,813,384	(282,967)	c.	673,530,417
HUD capital grants	2,945,444			2,945,444
Interest income	217,551			217,551
Interest expense	(259,601)			(259,601)
Gain on disposal of assets	<u>577,328</u>	<u> </u>		<u>577,328</u>
Total nonoperating revenues	<u>677,294,106</u>	<u>(282,967)</u>		<u>677,011,139</u>
EXTRAORDINARY ITEMS — Net gain/loss	<u> </u>	<u>(452,232)</u>	b.	<u>(452,232)</u>
CHANGE IN NET ASSETS	3,477,893	(282,967)		3,194,926
NET ASSETS — Beginning of year	<u>152,371,567</u>	<u>282,967</u>	c.	<u>152,654,534</u>
NET ASSETS — End of year	<u>\$ 155,849,460</u>	<u>\$ -</u>		<u>\$ 155,849,460</u>

See notes to the financial data schedule and the reconciliation of the consolidated financial statements to the financial data schedule.

COLUMBUS METROPOLITAN HOUSING AUTHORITY

NOTES TO THE FINANCIAL DATA SCHEDULE AND THE RECONCILIATION OF THE CONSOLIDATED FINANCIAL STATEMENTS TO THE FINANCIAL DATA SCHEDULE AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011

1. BASIS OF PRESENTATION

The Columbus Metropolitan Housing Authority (the “Authority”) is required to submit annual financial information to the U.S. Department of Housing and Urban Development (HUD), Real Estate Assessment Center (REAC). The financial data is submitted to REAC using the Financial Data Schedule (FDS) format, which is prescribed by REAC and applicable to government entities. The accompanying FDS, prepared in the form prescribed by REAC, differs from the information in the Authority’s financial statements, prepared in conformity with accounting principles generally accepted in the United States of America, primarily due to classification differences. The accompanying schedule reconciles the Authority’s consolidated financial statements to the FDS.

2. RECONCILIATION

The following items identify the amounts needed to reconcile the consolidated financial statements prepared in conformity with accounting principles generally accepted in the United States of America, as applicable to governmental entities, to the FDS:

- a. The FDS reports the allowance for doubtful accounts for notes receivable from component units and related parties within current portion of accounts receivable and notes receivable. The consolidated financial statements reflect this allowance within the noncurrent portion of notes receivable.
- b. The FDS reports impairment expenses in extraordinary items — net gain/loss. The financial statements reflect this impairment as an operating expense.
- c. The FDS reports an adjustment to beginning net assets for revenue that was deferred as of December 31, 2010, but should have been recognized during 2010. The financial statements reflect this adjustment through current-year operations in the consolidated statement of revenues, expenses, and changes in net assets.

COLUMBUS METROPOLITAN HOUSING AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Expenditures
U.S. DEPARTMENT OF HUD:		
Direct programs:		
Low-rent public housing — PHA-owned and leased	14.850	\$ 10,768,499
Public Housing Capital Fund Program	14.872	<u>4,962,190</u>
Subtotal — public housing		<u>15,730,689</u>
Direct programs:		
Section 8 Housing Assistance Payment Program:		
Housing choice vouchers	14.871	85,121,108
Shelter Care Plus	14.238	3,449,043
Special allocations	14.195	571,719,496
Supportive housing for persons with disabilities	14.181	374,841
Veterans	14.VASH	<u>352,028</u>
Subtotal — direct programs		<u>661,016,516</u>
ROSS GRANT	14.877	<u>11,623</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$676,758,828</u>

See notes to schedule of expenditures of federal awards.

COLUMBUS METROPOLITAN HOUSING AUTHORITY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2011

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 *Government Auditing Standards*, issued by the Comptroller General of the United States of America, and U.S. Office of Management and Budget Circular No. A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

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 U.S. 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 2011, the receipts of \$919,347, \$371,792, \$265,767, \$89,296, and \$241,175 were considered federal pass-through awards to Rosewind Limited Partnership, Gender Road Limited Partnership, Jenkins Terrace, LLC, Waggoner Senior Housing Limited Partnership, and Worley Terrace, LLC, 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 2011, 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, since 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-S-001-501-09 THROUGH DECEMBER 31, 2011

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

Classification	Project OH16-S-001-501-09
Administration	\$ 25,900
Fees and costs	537,334
Site improvements	239,880
Dwelling structures	<u>8,281,017</u>
Total costs	<u>\$9,084,131</u>

2. The distribution of costs by major cost accounts as shown on the Final Budget Summary dated September 23, 2011, for Project OH16-S-001-501-09, as submitted to HUD for approval, is in agreement with the Authority's records.
3. Funds advanced for Project OH16-S-001-09 totaled \$9,084,131

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
the 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, 2011, and have issued our report thereon dated April 19, 2012, which included a reference to other auditors who audited the financial statements of Rosewind Limited Partnership, Gender Road Limited Partnership, Jenkins Terrace, LLC, Worley Terrace, LLC, and Elim Manor Elderly Housing, LLC, discretely presented component units of the Authority and The Homes At Second Avenue, LLC, a blended component unit. 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. Other auditors audited the financial statements of Rosewind Limited Partnership, Gender Road Limited Partnership, Jenkins Terrace, LLC, Worley Terrace, LLC, and Elim Manor Elderly Housing, LLC, discretely presented component units of the Authority and The Homes at Second Avenue, LLC, a blended component unit, as described in our report on the Authority's consolidated financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 reported to management of the Authority in a separate letter dated April 19, 2012.

This report is intended solely for the information and use of management, the Board of Commissioners, others within the entity, the U.S. 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 19, 2012

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Commissioners of
the Columbus Metropolitan Housing Authority:

Compliance

We have audited Columbus Metropolitan Housing Authority's (the "Authority") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2011. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to 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 of America; 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133, and which is described in the accompanying schedule of findings and questioned costs as Item 11-01.

Internal Control over Compliance

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 the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Authority's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the Board of Commissioners, others within the entity, the U.S. 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 19, 2012

COLUMBUS METROPOLITAN HOUSING AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2011

PART I — SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

- | | | | |
|---|-----------|---------|---------------|
| 1. Material weakness(es) identified? | _____ Yes | _____ X | _____ No |
| 2. Significant deficiency(ies) identified? | _____ Yes | _____ X | None reported |
| 3. Noncompliance material to consolidated financial statements noted? | _____ Yes | _____ X | _____ No |

Federal Awards:

Internal control over major programs:

- | | | | |
|--|-----------|---------|---------------|
| 4. Material weakness(es) identified? | _____ Yes | _____ X | _____ No |
| 5. Significant deficiency(ies) identified? | _____ Yes | _____ X | None reported |

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

Unqualified

- | | | | |
|--|-----------|---------|----------|
| 6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular No. A-133 | _____ Yes | _____ X | _____ No |
| 7. The Authority's major programs were: | | | |

Name of Federal Program or Cluster

CFDA Number

Section 8 Housing Assistance Payment Program — Special Allocations	14.195
Public Housing Capital Grant	14.872

- | | | | |
|---|--------------|---------|----------|
| 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 |

(Continued)

COLUMBUS METROPOLITAN HOUSING AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2011

PART II — CONSOLIDATED FINANCIAL STATEMENT FINDINGS SECTION

No matters were reportable.

PART III — FEDERAL AWARDS FINDINGS SECTION

11-01 Cash Disbursements: Timing of Cash Disbursements

Grantor — U.S. Department of Housing and Urban Development (HUD)

CFDA Number — 14.872 Public Housing Capital Fund Program, funding year 2011

Criteria — The Cash Management Improvement Act of 1990 requires that any funding methods used be expended within three business days of the drawing down date.

Finding — One of the 40 cash disbursements selected for compliance testing was completed one day later than allowed based on the related draw date of the expenditure.

Effect — Not all cash disbursements were made within three days of the related draw.

Questioned Cost — N/A

Recommendation — The Columbus Metropolitan Housing Authority should implement a procedure to assist in the timely completion of cash disbursements to comply with the three-day time limit.

Views of Responsible Officials — Management has implemented a procedure whereby the individual who draws down funds from HUD notifies staff responsible for payment by email of the required payment date.

PART IV — SUMMARY OF PRIOR AUDIT FINDINGS

Number	Finding	Status	Contact
10-01	Annual Progress Reports Submissions	Corrected	Charles Hillman, Executive Director
10-02	Tenant Participation Funds	Corrected	Charles Hillman, Executive Director

(Concluded)

April 19, 2012

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

Dear Members of the Board of Commissioners:

We have performed an audit of the financial statements of the Columbus Metropolitan Housing Authority (the "Authority") as of and for the year ended December 31, 2011, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States of America ("generally accepted auditing standards") and have issued our report thereon dated April 19, 2012.

We have prepared the following comments to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of the Authority is responsible.

Our Responsibility under Generally Accepted Auditing Standards

Our responsibility under generally accepted auditing standards has been described in our engagement letter dated February 14, 2012, a copy of which has been provided to you. As described in that letter, the objective of a financial statement audit conducted in accordance with generally accepted auditing standards is to express an opinion on the fairness of the presentation of the Authority's financial statements for the year ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America ("generally accepted accounting principles"), in all material respects. Our responsibilities under generally accepted auditing standards include forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of the Board of Commissioners are presented fairly, in all material respects, in conformity with generally accepted accounting principles. The audit of the financial statements does not relieve management or the Board of Commissioners of their responsibilities.

We considered the Authority's 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 do not express an opinion on the effectiveness of the Authority's internal control over financial reporting. Our consideration of internal control over financial reporting was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are ordinarily based on knowledge and experience about past and current events and on assumptions about future events. Significant accounting

estimates reflected in the Authority's 2011 financial statements include collectability of the notes receivable and the useful lives of the Authority's capital assets. The basis for our conclusions as to the reasonableness of these estimates when considered in the context of the financial statements taken as a whole, as expressed in our auditors' report on the financial statements, is our understanding and testing of the process used by management to develop these estimates.

During the year ended December 31, 2011, we are not aware of any significant changes in accounting estimates or in management's judgments relating to such estimates.

Uncorrected Misstatements

Our audit of the financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. We have attached to this letter, as Appendix A to the management representation letter at Attachment A, a summary of uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Material Corrected Misstatements

Our audit of the financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. There were no material misstatements that we brought to the attention of management as a result of our audit procedures.

Significant Accounting Policies

The Authority's significant accounting policies are set forth in Note 1 to the Authority's 2011 financial statements. During the year ended December 31, 2011, there were no significant changes in previously adopted accounting policies or their application.

Disagreements with Management

We have not had any disagreements with management related to matters that are material to the Authority's 2011 financial statements.

Consultation with Other Accountants

We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters during 2011.

Significant Issues Discussed, or Subject of Correspondence, with Management Prior to Our Initial Engagement or Retention

Throughout the year, routine discussions were held, or were the subject of correspondence, with management regarding the application of accounting principles or auditing standards in connection with transactions that have occurred, transactions that are contemplated, or reassessment of current circumstances. In our judgment, such discussions or correspondence were not held in connection with our retention as auditors.

Other Significant Issues Discussed, or Subject of Correspondence, with Management

Throughout the year, routine discussions were held, or were the subject of correspondence, with management. In our judgment, such discussions or correspondence did not involve significant issues requiring communication to the Board of Commissioners.

Significant Difficulties Encountered in Performing the Audit

In our judgment, we received the full cooperation of the Authority's management and staff and had unrestricted access to the Authority's senior management in the performance of our audit.

Management's Representations

We have made specific inquiries of the Authority's management about the representations embodied in the financial statements. Additionally, we have requested that management provide to us the written representations the Authority is required to provide to its independent auditors under generally accepted auditing standards. We have attached to this letter, as Attachment A, a copy of the representation letter we obtained from management.

* * * * *

This report is intended solely for the information and use of management, the Board of Commissioners, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Yours truly,

Deloitte & Touche LLP

cc: The Management of Columbus Metropolitan Housing Authority

- Attachment A: Management Representation Letter



April 19, 2012

Deloitte & Touche LLP
180 East Broad Street
Columbus, OH 43215

We are providing this letter in connection with your audit of the consolidated financial statements of Columbus Metropolitan Housing Authority and its discretely presented component units (the "Authority"), as of and for the year ended December 31, 2011, which collectively comprise the Authority's basic consolidated financial statements for the purpose of expressing an opinion as to whether the basic consolidated financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the Authority in conformity with accounting principles generally accepted in the United States of America.

We confirm that we are responsible for the following:

- a. The fair presentation in the basic consolidated financial statements of financial position of the Authority, in conformity with accounting principles generally accepted in the United States of America.
- b. The fair presentation of the required supplementary information, including Management's Discussion and Analysis, and the Consolidating Supplemental Financial Data Schedules and the Federal Financial Data Schedules accompanying the basic consolidated financial statements that are presented for the purpose of additional analysis of the basic consolidated financial statements.
- c. The design, implementation, and maintenance of programs and controls to prevent and detect fraud, including fraud related to federal awards.
- d. Establishing and maintaining effective internal control over financial reporting.
- e. The review and approval of the basic consolidated financial statements and related notes and acknowledge your role in the preparation of this information.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

1. The basic consolidated financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America. In addition:
 - a. The basic consolidated financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
 - b. The basic consolidated financial statements properly classify all funds and activities, including special and extraordinary items.
 - c. All funds that meet the quantitative criteria in the GASB Codification of Government Accounting and Financial Reporting Standards section 2200.153 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
 - d. Net asset components (invested in capital assets, net of related debt; restricted; and unrestricted) and fund balance reserves and designations are properly classified and, if applicable, approved.
 - e. Expenses have been appropriately classified in or allocated to functions and programs in the statement of revenues, expenses, and changes in net assets and allocations have been made on a reasonable basis.
 - f. Revenues are appropriately classified in the statement of revenues, expenses, and changes in net assets within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
 - g. Interfund, internal, and intra-Entity activity and balances have been appropriately classified and reported.
 - h. Deposits and investment securities are properly classified in the category of custodial credit risk.
 - i. Capital assets, including infrastructure assets, are properly capitalized, reported, and, if applicable, depreciated.
 - j. Required supplementary information is measured and presented within prescribed guidelines.
 - k. Applicable laws and regulations are followed in adopting, approving, and amending budgets.
 - l. Federal awards expenditures have been charged in accordance with applicable cost principles.
2. The Authority has provided to you all relevant information and access as agreed in the terms of the audit engagement letter.
3. The Authority has provided you:
 - a. Minutes of the meetings of the Board of Commissioners or summaries of actions of

recent meetings for which minutes have not yet been prepared.

- b. Financial records and related data for all financial transactions of the Authority and for all funds administered by the Authority. The records, books, and accounts, as provided to you, record the financial and fiscal operations of all funds administered by the Authority and provide the audit trail to be used in a review of accountability. Information presented in financial reports is supported by the books and records from which the basic consolidated financial statements have been prepared.
 - c. Contracts and grant agreements (including amendments, if any) and any other correspondence that has taken place with federal agencies.
4. We believe the effects of any uncorrected financial statement misstatements aggregated by you during the current audit engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. A summary of such uncorrected misstatements has been attached as Appendix A.
 5. There has been no:
 - a. Action taken by Authority management that contravenes the provisions of federal laws, Ohio laws and regulations, District of Columbus laws and regulations or of contracts and grants applicable to the Authority.
 - b. Communication from other regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices or other matters that could have a material effect on the basic consolidated financial statements.
 6. The Authority has provided to you the results of management's risk assessment, including the assessment of the risk that the basic consolidated financial statements may be materially misstated as a result of fraud.
 7. We have no knowledge of any fraud or suspected fraud affecting the Authority involving:
 - a. Management.
 - b. Employees who have significant roles in internal control over financial reporting.
 - c. Others if the fraud could have a material effect on the basic consolidated financial statements.
 8. We have no knowledge of any allegations of fraud or suspected fraud affecting the Authority received in communications from employees, former employees, regulators, or others.
 9. There are no unasserted claims or assessments that legal counsel has advised us are probable of assertion and must be disclosed in accordance Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 450, *Contingencies*.
 10. Significant assumptions used by us in making accounting estimates are reasonable.
 11. The Schedule of Expenditures of Federal Awards was prepared in accordance with the

requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have identified in that schedule all awards provided by federal agencies in the form of grants, contracts, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, or direct appropriations. We have also properly identified subrecipient expenditures. In addition, we have accurately completed the appropriate sections of the data collection form.

12. We are responsible for compliance with local, state, and federal laws, rules, and regulations, including compliance with the requirements of OMB Circular A-133, and provisions of grants and contracts relating to the Authority's operations. We are responsible for establishing and maintaining the components of internal control relating to our activities in order to achieve the objectives of providing reliable financial reports, effective and efficient operations, and compliance with laws and regulations. The Authority is responsible for maintaining accounting and administrative control over revenues, obligations, expenditures, assets, and liabilities.
13. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements that could have a material effect on its federal programs.
14. We have disclosed to you all deficiencies in the design or operation of internal control over financial reporting identified as part of our evaluation, including separately disclosing to you all such deficiencies that are significant deficiencies or material weaknesses in internal control over financial reporting.
15. We have:
 - a. Identified the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each federal program as identified in Part 3 of the Compliance Supplement dated March 2011.
 - b. Complied, in all material respects, with the requirements identified above in connection with federal awards except as disclosed in the Schedule of Findings and Questioned Costs.
 - c. Identified and disclosed interpretations of any compliance requirements that have varying interpretations.
 - d. Made available all information related to federal financial reports and claims for advances and reimbursements. Federal financial reports and claims for advances and reimbursements are supported by the books and records from which the basic consolidated financial statements have been prepared and are prepared on a basis consistent with that presented in the Schedule of Expenditures of Federal Awards. The copies of federal program financial reports provided are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through Entity, as applicable.
 - e. Monitored subrecipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and have met the

requirements of Circular A-133.

- f. Taken appropriate corrective action on a timely basis after receipt of a subrecipient's auditor's report that identifies noncompliance with laws, regulations, or the provisions of contracts or grant agreements.
 - g. Considered the results of the subrecipient's audits and made any necessary adjustments to the auditee's own books and records.
 - h. Identified and disclosed all amounts questioned and any known noncompliance with the requirements of federal awards, including the results of other audits or program reviews related to the objectives of the audit.
 - i. Identified previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of the audit and the corrective actions taken to address significant findings and recommendations, including the status of follow-up on prior audit findings (and information about all management decisions) by federal awarding agencies and pass-through Entities.
 - j. Provided to you our views on the reported findings, conclusions, and recommendations for your report.
16. We are responsible for follow-up on all prior-year findings. We have prepared a summary schedule of prior-year findings reporting the status of our efforts in implementation of the prior-year's corrective action plan.
17. We have included in the corrective action plan for current-year findings, the name of the person in our organization responsible for implementation of the actions, the best actions to be taken, and the estimate of a completion date. We have taken timely and appropriate steps to remedy fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse that you report.
18. Management has identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of basic consolidated financial statement amounts.
19. We have adopted the provisions of GASB Codification of Government Accounting and Financial Reporting Standards Section 2100, *Defining the Financial Reporting Entity*. We believe that we have properly identified and reported as a component unit of the Authority each organization that meets the criteria established in GASB Codification of Government Accounting and Financial Reporting Standards Section 2100, *Defining the Financial Reporting Entity*.
20. We have included in the basic consolidated financial statements all assets and liabilities under the Authority's control.
21. The Authority has considered any potential unrelated business income tax items.
22. Tax-exempt bonds issued have retained their tax-exempt status.
23. The Authority has appropriately identified and recorded all intangible assets under GASB Codification of Government Accounting and Financial Reporting Standards Section

1400.120 – 1400.134, *Intangible Assets*.

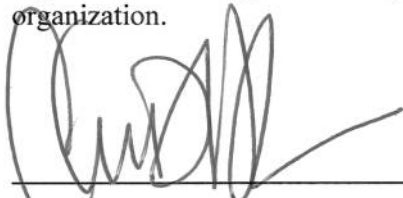
Except where otherwise stated below, matters less than \$650,000 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to, or disclosure in, the basic consolidated financial statements.

24. Except as listed in Appendix A, there are no transactions that have not been properly recorded in the accounting records underlying the basic consolidated financial statements.
25. The Authority has no plans or intentions that may affect the carrying value or classification of assets and liabilities.
26. The following, to the extent applicable, have been appropriately identified, properly recorded, and disclosed in the basic consolidated financial statements:
 - a. Related-party transactions and associated amounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements, and guarantees (written or oral).
 - b. Guarantees, whether written or oral, under which the Authority is contingently liable.
27. In preparing the basic consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management uses estimates. All estimates have been disclosed in the basic consolidated financial statements for which known information available prior to the issuance of the basic consolidated financial statements indicates that both of the following criteria are met:
 - a. It is at least reasonably possible that the estimate of the effect on the basic consolidated financial statements of a condition, situation, or set of circumstances that existed at the date of the basic consolidated financial statements will change in the near term due to one or more future confirming events.
 - b. The effect of the change would be material to the basic consolidated financial statements.
28. Risks associated with concentrations, based on information known to management, that meet all of the following criteria have been disclosed in the basic consolidated financial statements:
 - a. The concentration exists at the date of the basic consolidated financial statements.
 - b. The concentration makes the enterprise vulnerable to the risk of a near-term severe impact.
 - c. It is at least reasonably possible that the events that could cause the severe impact will occur in the near term.
29. There are no:
 - a. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the basic consolidated financial statements or as a basis

for recording a loss contingency.

- b. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB ASC 450, *Contingencies*.
30. Except as disclosed in the footnotes to the consolidated financial statements, the Authority has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
31. The Authority has complied with all aspects of contractual agreements that may have an effect on the basic consolidated financial statements in the event of noncompliance.
32. No department or agency of the Authority has reported a material instance of noncompliance to us.
33. No events have occurred after December 31, 2011, but before April 19, 2012, the date the basic consolidated financial statements were available to be issued that require consideration as adjustments to or disclosures in the basic consolidated financial statements.
34. Regarding required supplementary information:
 - a. We confirm that we are responsible for the required supplementary information.
 - b. The required supplementary information is measured and presented in accordance with *Government Auditing Standards*.
 - c. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period.
35. The Authority has determined whether a capital asset has been impaired in accordance with GASB Codification of Government Accounting and Financial Reporting Standards Section 1400.161-1400.175, *Impairment of Capital Assets*. In making this determination, the Authority considered the following factors:
 - a. The magnitude of the decline in service utility is significant.
 - b. The decline in service utility is unexpected.
36. We have appropriately identified and properly recorded and disclosed in the basic consolidated financial statements all interfund transactions, including repayment terms.
37. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line of credit, or similar arrangements have been properly disclosed in the basic consolidated financial statements.
38. Receivables recorded in the basic consolidated financial statements represent valid claims against debtors for sales or other charges arising on or before the balance-sheet date and have been appropriately reduced to their estimated net realizable value.
39. All impaired loans receivables have been properly recorded and disclosed in the basic consolidated financial statements.

40. Loans that have been restructured to provide a reduction or deferral of interest or principal payments because of borrower financial difficulties have been properly recorded and disclosed in the basic consolidated financial statements.
41. Provision has been made to reduce excess or obsolete inventories to their estimated net realizable value. All inventories are the property of the Authority and do not include any items consigned to it or any items billed to customers.
42. We believe that all expenditures that have been deferred to future periods are recoverable.
43. We do not plan to make frequent amendments to our pension or other postretirement benefit plans.
44. We have no intention of withdrawing from any multiple-employer plans or taking any other action that could result in an effective termination or reportable event for any of the plans. We are not aware of any occurrences that could result in the termination of any of our multiple-employer plans to which we contribute.
45. Provision has been made for any loss to be sustained in the fulfillment of, or from inability to fulfill, any sales commitments.
46. Provision has been made for any loss to be sustained as a result of purchase commitments for inventory quantities in excess of normal requirements or at prices in excess of the prevailing market prices.
47. 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 grant. 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.
48. Management has disclosed all contracts or other agreements with the Authority's service organizations.
49. Management has disclosed all communications from the Authority's third-party service organization relating to noncompliance with the Authority's operations at that service organization.



Charles Hillman, President and Chief Executive Officer



Christine Risdon, Chief Financial Officer

**APPENDIX A
COLUMBUS METROPOLITAN HOUSING AUTHORITY**

	As Reported	Increase (decrease)	Results if Misstatement is Corrected
CURRENT ASSETS:			
Cash and cash equivalents — including restricted cash of \$11,457,902	\$ 22,204,403		\$ 22,204,403
Accounts receivable — net:			
Tenants — net of allowance for doubtful accounts of \$18,700	91,068		91,068
HUD	4,639,289		4,639,289
Other — net of allowance for doubtful accounts of \$1,721,448	1,518,075		1,518,075
Note receivable	1,102,073		1,102,073
Notes receivable from discretely presented component units	50,000		50,000
Investments	14,727,777	(6,217,000) [A]	8,510,777
Investments — legally restricted	14,321,423		14,321,423
Inventory	18,326		18,326
Prepaid items and other	342,117		342,117
Total current assets	59,014,551	(6,217,000)	52,797,551
NONCURRENT ASSETS:			
Notes receivable from discretely presented component units — net of allowance of \$6,291,729	18,695,141		18,695,141
Notes receivable from related party — net of allowance of \$62,482	1,953,338		1,953,338
Capital assets:			
Land	5,881,034		5,881,034
Other property and equipment — net of accumulated depreciation of \$143,284,271	57,553,219		57,553,219
Construction in progress	3,289,157		3,289,157
Other noncurrent assets	23,064,749	6,217,000 [A]	29,281,749
Total noncurrent assets	110,436,638	6,217,000	116,653,638
TOTAL	\$ 169,451,189	\$ -	\$ 169,451,189
CURRENT LIABILITIES:			
Accounts payable:			
Trade	\$ 5,875,596		\$ 5,875,596
HUD	53,708		53,708
Other	243,604		243,604
Accrued expenses	1,461,864		1,461,864
Deferred credits	104,046		104,046
Tenant security deposits	355,573		355,573
Bonds payable — current	60,000		60,000
Total current liabilities	8,154,391	-	8,154,391
NONCURRENT LIABILITIES:			
Bonds payable	5,025,000		5,025,000
Accrued compensated absences — noncurrent portion	190,848		190,848
Other liabilities	231,490		231,490
Total noncurrent liabilities	5,447,338	-	5,447,338
Total liabilities	13,601,729	-	13,601,729
NET ASSETS:			
Invested in capital assets — net of related debt	61,638,410		61,638,410
Restricted	25,043,670		25,043,670
Unrestricted	69,167,380		69,167,380
Total net assets	155,849,460	-	155,849,460
TOTAL	\$ 169,451,189	\$ -	\$ 169,451,189

The Homes at Second Avenue, LLC
A Component Unit of
Columbus Metropolitan Housing Authority

Financial Statements, Supplemental Schedules, and
Schedule of Expenditures of Federal Awards
As of and for the Year Ended December 31, 2011
And
Independent Auditors' Reports



THE HOMES AT SECOND AVENUE, LLC

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INDEPENDENT AUDITORS' REPORT

To the Member 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 (dba "New Village Homes"), a component unit of Columbus Metropolitan Housing Authority, as of December 31, 2011, and the related statements of revenues, expenses and changes in net assets and of cash flows for the year then ended. These financial statements are the responsibility of The Homes at Second Avenue, LLC's 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Homes at Second Avenue, LLC at December 31, 2011, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 22, 2012, on our consideration of The Homes at Second Avenue, LLC's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis presented on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information, for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not and opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of The Homes at Second Avenue, LLC as a whole. The Schedule of Reserve for Replacements, the Schedule of Residual Receipts, and the Schedule of Surplus Cash Distributions and Residual Receipts Reserve on page 16 are presented for purposes of additional analysis and is not a required part of the basic financial statements. In addition, the accompanying schedule of expenditures of federal awards on pages 22 and 23 is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of The Homes at Second Avenue, LLC's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements of The Homes at Second Avenue, LLC as a whole.

Farms & Company, LLC

February 22, 2012

THE HOMES AT SECOND AVENUE, LLC

MANAGEMENT DISCUSSION AND ANALYSIS DECEMBER 31, 2011

As management of The Homes at Second Avenue LLC (dba “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 year January 1, 2011 through December 31, 2011. 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 in only 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 (noncapital) assets, net of liabilities, for New Village Homes. Net assets 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 borrowings 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 — This component of 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 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 for operating activities, noncapital financing activities, investing activities, and capital and related financing activities.

Financial Highlights

During the period ended December 31, 2011:

- New Village Homes' total assets decreased by \$453,628, or 3.0%, primarily due to fixed asset depreciation.
- Total liabilities increased by \$121,550, or 2.2%.
- Rental property was damaged during 2011 by a hail storm. Except for a \$25,000 deductible, all costs of repairs were covered by an insurance claim received during 2011. All repairs were completed except for \$89,843 held in a contingency fund as of December 31, 2011.

Basic Financial Statements

Statement of Net Assets:

The following table reflects the Statement of Net Assets:

	2011	2010
ASSETS:		
Current assets	\$ 632,621	\$ 435,967
Capital assets	13,278,968	14,001,898
Other noncurrent assets	709,433	636,784
Total noncurrent assets	13,988,401	14,638,682
TOTAL ASSETS	\$ 14,621,022	\$ 15,074,649
LIABILITIES AND NET ASSETS:		
Liabilities:		
Current liabilities	\$ 541,169	\$ 360,002
Noncurrent liabilities	5,066,515	5,126,132
TOTAL LIABILITIES	5,607,684	5,486,134
NET ASSETS:		
Invested in capital assets — net of related debt	8,193,968	8,861,898
Restricted	545,388	467,077
Unrestricted	273,982	259,540
TOTAL NET ASSETS	\$ 9,013,338	\$ 9,588,515

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

Major Factors Affecting the Statement of Net Assets

Current assets increased by \$196,654 as outlined in the Statement of Cash Flows. The increase was primarily related to cash due to funds received by New Village Homes related to insurance proceeds from property damaged from a hail storm during 2011. Current liabilities increased by \$181,167 primarily due to expenses paid by CMHA which had not been reimbursed by New Village Homes as of December 31, 2011. In addition, included in current liabilities was a contingent liability of \$89,843 for the remaining costs of repairs associated with the repair of property damaged as previously discussed which had not been completed as of December 31, 2011. Increases in current liabilities were somewhat offset by decreases in accrued property taxes due to decline in assessed property values. Capital assets decreased by \$722,930 due to depreciation.

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 nonoperating revenues and expenses. Condensed information from the New Village Homes' Statement of Revenues, Expenses, and Changes in Net Assets follows:

	2011	2010
OPERATING REVENUE:		
Rental	\$ 901,165	\$ 864,147
Operating subsidy	57,798	52,393
Other	<u>12,773</u>	<u>35,016</u>
Total operating revenue	<u>971,736</u>	<u>951,556</u>
OPERATING EXPENSES:		
Taxes and insurance	259,111	264,619
Administrative	163,618	176,758
Depreciation	722,930	722,930
Ordinary maintenance, operations and utilities	<u>145,201</u>	<u>139,494</u>
Total operating expenses	<u>1,290,860</u>	<u>1,303,801</u>
OPERATING LOSS	(319,124)	(352,245)
NET NONOPERATING INCOME (EXPENSE)	<u>(256,053)</u>	<u>(255,516)</u>
CHANGE IN NET ASSETS	<u>\$ (575,177)</u>	<u>\$ (607,761)</u>

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

During fiscal year 2011, operating revenue increased \$20,181, due primarily to the increase in rental income of \$37,018 and the operating subsidy from the Department of Housing and Urban Development of \$5,405. New Village expects to receive this subsidy on an annual basis. Administration expenses decreased \$13,140, taxes and insurance decreased by \$5,508 primarily due to lower property tax expense as a result of a lower assessed property values by Franklin County. Other expenses increased \$5,707.

Capital Assets

As of December 31, 2011, New Village Homes had \$13.3 million invested in capital assets, as reflected in the schedule below, which represents a net decrease due to and depreciation of \$722,930 during the period.

CAPITAL ASSETS:	2011	2010
Land	\$ 3,005	\$ 3,005
Buildings	15,022,985	15,022,985
Site improvements	2,479,359	2,479,359
Nondwelling structures	76,149	76,149
Furniture and equipment	<u>380,348</u>	<u>380,348</u>
Total	17,961,846	17,961,846
Accumulated depreciation	<u>(4,682,878)</u>	<u>(3,237,018)</u>
Capital assets — net	<u>\$ 13,278,968</u>	<u>\$ 14,724,828</u>

Outstanding Debt

As of December 31, 2011, New Village Homes has \$5,085,000 million in long-term debt outstanding.

Economic Factors

Significant economic factors affecting New Village Homes in 2011 were as follows:

- Rental occupancy effects overall rental income.
- Changes in assessed value of property affects property taxes expenses.
- Increases in insurance and utilities affected the cost to operate the project.

THE HOMES AT SECOND AVENUE, LLC
STATEMENT OF NET ASSETS
AS OF DECEMBER 31, 2011

ASSETS

CURRENT ASSETS:

Cash and cash equivalents — including restricted cash of \$146,187	\$ 520,169
Restricted investments	68,200
Accounts receivable — net:	
Tenants	2,835
Other	3,089
Prepaid items and other	38,328
Total current assets	<u>632,621</u>

NONCURRENT ASSETS:

Tenant deposits	41,516
Replacement reserves	377,202
Residual receipts reserves	99,986
Capital assets:	
Land	3,005
Other property and equipment — net of accumulated depreciation of \$4,682,878	13,275,963
Other noncurrent assets	190,729
Total noncurrent assets	<u>13,988,401</u>

TOTAL ASSETS **\$ 14,621,022**

LIABILITIES

CURRENT LIABILITIES:

Accounts payable	\$ 170,771
Accrued expenses:	
Accrued property taxes	176,285
Interest payable	27,596
Contingency	89,843
Other	5,195
Deferred revenue	11,479
Long-term debt — current	60,000
Total current liabilities	<u>541,169</u>

NONCURRENT LIABILITIES

Bonds payable	5,025,000
Tenant deposits	41,515
Total noncurrent liabilities	<u>5,066,515</u>

TOTAL LIABILITIES **5,607,684**

NET ASSETS:

Invested in capital assets — net of related debt	8,193,968
Restricted	545,388
Unrestricted	273,982

TOTAL NET ASSETS **\$ 9,013,338**

See notes to financial statements.

THE HOMES AT SECOND AVENUE, LLC
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011

OPERATING REVENUE:	
Rental	\$ 901,165
Operating subsidy	57,798
Other	<u>12,773</u>
Total operating revenue	<u>971,736</u>
OPERATING EXPENSES:	
Taxes and insurance	259,111
Administrative	163,618
Depreciation	722,930
Utilities	17,384
Ordinary maintenance and operation	<u>127,817</u>
Total operating expenses	<u>1,290,860</u>
OPERATING LOSS	<u>(319,124)</u>
NONOPERATING REVENUES AND (EXPENSES):	
Interest income	3,551
Interest expense	<u>(259,604)</u>
Total nonoperating revenues and expenses	<u>(256,053)</u>
CHANGE IN NET ASSETS	(575,177)
NET ASSETS — Beginning of the year	<u>9,588,515</u>
NET ASSETS — End of the year	<u>\$ 9,013,338</u>

See notes to financial statements.

THE HOMES AT SECOND AVENUE, LLC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from tenants	\$ 898,134
Cash received operating subsidy	57,798
Cash payments to suppliers for goods and services	(437,689)
Other receipts	<u>12,773</u>
Net cash provided by operating activities	531,016
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Decrease in bonds payable	(55,000)
Proceeds from insurance claim	312,652
Repair of damaged property	(247,809)
Interest expense	<u>(259,788)</u>
Net cash used in capital and related financing activities	(249,945)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from investment	606
Funds added to replacement reserve	(56,188)
Funds added to residual receipts reserve	(22,729)
Interest income	<u>3,551</u>
Net cash used in investing activities	<u>(74,760)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	206,311
CASH AND CASH EQUIVALENTS BALANCE	
(Including restricted cash of \$149,984) — January 1, 2011	<u>313,858</u>
CASH AND CASH EQUIVALENTS BALANCE	
(Including restricted cash of \$146,187) — December 31, 2011	<u>\$ 520,169</u>
RECONCILIATION OF OPERATING LOSS	
TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating loss	\$ (319,124)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation and amortization	722,930
Change in operating assets and liabilities:	
Accounts receivable — tenants	1,883
Accounts receivable — other	40
Prepaid item and other	7,128
Tenant deposits	(107)
Other noncurrent assets	6,376
Accounts payable	157,811
Accrued expenses	(41,074)
Deferred revenue	(5,230)
Tenant deposits	<u>383</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 531,016</u>

See notes to financial statements.

THE HOMES AT SECOND AVENUE, LLC

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Entity — The Homes at Second Avenue LLC, (dba “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 multifamily 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, Columbus Metropolitan Housing Authority is responsible for the operations of New Village Homes. As such, Columbus Metropolitan Housing Authority has the ability to impose its will on New Village Homes and is included as a blended component unit in Columbus Metropolitan Housing Authority’s consolidated financial statements as required by GASB Statement No. 14.

Basis of Accounting — The consolidated financial statements are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America, 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 pronouncements, as well as Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principles Board opinions and Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. New Village Homes has elected not to apply FASB statements and interpretations issued after November 30, 1989.

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. Subsidies received from the Department of Housing and Urban Development (HUD) are recognized during the period to which they relate, and all eligibility requirements have been satisfied. 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.

Investments — New Village Homes 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.

THE HOMES AT SECOND AVENUE, LLC

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

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 nondwelling equipment and office equipment that 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.

Tenant Deposits — Tenant deposits received from tenants in accordance with the terms of their lease are refundable at the end of the lease term.

Replacement Reserves — In accordance with the provisions of the Regulatory Agreement for Multifamily Housing Projects, dated December 1, 2002, restricted cash is held to be used for replacement of property with the approval of HUD.

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 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.

Newly Effective or Issued Accounting Pronouncements - GASB Statement No. 57, OPEB (Other Postemployment Benefit) Measurements by Agent Employers and Agent Multiple-Employer Plans, issued December 2009, effective for periods beginning after June 15, 2011. Management has determined that this statement did not have an impact on financial reporting.

GASB Statement No. 59, Financial Instruments Omnibus, issued June 2010, effective for periods beginning after June 15, 2010. This statement improves the consistency of financial reporting measurement and reporting standards. Management has determined that this standard did not have an impact on financial reporting.

THE HOMES AT SECOND AVENUE, LLC

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

GASB Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements, issued November 2010, effective for periods beginning after December 15, 2011. Management does not expect this statement to impact its financial reporting.

GASB Statement No. 61, The Financial Reporting Entity: Omnibus - an amendment to GASB Statements No. 14 and No. 34, issued November 2010, is effective for periods beginning after June 15, 2012. This statement amends how the primary government reports related entities including component units. Management does not expect this statement to impact its financial reporting.

GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, issued December 2010, effective for periods beginning after December 15, 2011. This statement provides guidance to authoritative literature and helps codify all sources of generally accepted accounting principles for state and local governments into a single source. Management does not expect this statement to impact its financial reporting.

GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, issued June 2011, effective for periods beginning after December 15, 2011. This statement establishes a framework detailing how deferred outflows of resources, deferred inflows of resources, and net position should be reported. Management has not assessed the impact this statement will have on its financial reporting.

GASB Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provisions - an amendment of GASB Statement No. 53, issued June 2011, effective for periods beginning after June 15, 2011. This statement clarifies when hedge accounting continues to be applied when a swap counterparty, or swap counterparty's credit support provider, is replaced.

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, 2011, the carrying value of cash balances was \$520,169 and the bank balance was \$126,627. The bank balance of \$126,627 was fully covered by federal depository insurance. The remainder of cash holdings consisted of \$247,831 that was being held on behalf of New Village Homes by CMHA in its cash account as of December 31, 2011. Additionally, \$146,187 were funds held in a mortgage account by New Village Homes' mortgagee. Also, New Village Homes held \$41,516 in security deposits at December 31, 2011 that were fully covered by federal depository insurance.

At December 31, 2011, New Village Homes had \$99,986 held in STAR 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 New Village Homes in the financial statements. New Village Homes' 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.

THE HOMES AT SECOND AVENUE, LLC

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

3. INVESTMENTS

As of December 31, 2011, New Village Homes had \$68,200 invested in a guaranteed investment contract, which represented its fair value.

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 — New Village Homes places no limit on the amount it may invest with one issuer. As of December 31, 2011, New Village Homes' investments resided in one guaranteed investment contract.

Custodial Credit Risk — For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, New Village Homes will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All of New Village Homes' investment balances are collateralized by underlying securities pledged by the investment's counterparty, not in the name of New Village Homes.

4. CAPITAL ASSETS

The changes in capital assets for the year ended December 31, 2011, are as follows:

	Balance December 31, 2010	Additions	Disposals	Transfers	Balance December 31, 2011
Land	\$ 3,005	-	-	-	\$ 3,005
Buildings	15,022,985	-	-	-	15,022,985
Site improvements	2,479,359	-	-	-	2,479,359
Nondwelling structure	76,149	-	-	-	76,149
Furniture and equipment	380,348	-	-	-	380,348
CIP	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	17,961,846	-	-	-	17,961,846
Accumulated depreciation	<u>(3,959,948)</u>	<u>(722,930)</u>	<u>-</u>	<u>-</u>	<u>(4,682,878)</u>
Net property	<u>14,001,898</u>	<u>(722,930)</u>	<u>-</u>	<u>-</u>	<u>13,278,968</u>

5. 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 statewide plan for workers' compensation insurance coverage.

Claims experience over the past three years indicates that there were no instances of losses exceeding insurance coverage.

THE HOMES AT SECOND AVENUE, LLC

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

6. BONDS AND NOTES PAYABLE

A rollforward of the New Village Homes' long-term debt for the year ended December 31, 2011, is as follows:

Bonds Payable	Beginning Balance	Increase	Decrease	Ending Balance	Current Portion
2011	\$5,140,000	\$ -	\$ 55,000	\$ 5,085,000	\$ 60,000

Bonds Payable — In December 2002, New Village Homes issued \$5,420,000 of Columbus Metropolitan Housing Authority Multifamily Housing Mortgage Revenue Bonds, Series 2003A, guaranteed by HUD, 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 bonds are fully collateralized by the building. The interest rate is 5.4%. The future debt service at December 31, 2011, is as follows:

Maturity Date	Principal Amount	Interest Amount	Total
2012	\$ 60,000	\$ 257,184	\$ 317,184
2013	60,000	254,641	314,641
2014	65,000	251,548	316,548
2015	70,000	248,330	318,330
2016	75,000	244,741	319,741
2017– 2021	425,000	1,165,420	1,590,420
2022 – 2026	550,000	1,045,974	1,595,974
2027 – 2031	725,000	888,329	1,613,329
2032 – 2036	945,000	679,831	1,624,831
2037 – 2041	1,235,000	405,516	1,640,516
2042 – 2044	<u>875,000</u>	<u>77,516</u>	<u>952,516</u>
Total	<u>\$ 5,085,000</u>	<u>\$ 5,519,030</u>	<u>\$ 10,604,030</u>

7. MANAGEMENT FEE

An annual management fee is paid to Accord Management, LLC. For the year ended December 31, 2011, \$52,210 was charged to expense for this fee. In addition, New Village Homes paid \$103,370 to Accord Management, LLC for salaries and benefits related to property management and maintenance positions.

8. RELATED-PARTY TRANSACTIONS

For the year ended December 31, 2011, New Village Homes' paid Columbus Metropolitan Housing Authority (CMHA) \$11,054 for administrative fees. In addition, included in accounts payable at December 31, 2011, was \$163,867 due CMHA for bills processed and paid for by CMHA.

SUPPLEMENTAL SCHEDULES

THE HOMES AT SECOND AVENUE, LLC**SUPPLEMENTAL SCHEDULE REQUIRED BY HUD
SCHEDULE OF RESERVE FOR REPLACEMENTS
SCHEDULE OF RESIDUAL RECEIPTS AND
SCHEDULE OF SURPLUS CASH, DISTRIBUTIONS, AND RESIDUAL RECEIPTS RESERVE
YEAR ENDED DECEMBER 31, 2011****SCHEDULE OF RESERVE FOR REPLACEMENTS**

In accordance with the provisions of the Regulatory Agreement, restricted cash is held by National City Bank to be used for replacement of property with the approval of HUD as follows:

BALANCE — Beginning of the year	\$ 321,014
Deposits (\$4,610.25 X 12 months)	55,323
Other deposits	-
Interest income	865
Withdrawals	<u>-</u>
BALANCE — End of the year	\$ 377,202

SCHEDULE OF RESIDUAL RECEIPTS

BALANCE — Beginning of the year	\$ 77,257
Deposits	22,675
Other deposits	-
Interest income	54
Withdrawals	<u>-</u>
BALANCE — End of the year	\$ <u>99,986</u>

**SCHEDULE OF SURPLUS CASH, DISTRIBUTIONS AND
RESIDUAL RECEIPTS RESERVE**

Cash — including tenant deposits	\$ <u>415,498</u>
Accrued mortgage interest payable	27,596
Accounts payable — 30 days	265,809
Loans and notes payable due within 30 days	53,703
Prepaid revenue	11,479
Tenant deposits held in trust	<u>41,515</u>
Subtotal current obligations	400,102
Surplus cash	\$ <u>15,396</u>

SINGLE AUDIT SECTION

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

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

We have audited the financial statements of The Homes at Second Avenue, LLC, as of and for the year ended December 31, 2011, and have issued our report thereon dated February 22, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered The Homes at Second Avenue, LLC's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Homes at Second Avenue, LLC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of The Homes at Second Avenue, LLC's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Homes at Second Avenue, LLC's 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the use of the audit committee, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Farms & Company, LLC

February 22, 2012

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

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

Compliance

We have audited The Homes at Second Avenue, LLC's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of The Homes at Second Avenue, LLC's major federal programs for the year ended December 31, 2011. The Homes at Second Avenue, LLC'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 Homes at Second Avenue, LLC's management. Our responsibility is to express an opinion on The Homes at Second Avenue, LLC'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 Homes at Second Avenue, LLC'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 Homes at Second Avenue, LLC's compliance with those requirements.

In our opinion, The Homes at Second Avenue, LLC complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

Management of The Homes at Second Avenue, LLC 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 Homes at Second Avenue, LLC's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The Homes at Second Avenue, LLC's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

This report is intended solely for the use of the audit committee, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Farms & Company, LLC

February 22, 2012

THE HOMES AT SECOND AVENUE, LLC

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2011

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 — guarantee of bonds outstanding	14.135	\$ 5,085,000
Public and Indian Housing	14.850	<u>57,798</u>
Total		<u>\$ 5,142,798</u>

See notes to schedule of expenditures of federal awards.

THE HOMES AT SECOND AVENUE, LLC

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2011

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 OMB Circular A-133.

2. LOAN GUARANTEE

In December 2002, The Homes at Second Avenue, LLC issued \$5,420,000 of Columbus Metropolitan Housing Authority Multifamily Housing Mortgage Revenue Bonds, Series 2003A, guaranteed by HUD, 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 bonds are fully collateralized by the building. The balance outstanding on the bonds as of December 31, 2011 was \$5,085,000.

THE HOMES AT SECOND AVENUE, LLC

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

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?	<u> </u> Yes	<u> X </u>	No
2. Significant deficiencies identified that are not considered to be material weaknesses?	<u> </u> Yes	<u> X </u>	None reported
3. Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u>	No

Federal Awards:

Internal control over major programs:			
4. Material weakness(es) identified?	<u> </u> Yes	<u> X </u>	No
5. Significant deficiencies identified that are not considered to be material weaknesses?	<u> </u> Yes	<u> X </u>	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	<u> </u> Yes	<u> X </u>	No
7. The major program was: 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:	<u> X </u> Yes	<u> </u>	No

PART II — FINANCIAL STATEMENT FINDINGS SECTION

No matters were reportable.

PART III — FEDERAL AWARDS FINDINGS SECTION

No matters were reportable.

PART IV — SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters were reportable.



Dave Yost • Auditor of State

COLUMBUS METROPOLITAN HOUSING AUTHORITY

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 14, 2012**