

# ***Columbus Metropolitan Housing Authority***

*Consolidated Financial Statements, Required  
Supplementary Information, Federal Financial  
Assistance Schedules as of and for the  
Year Ended December 31, 2006, and  
Independent Auditors' Reports*





Mary Taylor, CPA  
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, 2006 through December 31, 2006. 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.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

July 16, 2007

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# COLUMBUS METROPOLITAN HOUSING AUTHORITY

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## INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners of  
Columbus Metropolitan Housing Authority:

We have audited the accompanying consolidated statement of net assets of the Columbus Metropolitan Housing Authority (the "Authority"), as of December 31, 2006, and the related consolidated statements of revenues, expenses, and changes in net assets, and of cash flows for the year then ended. These consolidated financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the balance sheets of the discretely presented component units, Rosewind Limited Partnership and Gender Road Limited Partnership, as of December 31, 2006, and the related statements of operations for the year then ended. We did not audit the financial statements of The Homes At Second Avenue, LLC, a blended component unit of the Authority, as of December 31, 2006, which represents 9.5% of the total assets and 0.2% of the total revenue for the year then ended. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Rosewind Limited Partnership, Gender Road Limited Partnership, and The Homes At Second Avenue, LLC is based solely on the report of other auditors.

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

In our opinion, based on our audit and the report of other auditors, such consolidated financial statements present fairly, in all material respects, the financial position of the Columbus Metropolitan Housing Authority and its discretely presented component units as of December 31, 2006, and their changes in net assets and their cash flows where applicable for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 to 8 is not a required part of the consolidated financial statements, but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the Authority's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit such information and we do not express an opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Authority's consolidated financial statements taken as a whole. The Consolidating Statements of Net Assets Information and the Consolidating Statement of Revenues and Expenses Information on pages 38 to 42 are presented for the purpose of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual programs and entities, and are not a required part of the consolidated financial statements. These schedules are the responsibility of the Authority's management. Such information has been subjected to the auditing procedures applied by us in the audit of the consolidated financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the Authority's basic consolidated financial statements. The schedule of expenditures of federal awards as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, on page 43 to 44 and the schedules of actual modernization costs on pages 45 to 50 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. These schedules are the responsibility of the Authority's management. Such information has been subjected to the auditing procedures applied by us in the audit of the consolidated financial statements and, in our opinion, are fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2007, on our consideration of internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



April 20, 2007



## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Columbus Metropolitan Housing Authority**

#### **December 31, 2006**

As management of the Columbus Metropolitan Housing Authority (“CMHA”), we offer readers of the CMHA financial statement this narrative overview and analysis of the financial activities of CMHA for the fiscal year ended December 31, 2006. We encourage readers to consider the information presented here in conjunction with CMHA’s consolidated financial statements. This management discussion and analysis focuses on the operations of CMHA and not its discretely presented component units, Rosewind Limited Partnership, Gender Road Limited Partnership, Jenkins Terrace LLC and Worley Terrace LLC. Information pertaining to the discretely presented component units is located in footnotes 13, 14, 15, and 16 to the financial statements.

### **Overview of the Financial Statements**

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

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

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

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

*Net Assets, Invested in Capital Assets, Net of Related Debt*—This component of Net Assets consists of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowing that are attributable to the acquisition, construction or improvement of those assets.

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

*Unrestricted Net Assets*—Consists of Net Assets that do not meet the definition of “Net Assets Invested in Capital Assets, Net of Related Debt” or “Restricted Net Assets”.

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

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

Finally, a Statement of Cash Flow 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, 2006:

- CMHA’s total assets increased by \$11,170,847 or 6.8%
- Total liabilities increased by \$5,894,829 or 24.4%
- Total revenues increased by \$31,438,510; of this amount; \$21,504,890 is due to an increase in the number of contracts being administrated by CMHA’s wholly owned subsidiary, Assisted Housing Services Corporation (AHSC).
- Total expenses increased by \$22,959,563; of this amount \$20,915,780 related to housing assistance payments made by AHSC

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

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

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

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

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

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

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

## Basic Consolidated Financial Statements

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

Table 1  
Statement of Net Assets  
(In millions)

	2006	2005
Assets:		
Current and other assets	\$ 79.9	\$ 62.5
Capital assets	<u>98.6</u>	<u>104.8</u>
Total assets	<u>\$ 178.5</u>	<u>\$ 167.3</u>
Liabilities:		
Current liabilities	\$ 21.3	\$ 14.9
Long-term liabilities	<u>8.7</u>	<u>9.2</u>
Total liabilities	<u>30.0</u>	<u>24.1</u>
Net Assets:		
Invested in capital assets, net of related debt	90.4	96.2
Restricted	9.5	9.1
Unrestricted	<u>48.6</u>	<u>37.9</u>
Total net assets	<u>148.5</u>	<u>143.2</u>
Total liabilities and net assets	<u>\$ 178.5</u>	<u>\$ 167.3</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 increased by \$17.4 million while current liabilities increased by \$6.4 million. Cash increased by \$7.2 million due to HUD Notice PIH 2006-03 that changed how HUD funds housing authorities for their Section 8 Housing Choice Voucher Program. Starting January 1, 2005, excess cash received by housing authorities that was not utilized to pay Housing Assistance Payments are to become part of the undesignated fund balance and be restricted for future Housing Assistance Payments.

Other assets increased by \$8.7 million due to CMHA's investment in two Low Income Housing Tax credit projects.

Capital Assets decreased by \$6.2 million due primarily to acquisitions of assets (\$12.4 million) less current year depreciation (\$10.3 million) and retirement of assets (\$8.3).

Table 2  
Change of Unrestricted Net Assets  
(In millions)

Unrestricted Net Assets—December 31, 2005	\$ 37.9
Results of operations	5.3
Depreciation (1)	10.3
Capital expenditures	(11.9)
Change in restricted assets	(0.4)
Change in deferred revenue	7.2
Change in other investments	<u>0.2</u>
Unrestricted Net Assets—December 31, 2006	<u>\$ 48.6</u>

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

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

### **Consolidated Statement of Revenues, Expenses and Changes in Net Assets**

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

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

	<b>2006</b>	<b>2005</b>
Revenues:		
Rental income	\$ 5.5	\$ 5.6
Operating subsidy and grants	34.4	32.8
Subsidy for housing assistance payment	380.4	358.8
Capital grants	11.9	3.5
Investment income	1.5	0.8
Other income	1.8	1.8
Gain in sale of property	<u>0.7</u>	<u>1.4</u>
Total revenues	<u>436.2</u>	<u>404.7</u>

	2006	2005
Expenses:		
Administrative	27.0	26.2
Utilities	3.3	3.2
Maintenance and operation	6.7	6.8
Protective services	0.5	0.6
General	2.3	2.0
Housing assistance payment	380.4	358.8
Interest expense	0.4	0.5
Depreciation	<u>10.3</u>	<u>9.8</u>
Total expenses	<u>430.9</u>	<u>407.9</u>
Change in net assets	<u>\$ 5.3</u>	<u>\$ (3.2)</u>

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

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

### Capital Assets

As of December 31, 2006, the Housing Authority's had \$98.6 million invested in Capital Assets as reflected in the schedule below, which represents a net decrease (additions, deductions and depreciation) of \$6.2 million from the end of last year.

Table 4  
Capital Assets at December 31, 2006  
Net of Depreciation  
(In millions)

	2006	2005
Land	\$ 2.9	\$ 2.9
Buildings	224.2	222.4
Equipment	5.9	5.4
Accumulated depreciation	(139.8)	(130.1)
Construction in process	<u>5.4</u>	<u>4.2</u>
Total	<u>\$ 98.6</u>	<u>\$ 104.8</u>

The following reconciliation summarizes the change in Capital Assets.

Table 5  
Change in Capital Assets  
(In millions)

Beginning balance	\$ 104.8
Additions	12.4
Retirements—net of depreciation	(8.3)
Depreciation	<u>(10.3)</u>
Ending balance	<u>\$ 98.6</u>
Major activities for this year were:	
Modernization of units	\$ 4.0
Construction of new units	8.0
Equipment purchases	<u>0.4</u>
Total additions	<u>\$ 12.4</u>

As of December 31, 2006, the Authority has \$8.3 million in debt (bonds and notes) outstanding, including the current portion of \$.3 million compared to \$8.7 million last year, a \$.4 million decrease.

Table 6  
Outstanding Debt  
(In millions)

	2006	2005
Business type:		
Energy program	\$ 3.0	\$ 2.9
Capital improvements	5.3	5.8
Less current portion	<u>(0.3)</u>	<u>(0.3)</u>
Total	<u>\$ 8.0</u>	<u>\$ 8.4</u>

### Economic Factors

Significant economic factors affecting the Authority in 2006 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 Housing and Urban Development and is insufficient to cover operating cost and capital improvements for Public Housing Units.
- Increased costs for health and property insurance, plus utility rate increases negatively affected the cost to operate the programs.

# COLUMBUS METROPOLITAN HOUSING AUTHORITY

## CONSOLIDATED STATEMENT OF NET ASSETS AS OF DECEMBER 31, 2006

### ASSETS

#### CURRENT ASSETS:

Cash and cash equivalents, including restricted cash of \$17,239,704	\$ 25,457,827
Accounts receivable—net:	
Tenants, net of allowance for doubtful accounts of \$36,693	179,450
HUD	4,415,620
Other, net of allowance for doubtful accounts of \$89,670	879,713
Notes receivable from discretely presented component units	1,112,281
Investments	6,162,760
Investments—legally restricted	6,603,970
Inventory	190,397
Prepaid items and other	387,381
	<u>45,389,399</u>

#### NONCURRENT ASSETS:

Notes receivable from related party	2,015,820
Notes receivable from discretely presented component units, net of allowance of \$1,791,730	23,445,141
Capital assets:	
Land	2,913,930
Other property and equipment, net of accumulated depreciation of \$139,788,770	95,705,639
Other noncurrent assets	8,973,668
	<u>133,054,198</u>

#### TOTAL

\$ 178,443,597

### LIABILITIES

#### CURRENT LIABILITIES:

Accounts payable:	
Trade	\$ 5,202,343
HUD	3,726,274
Other	264,730
Accrued expenses	1,418,532
Deferred credits	9,881,244
Trust and deposit liabilities	478,935
Bonds and notes payable—current	316,769
	<u>21,288,827</u>

#### NONCURRENT LIABILITIES:

Bonds payable	5,300,000
Notes payable	2,674,312
Accrued compensated absences—noncurrent portion	214,139
Other liabilities	539,889
	<u>8,728,340</u>

#### Total liabilities

30,017,167

#### NET ASSETS:

Invested in capital assets—net of related debt	90,328,488
Restricted	9,488,305
Unrestricted	48,609,637
	<u>148,426,430</u>

#### TOTAL

\$ 178,443,597

See notes to consolidated financial statements.

# COLUMBUS METROPOLITAN HOUSING AUTHORITY

## BALANCE SHEETS—COMPONENT UNITS AS OF DECEMBER 31, 2006

	Rosewind Limited Partnership	Gender Road Limited Partnership	Jenkins Terrace LLC	Worley Terrace LLC	Total
<b>ASSETS</b>					
RENTAL PROPERTY:					
Buildings	\$ 25,572,554	\$ 7,957,644	\$ 9,521,649	\$ 454,652	\$ 43,506,499
Furniture and fixtures	456,965	60,555			517,520
Less accumulated depreciation	<u>(8,068,949)</u>	<u>(1,864,103)</u>			<u>(9,933,052)</u>
Net rental property	17,960,570	6,154,096	9,521,649	454,652	34,090,967
CASH	90,777	12,471			103,248
CASH RESERVES	1,366,886	454,680			1,821,566
ACCOUNTS RECEIVABLE	21,851	10,750	162,319	27,969	222,889
MONITORING FEES	11,400				11,400
INVESTMENTS RESTRICTED			3,611,270	7,023,260	10,634,530
OTHER ASSETS	<u>71,073</u>	<u>33,123</u>	<u>67,380</u>	<u>194,457</u>	<u>366,033</u>
TOTAL	<u>\$ 19,522,557</u>	<u>\$ 6,665,120</u>	<u>\$ 13,362,618</u>	<u>\$ 7,700,338</u>	<u>\$ 47,250,633</u>
<b>LIABILITIES AND PARTNERS' EQUITY</b>					
LIABILITIES:					
Accounts payable—trade	\$ 36,483	\$ 19,167	\$ 486,324	\$ 100	\$ 542,074
Accrued expenses	45,241	22,425			67,666
Tenants' security deposits	51,506	26,802			78,308
Accrued interest			158,312	48,125	206,437
Bonds payable			6,800,000	7,000,000	13,800,000
Notes payable to primary government	<u>18,971,789</u>	<u>6,315,082</u>	<u>1,062,281</u>		<u>26,349,152</u>
Total liabilities	<u>19,105,019</u>	<u>6,383,476</u>	<u>8,506,917</u>	<u>7,048,225</u>	<u>41,043,637</u>
PARTNERS'/MEMBER'S EQUITY:					
General partner/members equity	2,301	(2,063)	2,721,649		2,721,887
Limited partners	415,237	752,377			1,167,614
Less note receivable from limited partners		(468,670)			(468,670)
Restricted assets			3,611,270	477,913	4,089,183
Unrestricted			<u>(1,477,218)</u>	<u>174,200</u>	<u>(1,303,018)</u>
Total partners'/member's equity	<u>417,538</u>	<u>281,644</u>	<u>4,855,701</u>	<u>652,113</u>	<u>6,206,996</u>
TOTAL	<u>\$ 19,522,557</u>	<u>\$ 6,665,120</u>	<u>\$ 13,362,618</u>	<u>\$ 7,700,338</u>	<u>\$ 47,250,633</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, 2006

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OPERATING REVENUE:	
Rental	\$ 5,472,028
Other	<u>1,800,320</u>
Total operating revenue	<u>7,272,348</u>
OPERATING EXPENSES:	
Housing assistance payments	380,387,371
Depreciation	10,296,320
Administration	26,795,450
Tenant services	192,857
Utilities	3,285,537
Ordinary maintenance and operation	5,425,311
Protective services	548,314
General expenses	2,253,382
Nonroutine maintenance	<u>1,308,770</u>
Total operating expenses	<u>430,493,312</u>
OPERATING LOSS	<u>(423,220,964)</u>
NONOPERATING REVENUES (EXPENSES):	
HUD grants	414,803,594
HUD capital grants	11,900,025
Interest income	1,526,392
Interest expense	(392,598)
Gain on disposal of assets	<u>659,569</u>
Total nonoperating revenues	<u>428,496,982</u>
CHANGE IN NET ASSETS	5,276,018
NET ASSETS—Beginning of year	<u>143,150,412</u>
NET ASSETS—End of year	<u>\$ 148,426,430</u>

See notes to consolidated financial statements.

# COLUMBUS METROPOLITAN HOUSING AUTHORITY

## STATEMENTS OF OPERATIONS AND CHANGES IN EQUITY—COMPONENT UNITS FOR THE YEAR ENDED DECEMBER 31, 2006

	Rosewind Limited Partnership	Gender Road Limited Partnership	Jenkins Terrace LLC	Worley Terrace LLC	Total
<b>REVENUES:</b>					
Rental	\$ 928,620	\$ 423,176	\$ -	\$ -	\$ 1,351,796
Other	9,238	25,930	264,442		299,610
Interest	60,098	6,826		27,969	94,893
	<u>997,956</u>	<u>455,932</u>	<u>264,442</u>	<u>27,969</u>	<u>1,746,299</u>
Total revenues					
<b>EXPENSES:</b>					
Depreciation	821,549	290,595			1,112,144
Maintenance and decorating	253,490	120,164			373,654
Administrative and personnel	184,534	87,237	130,578	17,601	419,950
Water and sewer	131,577	54,820			186,397
Insurance expense	92,247	33,457			125,704
Management fee	49,436	39,410			88,846
Payment in lieu of taxes	26,515	2,527			29,042
Utilities	26,067	20,594			46,661
Interest expense			87,543	24,865	112,408
Audit and tax return	9,800	7,800	2,263		19,863
Asset management fee	7,896	4,860			12,756
Amortization	1,900	792			2,692
	<u>1,605,011</u>	<u>662,256</u>	<u>220,384</u>	<u>42,466</u>	<u>2,530,117</u>
Total expenses					
NET LOSS	(607,055)	(206,324)	44,058	(14,497)	(783,818)
<b>EQUITY—Beginning of year</b>					
Current year contributions	1,024,593	436,078	3,540,108		5,000,779
	<u>1,024,593</u>	<u>436,078</u>	<u>3,540,108</u>	<u>666,610</u>	<u>1,990,035</u>
EQUITY—End of year	\$ 417,538	\$ 281,644	\$ 4,855,701	\$ 652,113	\$ 6,206,996

See notes to consolidated financial statements.

# COLUMBUS METROPOLITAN HOUSING AUTHORITY

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2006

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from tenants	\$ 5,500,606
Cash payments to suppliers for goods and services	(26,959,088)
Cash paid for salaries and benefits	(12,711,095)
Housing assistance payments	(380,387,371)
Other receipts	2,288,966
Other payments	<u>50,000</u>
Net cash used in operating activities	<u>(412,217,982)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES—HUD operating subsidies and grants	
	<u>421,312,681</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
HUD capital grants	11,937,930
Property and equipment additions	(4,574,877)
Repayment of debt	(336,184)
Interest paid on debt	(392,479)
Proceeds from the sale of capital assets	696,015
Notes and mortgages receivable from sale of assets	(287,083)
Investment in component unit	<u>(8,060,691)</u>
Net cash used in capital and related financing activities	<u>(1,017,369)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of investments	(12,663,956)
Proceeds from maturity of investments	12,847,815
Interest income	<u>1,256,718</u>
Net cash provided by investing activities	<u>1,440,577</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	9,517,907
CASH AND CASH EQUIVALENTS BALANCE (including restricted cash of \$7,880,300)—Beginning of year	<u>15,939,920</u>
CASH AND CASH EQUIVALENTS BALANCE (including restricted cash of \$17,239,704)—End of year	<u>\$ 25,457,827</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating loss	\$ (423,220,964)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	10,296,320
Provision for uncollectible accounts	106,602
Amortization of bond issuance costs	6,375
Change in operating assets and liabilities:	
Accounts receivable—tenants	15,775
Accounts receivable—other	398,975
Inventory	(5,106)
Prepaid items and other	185,589
Accounts payable—trade and HUD	(14,120)
Accrued expenses and other accounts payable	51,743
Trust and deposit liabilities and deferred credits	<u>(39,171)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (412,217,982)</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, 2006

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

**Rosewind Limited Partnership**—Rosewind Limited Partnership, was formed on January 7, 1997, for the purpose to construct, own, and operate residential apartments for low-income residents of Columbus, Ohio. Rosewind Limited Partnership’s financial statements are prepared on the accrual basis of accounting in accordance with accounting principals generally accepted in the United States (“GAAP”) as prescribed by the Financial Accounting Standards Boards (“FASB”) Statements and Interpretations. Because of Rosewind Limited Partnership’s fiscal dependency on the Authority, a component unit relationship is deemed to exist. See Note 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 purpose to acquire, construct, own, and operate an apartment complex for low and moderate income residents of Columbus, Ohio. Gender Road Limited Partnership’s financial statements are prepared on the accrual basis of accounting in accordance with GAAP as prescribed by the FASB Statements and Interpretations. Because of Gender Road Limited Partnership’s fiscal dependency on the Authority, a component unit relationship is deemed to exist. See Note 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 purpose of acquiring, developing, leasing, operating, and administering an apartment complex of 100 single bedroom elderly public housing units in Columbus, Ohio. Jenkins Terrace, LLC’s financial statements are prepared on the accrual basis of accounting in accordance with GAAP as prescribed by the FASB Statements and Interpretations. Because of Jenkins Terrace, LLC’s dependency on the Authority, a component unit relationship is deemed to exist. See Note 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 purpose 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 FASB Statements and Interpretations. Because of Worley Terrace, LLC’s dependency on the Authority, a component unit relationship is deemed to exist. See Note 16 to the consolidated financial statements for additional disclosures regarding Worley Terrace, LLC.

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

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

1. **PHA-Owned Housing**—Under this program, the Authority owns and operates apartments and single-family housing units. Funding is provided by tenant rent payments and HUD subsidies.
2. **Housing Assistance Payments**—Under Section 8 of the Housing Program, low-income tenants lease housing units directly from private landlords rather than from the Authority. HUD contracts with the Authority, which in turn contracts with private landlords and makes assistance payments for the difference between the approved contract rent and the actual rent paid by the low-income tenants.
3. **Capital Grant and Hope VI Funds**—Substantially all additions to land, structures, and equipment are accomplished through Capital Grant Programs. Capital Grant Programs replace or materially upgrade deteriorated portions of the Authority’s housing units. Funding is provided through grants.

The Authority enters into significant construction contract obligations in relation to this Modernization and Development activity on an ongoing basis.

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

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

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

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

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

**Compensated Absences**—Compensated absences are accrued as they are earned by employees, using the vesting method, if two conditions are met:

1. The employees rights to receive compensation are attributable to services already rendered and
2. It is probable that the employer will compensate the employee for the benefits through paid time off or cash payment. The current portion of accrued compensation absences is included in accrued expenses.

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

	Balance December 31, 2005	Increase	Decrease	Balance December 31, 2006	Due Within One Year
Accrued compensated absences	<u>\$396,712</u>	<u>\$ -</u>	<u>\$923</u>	<u>\$395,789</u>	<u>\$181,650</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 non-dwelling equipment, and office equipment which has a cost or fair value on the date of donation greater than \$1,000 and a useful life greater than one year. The Authority capitalizes building or site improvements that cost more than

\$5,000 and have a useful life greater than one year. Depreciation is calculated on a straight-line method using the half-year convention over the estimated useful lives. When depreciable property is disposed of or sold, the cost and related accumulated depreciation are removed from the accounts, with any gain or loss recognized in the consolidated statement of revenues, expenses, and changes in net assets. The estimated useful lives are as follows:

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

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

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

	Balance December 31, 2005	Increase	Decrease	Balance December 31, 2006
Family Self-Sufficient Program Deposits	\$449,564	\$ -	\$21,845	\$427,719
Other	<u>103,387</u>	<u>8,783</u>	<u>          </u>	<u>112,170</u>
Total	<u>\$552,951</u>	<u>\$8,783</u>	<u>\$21,845</u>	<u>\$539,889</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.

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

**New Accounting Standards Not Yet Implemented**—In June 2005, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), and local governmental employees. This Statement is effective for periods beginning after December 15, 2006. Ohio Public Employees Retirement System has not completed an analysis of the impact of this standard on the Authority’s reported consolidated financial statements. Consequently, management has not determined the effect this may have on the Authority’s financial statements.

In September 2006, the GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. This Statement establishes criteria that governments will use to ascertain whether certain transactions should be regarded as a sale or a collateralized borrowing. This Statement is effective for periods beginning after December 15, 2006. Management has determined that the implementation of GASB Statement No. 48 will not have an effect on its reported consolidated financial statements.

In December 2006, the GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligation*. This Statement identifies the circumstances under which a governmental entity would be required to report a liability related to pollution remediation. This Statement is effective for periods beginning after December 15, 2007. Management has determined that the implementation of GASB Statement No. 49 will not have an effect on its reported consolidated financial statements.

## 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of the federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be market to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer’s investment pool (“STAR Ohio”).



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

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

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

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

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

Cash and cash equivalents of the Authority as December 31, 2006, are as follows:

Active deposits:	
Deposits with financial institutions	\$ 13,982,335
STAR Ohio	<u>11,475,492</u>
Carrying balance	<u>\$ 25,457,827</u>

At year-end, the carrying amount of the Authority’s deposits was \$13,982,335 and the total bank balance was \$15,169,670, the difference representing outstanding checks and other in-transit items. Of the bank balance, \$300,000 was covered by federal depository insurance, \$300 was maintained in petty cash funds and the remainder is uncollateralized as defined by the GASB (covered by collateral pools held by third-party trustees pursuant to Section 135.181 of the Ohio Revised Code in collateral pools securing all public funds on deposit with specific depository institutions, but not in the Authority’s name).

At December 31, 2006, the Authority had \$11,475,492 held in the State Treasury Asset Reserve of Ohio (“STAR Ohio,” managed by the Treasurer of the State of Ohio). STAR Ohio is a highly liquid investment pool with participation restricted to subdivisions of the State of Ohio. Under Ohio Revised Code Section 135.143, STAR Ohio is restricted to investing in obligations of the U.S. government and other instruments issued by the State of Ohio and its political subdivisions. Due to the highly liquid nature of the fund, STAR Ohio resembles a money market fund and, therefore, has been treated as a cash equivalent by the Authority in the consolidated financial statements. The Authority’s investment in the pool is not subject to custodial credit risk categorization because it is not evidenced by securities that exist in physical or book entry form.

**Investments**—As of December 31, 2006, the Authority had the following investments and maturities:

	Fair Value	Maturity Date	Credit Rating S & P/Moody's
Federal National Mortgage Association Discount Note	\$ 2,399,979	January 19, 2007	A-1+ / P-1
Federal National Mortgage Association Discount Note	3,376,293	April 03, 2007	A-1+ / P-1
Federal National Mortgage Association Certificate of Deposit	4,747,857	May 29, 2007	A-1+ / P-1
Certificate of Deposit	2,065,903	February 9, 2007	A-1+ / Prime-1
Certificate of Deposit	51,398	January 2, 2007	NA
Certificate of Deposit	12,500	March 3, 2007	NA
Mutual Fund	44,936	NA	NA
Guarantee Investment Contract	<u>67,864</u>	NA	NA
 Total	 <u>\$ 12,766,730</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 the Authority may invest with one issuer. The Authority's total investments are:

FNMA	82.5 %
CD's	16.7
Guaranteed Investment Contract	0.5
Mutual funds	<u>0.3</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. Except for the mutual fund, 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, 2006, the Authority maintains cash balances of \$17,239,704 and investments of \$6,603,970 which are restricted as to their use. Of these amounts \$3,523,295 is to be refunded to HUD, \$7,690,116 is restricted to funding construction of housing and repaying related debt, \$8,065,040 for Housing Assistance Payments and \$4,565,223 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 \$18,971,789, net of allowance for doubtful accounts of \$1,327,684 as of December 31, 2006.

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

In August 2000, the Authority entered into a Promissory Note (the "Gender Road Note") with Gender Road Limited Partnership, a component unit of the Authority, (see Note 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 \$6,315,082, net of allowance for doubtful accounts of \$464,046 at December 31, 2006.

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

In October 2002, the Authority entered into a Promissory Note (the "Waggoner Note") with Waggoner Senior Housing Limited Partnership (see Note 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 and the entire balance of principal and all unpaid interest shall be due and payable 40 years from the date of the Waggoner Note. The balance of the Waggoner Note is \$261,990 at December 31, 2006.

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 unit was completed and the Construction Loan in the amount of \$1,753,830 was issued to Waggoner Senior Housing Limited Partnership. The Construction Loan has an annual interest rate of 0.5% and provides that all payments are deferred until cash flows are sufficient to make payments and the entire balance of principal and all unpaid interest shall be due and payable 40 years from the date of the Construction Loan. The balance of the Construction Loan is \$1,753,830 at December 31, 2006.

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

In August 2005, the Authority entered into a Promissory Note (the "Jenkins Note") with Jenkins Terrace, LLC (see Note 10) for the development of low-income elderly housing in the maximum amount of \$14,000,000. The Jenkins Note was amended in March 2006 to convert \$8,071,535 of loan amount to a Capital Contribution. The Jenkins Note agreement has an annual interest rate of 0.5% and was modified to limit the note amount to Jenkins Terrace, LLC's Investor Member equity contributions. The balance of the Jenkins Note is \$1,062,281 at December 31, 2006.

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

In February 2006, the Authority entered into an agreement with Worley Terrace, LLC (see Note 10) whereby the Authority will provide a Capital Contribution of \$7,810,325 and a promissory note of \$2,500,000 for development of low-income elderly housing. The Worley note agreement has an annual interest rate of 8% and provides payment are deferred until cash flows are sufficient to make payments and the entire balance of principle and interest are due no later than ninety days after qualified occupancy.

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

#### 4. CAPITAL ASSETS

The changes in capital assets during the year ended December 31, 2006, are as follows:

	Balance December 31, 2005	Additions	Disposals	Transfers	Balance December 31, 2006
Land	\$ 2,915,176	\$ -	\$ (1,246)	\$ -	\$ 2,913,930
Site improvements	28,757,659		(15,883)	160,040	28,901,816
Buildings	182,202,927		(741,231)	2,332,142	183,793,838
Community buildings	11,415,240			41,619	11,456,859
Other capital assets	5,440,436	449,332	(12,779)	41,129	5,918,118
Construction in process	<u>4,204,790</u>	<u>11,955,332</u>	<u>(101,136)</u>	<u>(10,635,208)</u>	<u>5,423,778</u>
Total	234,936,228	12,404,664	(872,275)	(8,060,278)	238,408,339
Accumulated depreciation	<u>(130,148,539)</u>	<u>(10,296,320)</u>	<u>656,089</u>		<u>(139,788,770)</u>
Capital assets—net	<u>\$ 104,787,689</u>	<u>\$ 2,108,344</u>	<u>\$ (216,186)</u>	<u>\$ (8,060,278)</u>	<u>\$ 98,619,569</u>

#### 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 2006, those payments totaled \$307,026.

#### 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 HARRG, which is a comprehensive general liability insurance group operated as a joint venture by its 742 public housing authority members. Through HARRG, the Authority carries \$5,000,000 of general liability coverage, with a \$10,000 deductible, as well as \$1,000,000 of law enforcement liability, with a \$10,000 deductible, and \$1,000,000 of public officials' errors and omissions coverage, with a \$25,000 deductible. The Authority paid \$260,620 in premiums to HARRG for the year ended December 31, 2006.

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

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

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

## 7. BONDS AND NOTES PAYABLE

A roll-forward of the Authority's long-term debt in 2006 is as follows:

	Balance December 31, 2005	Increase	Decrease	Balance December 31, 2006	Due Within One Year
Bonds payable	\$5,420,000	\$ -	\$ 75,000	\$5,345,000	\$ 45,000
Notes payable	<u>3,207,265</u>	<u>      </u>	<u>261,184</u>	<u>2,946,081</u>	<u>271,769</u>
Total	<u>\$8,627,265</u>	<u>\$ -</u>	<u>\$336,184</u>	<u>\$8,291,081</u>	<u>\$316,769</u>

**Bonds Payable**—In December 2002, New Village Homes issued \$5,420,000 of Columbus Metropolitan Housing Authority Multi-family Housing Mortgage Revenue Bonds, Series 2003A for the construction of the New Village Homes Project. Principal payments are due at various intervals with the balance due on November 20, 2044. The interest rate is 5.4%. The future debt service at December 31, 2006, is as follows:

Maturity Date	Principal Amount	Interest Amount	Total
2007	\$ 45,000	\$ 267,584	\$ 312,584
2008		266,384	266,384
2009		266,384	266,384
2010		266,384	266,384
2011–2015	275,000	1,297,697	1,572,697
2016–2020		1,276,919	1,276,919
2021–2025	790,000	1,155,259	1,945,259
2026–2030	1,020,000	1,075,670	2,095,670
2031–2035		823,844	823,844
2036–2040		823,844	823,844
2041–2044	<u>3,215,000</u>	<u>659,075</u>	<u>3,874,075</u>
Total	<u>\$5,345,000</u>	<u>\$8,179,044</u>	<u>\$13,524,044</u>

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

Debt service requirements of the note payable at December 31, 2006, are as follows:

	Principal	Interest	Total
2007	\$ 271,769	\$ 112,333	\$ 384,102
2008	282,785	101,317	384,102
2009	294,248	89,854	384,102
2010	306,175	77,927	384,102
2011–2015	1,727,404	193,103	1,920,507
2016	<u>63,700</u>	<u>317</u>	<u>64,017</u>
Total	<u>\$2,946,081</u>	<u>\$574,851</u>	<u>\$3,520,932</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. OPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute per Chapter 145 of the Ohio Revised Code. The Public Employees’ Retirement System issues a stand-alone financial report that includes financial statements and required supplementary information. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

The Authority’s contribution to OPERS, representing 100% of employer contributions, was \$1,337,370, \$1,319,379, and \$1,347,139 for the years ended December 31, 2006, 2005, and 2004, respectively.

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

- OPERS provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (“OPEB”) as described in GASB Statement No. 12, *Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers*. A portion of each contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2006 employer contribution rate for state employers was 13.54% of covered payroll; 4.5% was the portion that was used to fund health care for the year. These rates are the actuarially determined contribution requirement for OPERS. The portion of the Authority’s 2006 and 2005 contributions that were used to fund postemployment benefits was \$389,155 and \$396,473, respectively. The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS.
- The assumptions and calculations below were based on the OPERS’s latest Actuarial Review performed as of December 31, 2005. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor. The investment assumption rate for 2005 was 6.50%. An annual increase of 4.00% compounded

annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00% base increase, were assumed to range from 0.50% to 6.30%. Health care costs were assumed to increase at the projected wage inflation rate, plus an additional factor ranging from 0.5% to 6% for the next nine years. In subsequent years (nine and beyond) health care costs were assumed to increase 4% (the projected wage inflation rate).

- OPEB are advance-funded on an actuarially determined basis. As of December 31, 2005, the actuarial value of the OPERS's net assets available for OPEB was \$11.1 billion. The number of active contributing participants was 369,214. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$31.3 billion and \$20.2 billion, respectively.

The Health Care Preservation Plan ("HCCP") adopted by the OPERS Retirement Board on September 9, 2004, is effective January 1, 2007. In addition to the HCCP, OPERS has taken additional action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006 and January 1, 2007, which will allow 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 Internal Revenue Code Section 457. The plan, available to all regular employees, permits them to defer a portion of their salaries until future years. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency. The Authority made no contributions to the plan in 2006.

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

## 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 the Rosewind Limited Partnership.

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

For the year ended December 31, 2006, 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 sale of the property.

In March 1998, Franklin County, Ohio issued \$14 million in tax-exempt bonds on behalf of Rosewind Limited Partnership, as the borrower. The proceeds of the bond issuance were used to repay the promissory note agreements owed to the Authority by Rosewind Limited Partnership. The Authority in turn pledged the monies and subsequent interest earned, on behalf of Rosewind Limited Partnership, as collateral for the repayment of the tax-exempt bonds issued and interest expense incurred on the bonds. A principal payment in the amount of \$25,000 was made during 2006. There were no amounts held in escrow at December 31, 2006.

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

Rosewind Limited Partnership is allocated Federal Low Income Housing Tax Credits under the program described by the Internal Revenue Code §42. These tax credits are not reflected in the accompanying financial statements of the Authority or Rosewind Limited Partnership and, therefore, have not been audited. However, the Partnership Agreement provides for a credit reduction payment. In the event that the total amount of tax credits obtained is less than the total amount projected, the Limited Partners shall reduce their required capital contribution by the amount of the shortfall (as defined in the Partnership Agreement). Further, if the full amount of annual tax credits is not obtained, the General Partner of the project partnership is obligated to pay the Limited Partners the amount of the shortfall. Under the terms of the Partnership Agreement, Rosewind General Partner is required to provide the Limited Partner a maximum of \$1,331,406 for this purpose. No credit reduction payments were made during 2006 or 2005. The General Partner does not receive a fee under this provision.

***Gender Road Limited Partnership (a discretely presented component unit)***—MHP is also the majority owner, with 79% interest, of Gender Road GP Corporation, which is the 0.1% general partner in the Gender Road Limited Partnership, a component unit of the Authority, (see Note 14). These entities were established to facilitate the construction of low-income housing for which third-party investors will receive low-income tax credits in return for equity investments in the Gender Road Limited Partnership.

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

For the year ended December 31, 2006, 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 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 2006. The funds held in escrow were in the name of Gender Road Limited Partnership recorded in Gender Road Limited Partnership's financial statements. At December 31, 2006 the balance was reduced to \$0 as bonds matured in 2006.



Gender Road Limited Partnership is allocated Federal Low Income Housing Tax Credits under the program described by the Internal Revenue Code §42. These tax credits are not reflected in the accompanying financial statements of the Authority or Gender Road Limited Partnership and, therefore, have not been audited. However, the Partnership Agreement provides for a credit reduction payment. In the event that the total amount of tax credits obtained is less than the total amount projected, the Limited Partners shall reduce their required capital contribution by the amount of the shortfall (as defined in the Partnership Agreement). Further, if the full amount of annual tax credits is not obtained, the General Partner of the project partnership is obligated to pay the Limited Partners the amount of the shortfall. Under the terms of the Partnership Agreement, Gender Road General Partner is required to provide the Limited Partner a maximum of \$600,000 for this purpose. No credit reduction payments were made during 2006. 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 the 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, 2006, the Authority has not incurred any accounts payable to Jenkins Terrace, LLC for pass-through funds to subsidiaries. Additionally, the Authority has outstanding notes receivable (see Note 3) for the sale of the property.

In August 2005, Franklin County, Ohio issued \$6.8 million in tax-exempt bonds on behalf of Jenkins Terrace, LLC, as borrower. The proceeds of the bond issuance were used to repay the promissory note agreements owed to the Authority by Jenkins Terrace, LLC. The Authority in turn pledged the monies and subsequent interest earned, on behalf of Jenkins Terrace, LLC, as collateral for the repayment of the tax-exempt bonds issued and interest expense incurred on the bonds. The funds held in escrow were in the name of Jenkins Terrace, LLC recorded in Jenkins Terrace, LLC financial statements. At December 31, 2006, the balance was \$0.

Upon completion of the construction project, Jenkins Terrace, LLC will be allocated Federal Low Income Housing Tax Credits under the program described by the Internal Revenue Code §42. These tax credits are not reflected in the accompanying financial statements of the Authority or Jenkins Terrace, LLC and, therefore, have not been audited.

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

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

For the year ended December 31, 2006, the Authority has not incurred accounts payable to Waggoner Road, LLC for pass-through funds to subsidiaries. Additionally, the Authority has outstanding notes receivable (see Note 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 .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 the 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, 2006, the Authority has not incurred any accounts payable to Worley Terrace, LLC for pass-through funds to subsidiaries.

In November 2006, Franklin County, Ohio issued \$7.0 million in tax-exempt bonds on behalf of Worley Terrace, LLC, as 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 recorded in Worley Terrace, LLC's financial statements. At December 31, 2005, the balance was \$7,023,260.

Upon completion of the construction project, Worley Terrace, LLC will be allocated Federal Low Income Housing Tax Credits under the program described by the Internal Revenue Code §42. These tax credits are not reflected in the accompanying financial statements of the Authority or Worley Terrace, LLC and, therefore, have not been audited.

## **11. UNCOMPLETED CONTRACTS**

At December 31, 2006, the Authority has commitments of \$5,152,376 on 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 which may be disallowed by the grantor cannot be determined at this time, although the Authority expects such amounts, if any, to be immaterial.

The Authority is a defendant in several lawsuits arising from its normal course of business. Where possible, estimates have been made and reflected in the financial statements for the effect, if any, of such contingencies. The ultimate outcome of these matters is not presently determinable.

**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, Ohio Equity Fund for Housing Limited Partnership VII and Banc One Community Development Corporation as the Limited Partners.

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

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

***Summary of Significant Accounting Policies***

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

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

Buildings	15–40 years
Furniture and fixtures	7 years

***Cash Reserves***—Cash reserves include tenant security deposits, replacement and operating reserve accounts, 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 provisions have been made in the financial statements for income taxes, since such taxes are the responsibility of the Partners.

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

**Cash Reserves**—Cash reserves at December 31, 2006, included the following:

Tenants' security deposit	\$ 51,705
Rental payment escrow	332
Replacement reserve	591,132
Exit tax escrow	<u>723,717</u>
Total	<u>\$ 1,366,886</u>

**Other Assets**—Other assets at December 31, 2006, included the following:

Prepaid insurance	\$ 70,865
Prepaid contracts	<u>208</u>
Total	<u>\$ 71,073</u>

**Note Payable**—The Partnership has a note payable to the Authority in the amount of \$18,971,789 at December 31, 2006. 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**—A management fee based on 5% of the gross rental receipts is payable to the Authority. Management fees amounting to \$49,436 were charged to expense in 2006.

All operating expenses are initially incurred and paid by the Authority. The Partnership reimburses the Authority for its monthly expenses. As of December 31, 2006, the Partnership owed the Authority \$2,083. These amounts are included in accounts payable-trade in the accompanying balance sheets.

The Partnership also receives a subsidy from The Department of Housing and Urban Development (HUD) that passes through the Authority. As of December 31, 2006, the Authority owed the Partnership \$846. These amounts are included in the accounts receivable in the accompanying balance sheets.

The Partnership Agreement provides that annual asset management fees be paid to Ohio Capital Corporation for Housing (“OCCH”). The fee is \$6,000 for the first year and increases 4% annually as set forth in the Partnership Agreement. Asset management fees in the amount of \$7,896 were charged to expense in 2006.

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

**Credit Reduction Payment**—The Partnership is allocated Federal Low Income Housing Tax Credits under the program described by the Internal Revenue Code §42. These tax credits are not reflected in the accompanying financial statements of the Partnership and, therefore, have not been audited. However, the Partnership Agreement provides for a credit reduction payment. In the event that the total amount of tax credits obtained is less than the total amount projected, the Limited Partners shall reduce their required capital contribution by the amount of the shortfall (as defined in the Partnership Agreement). Further, if the full amount of annual tax credits is not obtained, the General Partner of the project partnership is obligated to pay the Limited Partners the amount of the shortfall. Under the terms of the Partnership Agreement, Rosewind General Partner is required to provide the Limited Partner a maximum of \$1,331,406 for this purpose. No credit reduction payments were made during 2006. 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.

#### **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 and Banc One Community Development Corporation as the Limited Partners.

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

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

### ***Summary of Significant Accounting Policies***

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

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

Buildings	27.5 years
Furniture and fixtures	5 years

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

*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.

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

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

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

*Cash Reserves*—Cash reserves at December 31, 2006, included the following:

Operating reserve	\$ 265,430
Tenants' security deposit	27,114
Replacement reserve	<u>162,136</u>
Total	<u>\$ 454,680</u>

**Other Assets**—Other assets at December 31, 2006, included the following:

Prepaid insurance	\$ 25,999
Compliance monitoring fee—net	7,124
Prepaid miscellaneous	<u>          </u>
Total other assets	<u>\$ 33,123</u>

**Bonds and Note Payable**—The Partnership has a \$10,000,000 open-end mortgage with the Columbus Metropolitan Housing Authority. At December 31, 2006, the outstanding balance on the loan was \$6,315,082. 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 \$468,670 as of December 31, 2006, is for the subscribed capital contributions. The note is secured solely by the Limited Partners’ interest in the Partnership. The balance is due in installments ranging from \$51,890 to \$313,000 through the year 2011.

The Partnership Agreement provides that an annual asset management fee be paid to Ohio Capital Corporation for Housing (“OCCH”). The fee is \$4,000 for the first year and increases 4% annually as set forth in the Partnership Agreement. Asset management fees in the amount of \$4,860 were charged to expense in 2006.

**Credit Reduction Payment**—The Partnership is allocated Federal Low Income Housing Tax Credits under the program described by the Internal Revenue Code §42. These tax credits are not reflected in the accompanying financial statements of the Partnership and, therefore, have not been audited. However, the Partnership Agreement provides for a credit reduction payment. In the event that the total amount of tax credits obtained is less than the total amount projected, the Limited Partners shall reduce their required capital contribution by the amount of the shortfall (as defined in the Partnership Agreement). Further, if the full amount of annual tax credits is not obtained, the General Partner of the project partnership is obligated to pay the Limited Partners the amount of the shortfall. Under the terms of the Partnership Agreement, Gender Road General Partner is required to provide the Limited Partner a maximum of \$600,000 for this purpose. No credit reduction payments were made during 2006. The General Partner does not receive a fee under this provision.

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

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

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

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

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

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

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

**Basis of Accounting**—The financial statements are prepared on the accrual basis in accordance with GAAP, whereby revenues and expenses are recognized in the period earned or incurred. All intercompany balances and transactions have been eliminated in consolidation.

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

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

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

Equipment and vehicles	3–7 years
Building and site improvements	15 years
Buildings	40 years

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

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



### ***Summary of Significant Accounting Policies***

*Use of Estimate*—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

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

*Bonds and Notes Payable*—Jenkins Terrace LLC is acquiring and constructing the building with funds loaned to it by the Authority and with funds available from the sale of Bonds. The Authority's loan will be repaid from the sale of low income housing tax credits. The bonds will be repaid with replacement housing factors funds received by the Authority. As of December 31, 2006, the outstanding balance on the bond payable was \$6,800,000 and the outstanding balance on the note payable to the Authority was \$1,062,281.

## **16. WORLEY TERRACE LIMITED PARTNERSHIP—NOTES TO DISCRETELY PRESENT COMPONENT UNIT FINANCIAL STATEMENTS**

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

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

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

Construction of the project commenced in January 2007. The project is expected to have a construction period of approximately 18 months and leased-up start date of July 2008.

*Basis of Accounting*—The financial statements are prepared on the accrual basis in accordance with GAAP, whereby revenues and expenses are recognized in the period earned or incurred. All intercompany balances and transactions have been eliminated in consolidation.

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

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

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

Equipment and vehicles	3–7 years
Building and site improvements	15 years
Buildings	40 years

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

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

**Summary of Significant**

**Use of Estimate**—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

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

**Bonds and Notes Payable**—Worley Terrace LLC is acquiring and constructing the building with funds loaned to it by the Authority and with funds available from the sale of Bonds. The Authority’s loan will be repaid from the sale of low income housing tax credits. The bonds will be repaid with replacement housing factors funds received by the Authority. As of December 31, 2006, the outstanding balance on the bond payable was \$7,000,000.

\* \* \* \* \*

**SUPPLEMENTAL FINANCIAL DATA SCHEDULES**

# COLUMBUS METROPOLITAN HOUSING AUTHORITY

## CONSOLIDATING STATEMENT OF NET ASSETS INFORMATION AS OF DECEMBER 31, 2006

	Low Rent 14.85	Section 8 Housing Choice Vouchers 14.871	Mod Rehab 14.856	Capital Grant 14.872	HOPE VI 14.866	Shelter Care Plus 14.238	Other Business Ventures	Section B NC S/R 14.182	AHSC 14.195	Inter- program Elimin- ations	Total
<b>ASSETS</b>											
CASH AND CASH EQUIVALENTS:											
Unrestricted	\$3,507,168	\$1,484,618	\$27,365	\$ -	\$ -	\$199,159	\$2,801,998	\$179,549	\$ 18,266	\$ -	\$ 8,218,123
Restricted, modernization, and development	2,756,341			215	59,043		89,566				2,905,165
Other restricted	4,656						1,679,552		3,523,295		5,207,503
Tenant security deposits	445,968						93,463				539,431
Restricted for payment of current liability		8,483,519					104,086				8,587,605
Total cash and cash equivalents	6,714,133	9,968,137	27,365	215	59,043	199,159	4,768,665	179,549	3,541,561	-	25,457,827
ACCOUNTS AND NOTES RECEIVABLE:											
Accounts receivable—HUD, other projects		18,515	3,023	402,070	268,235	51,953		101,130	3,570,694		4,415,620
Accounts receivable—miscellaneous	16,826	328					379,198				396,352
Allowance for doubtful accounts—miscellaneous							(89,670)				(89,670)
Accounts receivable—tenants, dwelling rent	199,885						16,258				216,143
Allowance for doubtful accounts—dwelling rent	(36,693)										(36,693)
Notes and mortgages receivable	1,112,281										1,112,281
Fraud recovery		119,985									119,985
Allowance for doubtful accounts—fraud		(119,985)									(119,985)
Accrued interest receivable	227,862	148,401					196,768				573,031
Total receivables—net allowance for doubtful accounts	1,520,161	167,244	3,023	402,070	268,235	51,953	502,554	101,130	3,570,694	-	6,587,064
INVESTMENTS:											
Unrestricted		2,245,909					3,916,851				6,162,760
Restricted	4,782,270	1,645,002					176,698				6,603,970
Total investments	4,782,270	3,890,911	-	-	-	-	4,093,549	-	-	-	12,766,730

(Continued)

# COLUMBUS METROPOLITAN HOUSING AUTHORITY

## CONSOLIDATING STATEMENT OF NET ASSETS INFORMATION AS OF DECEMBER 31, 2006

	Low Rent 14.85	Section 8 Housing Choice Vouchers 14.871	Mod Rehab 14.856	Capital Grant 14.872	HOPE VI 14.866	Shelter Care Plus 14.238	Other Business Ventures	Section B NC S/R 14.182	AHSC 14.195	Inter- program Elimin- ations	Total
PREPAID EXPENSES AND OTHER ASSETS—Excluding accrued interest receivables	\$ 245,339	\$ 79,974	\$ -	\$ -	\$ -	\$ -	\$ 62,068	\$ -	\$ -	\$ -	\$ 387,381
INVENTORIES	200,936										200,936
ALLOWANCE FOR OBSOLETE INVENTORIES	(10,539)										(10,539)
INTERPROGRAM RECEIVABLE	9,289									(9,289)	-
CAPITAL ASSETS:											
Land	1,399,036	699,041					815,853				2,913,930
Buildings	203,444,571						20,707,942				224,152,513
Furniture, equipment, and machinery— dwellings	2,963,095						570,952				3,534,047
Furniture, equipment, and machinery— administration		1,995,592	4,547			16,926	49,957	50,440	266,609		2,384,071
Accumulated depreciation	(136,028,152)	(1,422,132)	(4,547)			(16,926)	(1,999,964)	(50,440)	(266,609)		(139,788,770)
Construction in progress				5,368,467			55,311				5,423,778
Total capital assets—net of accumulated depreciation	71,778,550	1,272,501	-	5,368,467	-	-	20,200,051	-	-	-	98,619,569
OTHER ASSETS:											
Notes and mortgages receivable— noncurrent	25,198,971						261,990				25,460,961
Other assets	7,017	5,000					222,606				234,623
Investments and joint ventures	8,738,144						901				8,739,045
Total other assets	33,944,132	5,000	-	-	-	-	485,497	-	-	-	34,434,629
<b>TOTAL</b>	<b>\$ 119,184,271</b>	<b>\$15,383,767</b>	<b>\$30,388</b>	<b>\$5,770,752</b>	<b>\$327,278</b>	<b>\$251,112</b>	<b>\$30,112,384</b>	<b>\$280,679</b>	<b>\$7,112,255</b>	<b>\$(9,289)</b>	<b>\$ 178,443,597</b>

(Continued)

# COLUMBUS METROPOLITAN HOUSING AUTHORITY

## CONSOLIDATING STATEMENT OF NET ASSETS INFORMATION AS OF DECEMBER 31, 2006

	Low Rent 14.85	Section 8 Housing Choice Vouchers 14.871	Mod Rehab 14.856	Capital Grant 14.872	HOPE VI 14.866	Shelter Care Plus 14.238	Other Business Ventures	Section B NC S/R 14.182	AHSC 14.195	Inter- program Elimina- tions	Total
<b>LIABILITIES AND NET ASSETS</b>											
<b>LIABILITIES:</b>											
Accounts payable, accrued liabilities, and other liabilities:											
Accounts payable—<90 days	\$ 796,525	\$ 306,832	\$ -	\$ 97,282	\$101,586	\$ -	\$ 26,004	\$ -	\$3,357,593	\$ -	\$ 4,685,822
Accounts payable—>90 days	26,300	4,827		254,171	225,692		5,531				516,521
Accrued wages/payroll taxes payable	430,032	243,273		14,996			17,957		3,210		709,468
Accrued compensated absences— current portion	91,312	49,823		29,241			4,862		6,412		181,650
Accrued contingent liability	43,145										43,145
Accrued interest payable	3,909						30,823				34,732
Accounts payable—HUD, PHA program		4,108				88,929		109,942	3,523,295		3,726,274
Accounts payable—other government	35,523						229,207				264,730
Tenant security deposits	394,457						84,478				478,935
Deferred revenue	159,870	9,700,802					20,572				9,881,244
Current portion of long-term debt— capital projects	271,769						45,000				316,769
Accrued liabilities—other	426,057	6,024					17,456				449,537
Interprogram payable				6,595			2,694			(9,289)	-
Total accounts payable, accrued liabilities, and other liabilities	<u>2,678,899</u>	<u>10,315,689</u>	<u>-</u>	<u>402,285</u>	<u>327,278</u>	<u>88,929</u>	<u>484,584</u>	<u>109,942</u>	<u>6,890,510</u>	<u>(9,289)</u>	<u>21,288,827</u>
Debt and other liabilities:											
Long-term debt—net of current— capital projects	2,674,312						5,300,000				7,974,312
Noncurrent liabilities—other		427,719					112,170				539,889
Accrued compensated absences— noncurrent	135,401	71,824					6,914				214,139
Total debt and other liabilities	<u>2,809,713</u>	<u>499,543</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,419,084</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,728,340</u>
Total liabilities	<u>5,488,612</u>	<u>10,815,232</u>	<u>-</u>	<u>402,285</u>	<u>327,278</u>	<u>88,929</u>	<u>5,903,668</u>	<u>109,942</u>	<u>6,890,510</u>	<u>(9,289)</u>	<u>30,017,167</u>
<b>NET ASSETS:</b>											
Invested in capital assets—net of related debt	68,832,469	1,272,501		5,368,467			14,855,051				90,328,488
Restricted net assets	7,543,267						1,945,038				9,488,305
Unrestricted net assets	37,319,923	3,296,034	30,388			162,183	7,408,627	170,737	221,745		48,609,637
Total net assets	<u>113,695,659</u>	<u>4,568,535</u>	<u>30,388</u>	<u>5,368,467</u>	<u>-</u>	<u>162,183</u>	<u>24,208,716</u>	<u>170,737</u>	<u>221,745</u>	<u>-</u>	<u>148,426,430</u>
<b>TOTAL</b>	<u>\$ 119,184,271</u>	<u>\$ 15,383,767</u>	<u>\$30,388</u>	<u>\$5,770,752</u>	<u>\$327,278</u>	<u>\$251,112</u>	<u>\$30,112,384</u>	<u>\$280,679</u>	<u>\$7,112,255</u>	<u>\$(9,289)</u>	<u>\$ 178,443,597</u>

(Concluded)

# COLUMBUS METROPOLITAN HOUSING AUTHORITY

## CONSOLIDATING STATEMENT OF REVENUES AND EXPENSES INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2006

	Low Rent 14.85	Section 8 Housing Choice Vouchers 14.871	Mod Rehab 14.856	Capital Grant 14.872	HOPE VI 14.866	Shelter Care Plus 14.238	Other Business Ventures	Section B NC S/R 14.182	AHSC 14.195	Total
<b>REVENUE:</b>										
Net tenant rental revenues	\$ 3,898,290	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,573,738	\$ -	\$ -	\$ 5,472,028
HUD, PHA operating grants	9,304,888	60,917,429	11,775	1,784,883	1,251,686	2,432,900		9,337,583	329,762,450	414,803,594
Capital grants				11,900,025						11,900,025
Interest income—unrestricted	198,625	189,990	2,185			7,168	307,293	5,668	2,448	713,377
Other revenue	464,990	47,809					1,229,279	5		1,742,083
Fraud recovery		58,237								58,237
Gain or loss on the sale of fixed assets	623,574						35,995			659,569
Invterest income—restricted	371,249	357,489					84,277			813,015
<b>Total revenue</b>	<b>14,861,616</b>	<b>61,570,954</b>	<b>13,960</b>	<b>13,684,908</b>	<b>1,251,686</b>	<b>2,440,068</b>	<b>3,230,582</b>	<b>9,343,256</b>	<b>329,764,898</b>	<b>436,161,928</b>
<b>EXPENSES:</b>										
<b>Administrative:</b>										
Administrative salaries	2,859,378	3,120,410	2,551	299,131		140,322	326,893	125,403	119,287	6,993,375
Auditing fees	30,335	75,815	544			4,032	8,139	12,150	60,935	191,950
Outside management fees							86,689		14,521,115	14,607,804
Employee benefit contributions—administrative	909,787	972,683	852	97,148		43,690	113,764	35,917	36,196	2,210,037
Other administrative expenses	931,143	1,151,512	2,488	36,541	44,608	29,218	287,012	80,828	228,934	2,792,284
<b>Total administrative expenses</b>	<b>4,730,643</b>	<b>5,320,420</b>	<b>6,435</b>	<b>432,820</b>	<b>44,608</b>	<b>217,262</b>	<b>822,497</b>	<b>254,298</b>	<b>14,966,467</b>	<b>26,795,450</b>
<b>Tenant services:</b>										
Tenant services—salaries				85,909						85,909
Relocation costs				37	(614)					(577)
Employee benefit contributions—tenant services				27,900						27,900
Tenant services—other	79,625									79,625
<b>Total tenant services</b>	<b>79,625</b>	<b>-</b>	<b>-</b>	<b>113,846</b>	<b>(614)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>192,857</b>
<b>Utilities:</b>										
Water	1,323,187	2,329	5			125	36,447	373		1,362,466
Electricity	866,138	49,180	97			2,641	72,300	7,851		998,207
Gas	853,135	519	1			28	71,098	83		924,864
<b>Total utilities</b>	<b>3,042,460</b>	<b>52,028</b>	<b>103</b>	<b>-</b>	<b>-</b>	<b>2,794</b>	<b>179,845</b>	<b>8,307</b>	<b>-</b>	<b>3,285,537</b>
<b>Ordinary maintenance and operations:</b>										
Ordinary maintenance and operations—labor	2,253,301	14,170	55			767	68,234	2,281		2,338,808
Ordinary maintenance and operations—materials and other	836,752	50,076	42			1,763	22,174	5,317		916,124
Ordinary maintenance and operations—contract costs	1,254,988	79,434	152			3,821	91,148	11,355		1,440,898
Employee benefit contributions—ordinary maintenance	716,948	4,417	18			239	7,206	653		729,481
<b>Total ordinary maintenance and operations</b>	<b>5,061,989</b>	<b>148,097</b>	<b>267</b>	<b>-</b>	<b>-</b>	<b>6,590</b>	<b>188,762</b>	<b>19,606</b>	<b>-</b>	<b>5,425,311</b>

(Continued)

# COLUMBUS METROPOLITAN HOUSING AUTHORITY

## CONSOLIDATING STATEMENT OF REVENUES AND EXPENSES INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2006

	Low Rent 14.85	Section 8 Housing Choice Vouchers 14.871	Mod Rehab 14.856	Capital Grant 14.872	HOPE VI 14.866	Shelter Care Plus 14.238	Other Business Ventures	Section B NC S/R 14.182	AHSC 14.195	Total
EXPENSES:										
Protective services:										
Protective services—labor	\$ -	\$ -	\$ -	\$ 310,790	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 310,790
Protective services—other contract costs		1,611		123,858			11,120			136,589
Employee benefit contributions—protective services				100,935						100,935
Total protective services	-	1,611	-	535,583	-	-	11,120	-	-	548,314
General expenses:										
Insurance premiums	438,313	57,676	114			2,764	75,583	8,324	108,647	691,421
Other general expenses	842,392	29,969								872,361
Payments in lieu of taxes and other real estate tax expense	35,523						271,503			307,026
Bad debt—tenant rents	274,798						161			274,959
Bad debt—other							89,670			89,670
Interest expense	122,212						270,386			392,598
Severance expense	15,970	872	16			756	331			17,945
Total general expenses	1,729,208	88,517	130	-	-	3,520	707,634	8,324	108,647	2,645,980
Other expenses:										
Nonroutine maintenance					1,308,770					1,308,770
Housing assistance payments		54,568,791	9,120			2,238,265		8,920,240	314,650,955	380,387,371
Depreciation expense	9,142,477	300,027					852,173		1,643	10,296,320
Total other expenses	9,142,477	54,868,818	9,120	-	1,308,770	2,238,265	852,173	8,920,240	314,652,598	391,992,461
Total expenses	23,786,402	60,479,491	16,055	1,082,249	1,352,764	2,468,431	2,762,031	9,210,775	329,727,712	430,885,910
OTHER FINANCING SOURCES (USES):										
Operating transfers in	702,636									702,636
Operating transfers out				(702,636)						(702,636)
Special item										
Total other financing sources (uses)	702,636	-	-	(702,636)	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES	\$ (8,222,150)	\$ 1,091,463	\$ (2,095)	\$ 11,900,023	\$ (101,078)	\$ (28,363)	\$ 468,551	\$ 132,481	\$ 37,186	\$ 5,276,018

(Concluded)



# COLUMBUS METROPOLITAN HOUSING AUTHORITY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2006

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Expenditures
U.S. Department of Housing and Urban Development:		
Direct Programs:		
Low-Rent Public Housing—PHA-Owned and Leased	14.850	\$ 9,304,888
Revitalization of Severely Distressed Public Housing	14.866	1,251,686
Public Housing Capital Fund Program	14.872	<u>13,684,908</u>
Subtotal—Public Housing		<u>24,241,482</u>
Section 8 Housing Cluster—Direct Programs:		
Substantial Rehabilitation	14.182	9,337,583
Moderate Rehabilitation	14.856	11,775
Subtotal—Section 8 Housing Assistance Program (Section 8 Housing Cluster)		<u>9,349,358</u>
Direct Programs:		
Section 8 Housing Assistance Payment Program—Special Allocations	14.195	329,762,450
Shelter Care Plus	14.238	2,432,900
Housing Choice Vouchers	14.871	<u>60,917,429</u>
Subtotal—Direct Programs		<u>393,112,779</u>
Total expenditures of federal awards		<u>\$426,703,619</u>

See notes to the schedule of expenditures of federal awards.

# COLUMBUS METROPOLITAN HOUSING AUTHORITY

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2006

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### 17. BASIS OF PRESENTATION

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

### 18. PROGRAM STATUS

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

The Authority receives assistance in the form of an operating subsidy from HUD (CFDA No. 14.850) to be used for the purpose of maintaining the low-rent character of the local housing program. The monies are being received under one program number. During 2006, the receipt of \$505,824, \$28,171, and \$55,397 were considered federal pass-through awards to the Rosewind Limited Partnership, Gender Road Limited Partnership and the Waggoner Senior Housing Limited Partnership, respectively (related entities of the Authority).

The Authority also has a Guaranty and Supplemental Funding Agreement with Gender Road Limited Partnership (the “Partnership”) that it will provide nonfederal funds for debt service payments if the Partnership has insufficient cash flow. During 2006, the Authority provided \$25,000 to the Partnership for this purpose.

### 19. SECTION 8 HOUSING CLUSTER

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

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# COLUMBUS METROPOLITAN HOUSING AUTHORITY

## SCHEDULE OF ACTUAL MODERNIZATION COSTS INCURRED ON PROJECT OH16-R001-501-00 THROUGH DECEMBER 31, 2006

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

<b>Classification</b>	<b>Project OH16-R001-501-00</b>
Operations	\$ -
Management improvements—soft costs	
Administration	44,820
Fees and costs	582,150
Site improvements	
Dwelling structures	397,348
Nondwelling structures	
Nondwelling equipment	
Relocations codes	
	<hr/>
Total costs	<u>\$1,024,318</u>

2. The distribution of costs by major cost accounts as shown on the Performance and Evaluation Report dated March 21, 2007, for Project OH16-R001-501-00, as submitted to HUD for approval, is in agreement with the Authority's records.
3. Funds advanced for Project OH16-R001-501-00 totaled \$1,024,318.

# COLUMBUS METROPOLITAN HOUSING AUTHORITY

## SCHEDULE OF ACTUAL MODERNIZATION COSTS INCURRED ON PROJECT OH16-R001-501-01 THROUGH DECEMBER 31, 2006

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

<b>Classification</b>	<b>Project OH16-R001-501-01</b>
Operations	\$ -
Management improvements—soft costs	
Administration	
Fees and costs	157,286
Site improvements	51,930
Dwelling structures	1,815,481
Nondwelling structures	
Nondwelling equipment	
Relocations codes	
	<hr/>
Total costs	<u>\$2,024,697</u>

2. The distribution of costs by major cost accounts as shown on the Performance and Evaluation Report dated March 21, 2007, for Project OH16-R001-501-01, as submitted to HUD for approval, is in agreement with the Authority's records.
3. Funds advanced for Project OH16-R001-501-01 totaled \$2,024,697.

# COLUMBUS METROPOLITAN HOUSING AUTHORITY

## SCHEDULE OF ACTUAL MODERNIZATION COSTS INCURRED ON PROJECT OH16-R001-501-02 THROUGH DECEMBER 31, 2006

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

<b>Classification</b>	<b>Project OH16-R001-501-02</b>
Operations	\$ -
Management improvements—soft costs	
Administration	783
Fees and costs	120,073
Site improvements	24,975
Dwelling structures	2,196,428
Nondwelling structures	
Nondwelling equipment	
Relocations codes	
	<hr/>
Total costs	<u>\$2,342,259</u>

2. The distribution of costs by major cost accounts as shown on the Performance and Evaluation Report dated March 21, 2007, for Project OH16-R001-501-02, as submitted to HUD for approval, is in agreement with the Authority's records.
3. Funds advanced for Project OH16-R001-501-01 totaled \$2,342,259.

# COLUMBUS METROPOLITAN HOUSING AUTHORITY

## SCHEDULE OF ACTUAL MODERNIZATION COSTS INCURRED ON PROJECT OH16-R001-501-03 THROUGH DECEMBER 31, 2006

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

<b>Classification</b>	<b>Project OH16-R001-501-03</b>
Operations	\$ -
Management improvements—soft costs	
Administration	628
Fees and costs	10,620
Site improvements	32,532
Dwelling structures	1,853,146
Nondwelling structures	
Nondwelling equipment	
Relocations codes	
	<hr/>
Total costs	<u>\$1,896,925</u>

2. The distribution of costs by major cost accounts as shown on the Performance and Evaluation Report dated March 21, 2007, for Project OH16-R001-501-03, as submitted to HUD for approval, is in agreement with the Authority's records.
3. Funds advanced for Project OH16-R001-501-03 totaled \$1,896,925.

# COLUMBUS METROPOLITAN HOUSING AUTHORITY

## SCHEDULE OF ACTUAL MODERNIZATION COSTS INCURRED ON PROJECT OH16-R001-501-04 THROUGH DECEMBER 31, 2006

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

<b>Classification</b>	<b>Project OH16-R001-501-04</b>
Operations	\$ -
Management improvements—soft costs	
Administration	
Fees and costs	180
Site improvements	
Dwelling structures	1,493,757
Nondwelling structures	
Nondwelling equipment	
Relocations codes	
	<hr/>
Total costs	<u>\$1,493,937</u>

2. The distribution of costs by major cost accounts as shown on the Performance and Evaluation Report dated March 21, 2007, for Project OH16-R001-501-04, as submitted to HUD for approval, is in agreement with the Authority's records.
3. Funds advanced for Project OH16-R001-501-04 totaled \$1,493,937.

# COLUMBUS METROPOLITAN HOUSING AUTHORITY

## SCHEDULE OF ACTUAL MODERNIZATION COSTS INCURRED ON PROJECT OH16-P-001-502-03 THROUGH DECEMBER 31, 2006

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

<b>Classification</b>	<b>Project OH16-P-001-502-03</b>
Operations	\$ 300,613
Management improvements—soft costs	279,756
Administration	146,315
Fees and costs	63,290
Site improvements	38,007
Dwelling structures	618,109
Dwelling structures—Nonexpendable	44,843
Nondwelling structures	
Nondwelling equipment	
Relocation costs	<u>12,135</u>
Total costs	<u>\$1,503,068</u>

2. The distribution of costs by major cost accounts as shown on the Performance and Evaluation Report dated March 21, 2007, for Project OH16-P-001-502-03, as submitted to HUD for approval, is in agreement with the Authority's records.
3. Funds advanced for Project OH16-P-001-502-03 totaled \$1,503,068.



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

To the Board of Commissioners of  
Columbus Metropolitan Housing Authority:

We have audited the consolidated financial statements of the Columbus Metropolitan Housing Authority (the "Authority") as of and for the year ended December 31, 2005, and have issued our report thereon dated April 20, 2007, which included a reference to other auditors who audited the financial statements of Rosewind Limited Partnership and Gender Road Limited Partnership, discretely presented component units of the Authority and The Homes At Second Avenue, a blended component unit of the Authority. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our audit 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 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affect the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 have reported to the management of the Authority in a separate letter dated April 20, 2007.

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

The image shows a handwritten signature in black ink that reads "Deloitte + Touche LLP". The signature is written in a cursive, flowing style.

April 20, 2007

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

To the Board of Commissioners of  
Columbus Metropolitan Housing Authority:

### **Compliance**

We have audited the compliance of the Columbus Metropolitan Housing Authority (the "Authority"), with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") Circular A-133 *Compliance Supplement*, that are applicable to each of its major federal programs for the year ended December 31, 2006. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 06-01 and 06-02.

### **Internal Control Over Compliance**

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 responses to the findings identified in our audit are 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 them.

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

The image shows a handwritten signature in cursive script that reads "Deloitte + Touche LLP". The signature is written in dark ink and is positioned above the date.

April 20, 2007

# COLUMBUS METROPOLITAN HOUSING AUTHORITY

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2006

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### PART I—SUMMARY OF AUDITOR’S RESULTS

#### Financial Statements:

Type of auditors’ report issued:			Unqualified
Internal control over financial reporting:			
1. Material Weakness(es) identified?	_____	Yes <u>      X      </u>	No
2. Significant deficiencies identified not considered to be material weaknesses?	_____	Yes <u>      X      </u>	None reported
3. Noncompliance material to financial statements noted?	_____	Yes <u>      X      </u>	No

#### Federal Awards:

4. Material weakness(es) identified?	_____	Yes <u>      X      </u>	No
5. Significant deficiencies identified not considered to be material weaknesses?	_____	Yes <u>      X      </u>	None reported

Type of auditor’s report issued on compliance for major programs:			Unqualified
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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>      X      </u>	Yes	_____	No
7. The System’s major program was:				

#### Name of Federal Program or Cluster

#### CFDA Number

Section 8 Housing Assistance Payment Program—Special Allocations	14.195
Housing Choice Vouchers	14.871

8. Dollar Threshold used to distinguish between Type A and Type B programs?	<u>      \$3,000,000      </u>
---	--------------------------------

9. Auditee qualified as low-risk auditee:	_____	Yes	<u>      X      </u>	No
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### PART II—FINANCIAL STATEMENT FINDINGS SECTION

No matters were reportable.

(Continued)

# COLUMBUS METROPOLITAN HOUSING AUTHORITY

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2006

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### PART—III FEDERAL AWARDS FINDINGS SECTION

#### #06-01 Lease Agreements

**Grantor:** U.S. Department of Housing and Urban Development (“HUD”)

**CFDA Number:** 14.871—Section 8 Housing Choice Voucher Program

**Finding:** There were two lease agreements out of 50 selected tenant files that were not signed.

**Effect:** In accordance with HUD requirements, the Authority must maintain signed lease agreements in their tenant file.

**Questioned Cost:** N/A

**Recommendation:** In order to comply with HUD requirements, the Authority should develop procedures to ensure all lease agreements maintained in the tenant files are signed.

**Views of Responsible Officials:** The Authority has implemented procedures to ensure that leasing documents are signed and retained in client files. A check list has been prepared for in-take and HAP contract execution. Additional record retention training will be provided to staff and supervisors.

#### 06-02 Results of the Housing Choice Vouchers Inspector General Audit

**Grantor:** U.S. Department of Housing and Urban Development (“HUD”)

**CFDA Number:** 14.871—Section 8 Housing Choice Voucher Program, program funding years January 1, 2002 through July 1, 2006

**Criteria:**

- 24 CFR 983.11(b)
- 24 CFR 983.256(a)(1)
- 24 CFR 982.305(c)(2)
- 24 CFR 982.152(d)
- 24 CFR 982.455
- 24 CFR 982.203(a)(2)
- 24 CFR 982.204(c)(2)
- 24 CFR 982.516(a)(2)
- 24 CFR 5.609(iv)
- 24 CFR 982.515(c)

**Finding:** The Authority received audit report 2007-CH-1004 dated March 15, 2007 from the Regional Inspector General for Audit, U. S. Department of Housing and Urban Development (HUD) which cited numerous comments specific to the operation and administration of the Columbus Metropolitan Housing Authority's Section 8 Housing Choice Voucher Program as a result of an audit performed by HUD covering the period January 1, 2002 through July 1, 2006. The audit report comments on the Authority's administration of the Section 8 Project-Based Voucher program as well as the Authority's Family Self-Sufficiency Program. The HUD audit report also cites questioned costs HUD classified as ineligible totaling \$1,085,221 as well as costs HUD believes to be unsupported totaling \$886,763. Items cited in the report specific to the Section 8 Project-Based Voucher program include, but are not limited to, lack of following proper protocol before entering into housing assistance contracts, improper payments under the contracts and to households and not utilizing the proper forms. Comments cited specific to the Family Self-Sufficiency Program include the Authority did not comply with HUD administrative requirements and its own policy specific to administration of this program including not following its administrative plan regarding special admissions, wait list requirements, third party verifications, and in certain instances excluded sources of annual income.

The Authority has formally responded to this audit report, disagreeing with HUD's methodology for calculations of certain items, communication that they will work with HUD to provide a work out plan on other items and communication that they will respond to other comments upon reviewing each individual case file commented upon by HUD.

**Effect:** Noncompliance with the requirements of the Housing Choice Voucher Program could result in the removal of federal funding.

**Questioned Cost:** The questioned cost could range from \$0 to \$1,971,984.

**Recommendation:** The Authority should continue to work with the Office of Inspector General to resolve all items noted in the HUD report dated March 15, 2007.

**Views of Responsible Officials:** The Authority submitted a corrective action Plan to HUD on April 20, 2007 outlining specific tasks to accomplish with completion dates. The Authority is currently negotiating with HUD to mitigate the questionable costs.

#### **PART IV—SUMMARY OF PRIOR AUDIT FINDINGS**

None noted

(Concluded)

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

**Financial Statements and Schedules of Federal  
Financial Assistance as of and for the Period  
January 1, 2006 Through December 31, 2006,  
and Independent Auditors' Reports**



**THE HOMES AT SECOND AVENUE, LLC**

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**HARAN, WATSON & COMPANY**  
*Certified Public Accountants and Business Consultants*

7600 OLENTANGY RIVER ROAD  
SUITE 100  
COLUMBUS, OHIO 43235  
(614) 847-2333  
FAX (866) 681-2148

30 CHESTERFIELD DRIVE  
CHESTER, NEW JERSEY 07930  
(908)879-1859  
FAX (866)681-2148  
[www.hwco CPA.com](http://www.hwco CPA.com)

### INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of net assets of The Homes at Second Avenue, LLC ("New Village Homes"), a component unit of Columbus Metropolitan Housing Authority, as of December 31, 2006 and the related statements of revenues, expenses, and changes in net assets and of cash flows for the period January 1, 2006 through December 31, 2006. These financial statements are the responsibility of New Village Homes' management. Our responsibility is to express an opinion on these financial statements based on our audit.

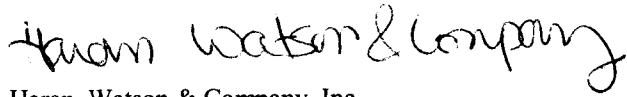
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and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

In our opinion, such financial statements present fairly, in all material respects, the financial position of The Homes at Second Avenue, LLC as of December 31, 2006, and its change in net assets and cash flows of New Village Homes for the period January 1, 2006 through December 31, 2006 in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis ("MD&A") on pages 3-6 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of New Village Homes' management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit such information and do not express an opinion on it.

Our audit was conducted for the purpose of forming an opinion on the respective financial statements that collectively comprise New Village Home's financial statements. The Schedule of Federal Awards on pages 19-20 is presented for the purpose of additional analysis and is not a required part of the financial statements. This supplementary information is the responsibility of New Village Home's management. The Schedule of Federal Awards on pages 17-18 has been subjected to the auditing procedures applied by us in relation to the financial statements than as a whole.

In accordance with *Governmental Auditing Standards*, we have also issued a report dated February 15, 2007, on our consideration of internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Haran, Watson & Company, Inc.  
Columbus, Ohio  
February 15, 2007

**THE HOMES AT SECOND AVENUE, LLC**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**December 31, 2006**

As management of The Homes at Second Avenue LLC ("New Village Homes"), a blended component unit of Columbus Metropolitan Housing Authority, we offer readers of New Village Homes' financial statements this narrative overview and analysis of the financial activities of New Village Homes for the period January 1, 2006 through December 31, 2006. We encourage readers to consider the information presented here in conjunction with the financial statements.

### **Overview of the Financial Statements**

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

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

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

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

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: Consists of Net Assets that do not meet the definition of "Net Assets Invested in Capital Assets, Net of Related Debt" or "Restricted Net Assets".

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

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

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

## Financial Highlights

During the period ended December 31, 2006:

- New Village Homes' total assets decreased by \$757,064 or 4%.
- Total liabilities decreased by \$215,235 or 4%.

## Basic Financial Statements

The following table reflects the Statement of Net Assets:

### Consolidated Statement of Net Assets

	2006
<b>Assets</b>	
Current Assets	\$ 507,823
Capital Assets	16,848,111
Other noncurrent assets	<u>222,606</u>
Total Assets	<u><u>\$ 17,578,540</u></u>
<b>Liabilities</b>	
Current Liabilities	\$ 334,642
Noncurrent Liabilities	<u>5,300,000</u>
Total liabilities	5,634,642
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	11,503,111
Restricted assets	156,652
Unrestricted net assets	<u>284,135</u>
Total net assets	<u><u>11,943,898</u></u>
<b>Total</b>	<u><u>\$ 17,578,540</u></u>

For more detailed information see the Statement of Net Assets.

### Major factors affecting the Statement of Net Assets

Current assets increased by \$269,453 and liabilities decreased by \$215,235. Capital Assets decreased by \$725,553 which is 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 non-operating revenues and expenses. Condensed information from the New Village Homes' Statement of Revenues, Expenses and Changes in Net Assets follows:

#### Statement of Revenues, Expenses and Changes in Net Assets

	<b>2006</b>
<b>Operating Revenue</b>	
Rental	\$ 820,100
Other	<u>29,741</u>
Total operating revenue	849,841
<b>Operating Expense</b>	
Administration	195,890
Depreciation	715,038
General Expenses	514,486
Other	<u>83,925</u>
Total operating expense	<u>1,509,339</u>
<b>Operating Loss</b>	(659,498)
<b>Nonoperating Revenue</b>	8,824
<b>Capital Contribution</b>	108,845
<b>Change in Net Assets</b>	(541,829)

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

Net Current and other assets increased by \$31,000 while Net Total Liabilities decreased by \$215,235.

Net Capital Assets decreased by \$715,038 due primarily to depreciation.

## Capital Assets

As of December 31, 2006, New Village Homes had \$16.8 million invested in Capital Assets as reflected in the schedule below, which represents a net decrease (additions, deductions and depreciation) of \$725.553 during the period.

### Capital Assets

	<b>2006</b>
Land	\$ 3,005
Buildings	15,037,165
Site improvements	2,370,337
Non-dwelling structures	76,149
Furniture and equipment	380,348
Construction in Process	<u>55,310</u>
Total	17,922,314
Accumulated Depreciation	(\$1,074,203)
Capital assets – net	<u><u>\$ 16,848,111</u></u>

### Outstanding Debt

As of December 31, 2006, New Village Homes has \$5.3 million in long-term debt outstanding.

### Economic Factors

Significant economic factors affecting New Village Homes in 2006 were as follows:

- Increase cost of property taxes, insurance, and utilities affected the cost to operate the project.

THE HOMES AT SECOND AVENUE, LLC  
STATEMENT OF NET ASSETS  
AS OF DECEMBER 31, 2006

**ASSETS**

**CURRENT ASSETS:**

Cash and cash equivalents, including restricted cash of \$298,719	\$	446,104
Accounts Receivable---net:		
Tenants		14,533
Other		1,662
Prepaid items and other		45,524
Total current assets		507,823

**NONCURRENT ASSETS:**

Capital assets:		
Land		3,005
Other property and equipment, net of accumulated depreciation of \$1,074,203		16,845,106
Other noncurrent assets		222,606
Total noncurrent assets		17,070,717

TOTAL	\$	17,578,540
-------	----	------------

**LIABILITIES**

**CURRENT LIABILITIES**

Accounts payable	\$	10,643
Accrued Expenses		227,382
Deferred revenue		19,937
Trust and deposit liabilities		31,680
Long Term Debt---current		45,000
Total current liabilities		334,642

NONCURRENT LIABILITIES---Bonds Payable		5,300,000
--	--	-----------

Total liabilities		5,634,642
-------------------	--	-----------

**NET ASSETS:**

Invested in capital assets---net of related debt		11,503,111
Restricted		156,652
Unrestricted		284,135
Total net assets		11,943,898

TOTAL	\$	17,578,540
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The accompanying notes are an integral part of these financial statements.



THE HOMES AT SECOND AVENUE, LLC  
STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET ASSETS  
FOR THE PERIOD JANUARY 1, 2006  
THROUGH DECEMBER 31, 2006

OPERATING REVENUE:	
Rental	\$ 820,100
Other	<u>29,741</u>
Total operating revenue	<u>849,841</u>
OPERATING EXPENSES:	
General	514,486
Administration	195,890
Depreciation	715,038
Utilities	18,930
Ordinary maintenance and operation	<u>64,995</u>
Total operating expenses	<u>1,509,339</u>
OPERATING LOSS	<u>(659,498)</u>
NONOPERATING REVENUES---Interest income	<u>8,824</u>
Total nonoperating revenues	<u>8,824</u>
LOSS BEFORE CAPITAL CONTRIBUTIONS	(650,674)
CAPITAL CONTRIBUTIONS	108,845
NET ASSETS---January 1, 2006	<u>12,485,727</u>
NET ASSETS---December 31, 2006	<u><u>\$ 11,943,898</u></u>

The accompanying notes are an integral part of these financial statements.

THE HOMES AT SECOND AVENUE, LLC  
STATEMENT OF CASH FLOWS  
FOR THE PERIOD JANUARY 1, 2006 (DATE OF OCCUPANCY)  
THROUGH DECEMBER 31, 2006

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from tenants	\$ 812,111
Cash payments to suppliers for goods and services	(934,443)
Other receipts	<u>37,927</u>
Net cash used in operating activities	<u>(84,405)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Transfer from the Columbus Metropolitan Housing Authority	108,845
Decrease in Bonds Payable	(75,000)
Property and equipment additions & disposals	<u>10,515</u>
Net cash provided by capital and related financing activities	<u>44,360</u>
CASH FLOWS FROM INVESTING ACTIVITIES---Interest income	<u>8,824</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(31,221)
CASH AND CASH EQUIVALENTS BALANCE (including restricted cash of \$330,515)---January 1, 2006	<u>477,325</u>
CASH AND CASH EQUIVALENTS BALANCE (including restricted cash of \$298,719)---December 31, 2006	<u>\$ 446,104</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating loss	\$ (659,498)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	715,038
Change in operating assets and liabilities:	
Accounts receivable---tenants	(7,989)
Accounts receivable---other	449
Prepaid expenses and other assets	1,455
Accounts payable	(178,249)
Accrued expenses and other	38,107
Deferred revenue	780
Security deposits	(873)
Other non-current assests	6,375
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (84,405)</u>

The accompanying notes are an integral part of these financial statements

THE HOMES AT SECOND AVENUE, LLC

NOTES TO FINANCIAL STATEMENTS  
AS OF AND FOR THE PERIOD JANUARY 1, 2006  
THROUGH DECEMBER 31, 2006

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

The accompanying financial statements comply with the provisions of Governmental Accounting Standards Board (“GASB”) Statement No. 14, *The Financial Reporting Entity*, and Statement No. 39, *Determining Whether Certain Organizations are Component Units*, in that the financial statements include all organizations, activities, and functions for which New Village Homes is financially accountable. Financial accountability is defined by the component unit being fiscally dependent on New Village Homes. On this basis, no governmental organizations other than New Village Homes itself are included in the financial reporting entity.

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

**Basis of Accounting**---The consolidated financial statements are prepared on the accrual basis in accordance with GAAP, whereby revenues and expenses are recognized in the period earned or incurred. All intercompany balances and transactions have been eliminated in consolidation.

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

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

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

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

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

THE HOMES AT SECOND AVENUE, LLC

NOTES TO FINANCIAL STATEMENTS  
AS OF AND FOR THE PERIOD JANUARY 1, 2006  
THROUGH DECEMBER 31, 2006

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

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

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

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

**NOTE 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, 2006, the carrying amount of New Village Homes' deposits was \$446,105 and the total bank balance was \$419,808, the difference representing deposit-in-transit-items. Of the bank balance, \$100,000 was covered by federal depository insurance and the remainder is uncollateralized as defined by the GASB (covered by collateral pools held by third-party trustees pursuant to Section 135.181 of the Ohio Revised Code in collateral pools securing all public funds on deposit with specific depository institutions, but not in New Village Homes' name).

**NOTE 3 – CAPITAL ASSETS**

The changes in capital assets during the period January 1, 2006 and December 31, 2006, are as follows:

	Balance January 1, 2006	Additions	Disposals	Transfers	Balance December 31, 2006
Land	\$ 3,005				\$ 3,005
Buildings	15,102,990		(65,825)		15,037,165
Site Improvements	2,370,337				2,370,337
Non-dwelling structures	76,149				76,149
Furniture and equipment	380,348				380,348
Construction in process		55,310			55,310
<b>Total</b>	<b>17,932,829</b>	<b>55,310</b>	<b>(65,825)</b>		<b>17,922,314</b>
Accumulated depreciation	(359,165)	(715,038)			(1,074,203)
<b>Capital assets-- net</b>	<b>\$ 17,573,664</b>	<b>\$ (659,728)</b>	<b>\$ (65,825)</b>	<b>\$ 0</b>	<b>\$ 16,848,111</b>

THE HOMES AT SECOND AVENUE, LLC

NOTES TO FINANCIAL STATEMENTS  
AS OF AND FOR THE PERIOD JANUARY 1, 2006  
THROUGH DECEMBER 31, 2006

**NOTE 4 – RISK MANAGEMENT**

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

New Village Homes is part of the state-wide plan for workers' compensation insurance coverage.

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

**NOTE 5 – BONDS AND NOTES PAYABLE**

A roll-forward of the New Village Homes' long-term debt during the period January 1, 2006 through December 31, 2006, is as follows:

	<b>Balance January 1, 2006</b>	<b>Increase</b>	<b>Decrease</b>	<b>Balance December 31, 2006</b>
Bonds payable	\$ 5,420,000		\$ 75,000	\$ 5,345,000

**Bonds Payable**—In December 2002, New Village Homes issued \$5,420,000 of Columbus Metropolitan Housing Authority Multifamily Housing Mortgage Revenue Bonds, Series 2003A for the construction of the New Village Homes Project. Principal payments are due at various intervals with the balance due on November 20, 2044. The interest rate is 5.4%. The future debt service at December 31, 2006, is as follows:

<b>Maturity Date</b>	<b>Principal Amount</b>	<b>Interest Amount</b>	<b>Total</b>
2007	\$ 45,000	\$ 267,584	\$ 312,584
2008		266,384	266,384
2009		266,384	266,384
2010 to 2014	275,000	1,308,697	1,583,697
2015 to 2019		1,276,919	1,276,919
2020 to 2024	790,000	1,194,364	1,984,364
2025 to 2029		1,081,394	1,081,394
2030 to 2034	1,020,000	869,630	1,889,630
2035 to 2039		823,844	823,844
2040 to 2044	<u>3,215,000</u>	<u>823,844</u>	<u>4,038,844</u>
	<u>\$ 5,345,000</u>	<u>\$ 8,179,044</u>	<u>\$ 13,524,044</u>

## **SINGLE AUDIT SECTION**



**HARAN, WATSON & COMPANY**  
*Certified Public Accountants and Business Consultants*

7600 OLENTANGY RIVER ROAD  
SUITE 100  
COLUMBUS, OHIO 43235  
(614) 847-2333  
FAX (866) 681-2148

30 CHESTERFIELD DRIVE  
CHESTER, NEW JERSEY 07930  
(908)879-1859  
FAX (866)681-2148  
www.hwco CPA.com

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

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

We have audited the financial statements of The Homes at Second Avenue, LLC ("New Village Homes") as of and for the period January 1, 2006 through December 31, 2006, and have issued our report thereon dated February 15, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

**Compliance and Other Matters**

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

This report is intended solely for the information and use of the Members of New Village Homes, management, and the Auditor of the State of Ohio, and is not intended to be and should not be used by anyone other than these specified parties.

*Haran Watson & Company*

Haran, Watson & Company, Inc.  
Columbus, Ohio  
February 15, 2007



**HARAN, WATSON & COMPANY**  
*Certified Public Accountants and Business Consultants*

7600 OLENTANGY RIVER ROAD  
SUITE 100  
COLUMBUS, OHIO 43235  
(614) 847-2333  
FAX (866) 681-2148

30 CHESTERFIELD DRIVE  
CHESTER, NEW JERSEY 07930  
(908)879-1859  
FAX (866)681-2148  
www.hwcoepa.com

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

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

**Compliance**

We have audited the compliance of The Homes at Second Avenue, LLC ("New Village Homes"), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*, that are applicable to its major federal program for the period January 1, 2006 through December 31, 2006. New Village Home's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of New Village Home's management. Our responsibility is to express an opinion on New Village Home's compliance based on our audit.

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

In our opinion, New Village Homes complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the period January 1, 2006 through December 31, 2006.

**Internal Control Over Compliance**

The management of New Village Homes is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered New Village Home's internal



control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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

*Haran Watson & Company*

Haran, Watson & Company, Inc.  
Columbus, Ohio  
February 15, 2007

THE HOMES AT SECOND AVENUE, LLC  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE PERIOD JANUARY 1, 2006  
 THROUGH DECEMBER 31, 2006

Federal Grantor/Pass through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Loan Guarantee
U.S. Department of Housing and Urban Development---		
Direct Programs:		
Mortgage Insurance Rental and Cooperative Housing for Moderate Income Families and Elderly---Market Interest Rate	14.135	\$ 5,345,000
<b>Total</b>		<u>\$ 5,345,000</u>

See note to the schedule of expenditures of federal awards.

**THE HOMES AT SECOND AVENUE, LLC  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE PERIOD JANUARY 1, 2006  
THROUGH DECEMBER 31, 2006**

**NOTE 1 – BASIS OF PRESENTATION**

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

THE HOMES AT SECOND AVENUE, LLC

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE  
PERIOD JANUARY 1, 2006 THROUGH DECEMBER 31, 2006

**PART I – SUMMARY OF AUDITOR’S RESULTS**

Financial Statements:

Type of auditors’ report issued: Unqualified

Internal control over financial reporting:

- |   |           |                      |               |
|---|-----------|----------------------|---------------|
| 1. Material Weakness(es) identified?  | _____ Yes | _____ <u>X</u> _____ | No            |
| 2. Reportable condition(s) identified not considered to be material weaknesses? | _____ Yes | _____ <u>X</u> _____ | None reported |
| 3. Noncompliance material to financial statements noted?                        | _____ Yes | _____ <u>X</u> _____ | No            |

Federal Awards:

- |   |           |                      |               |
|---|-----------|----------------------|---------------|
| 4. Material weakness(es) identified?  | _____ Yes | _____ <u>X</u> _____ | No            |
| 5. Reportable condition(s) identified not considered to be material weaknesses? | _____ 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) | _____ Yes | _____ <u>X</u> _____ | No |
| 7. The System’s major program was:   |           |                      |    |

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

- |   |           |                      |    |
|---|-----------|----------------------|----|
| 8. Dollar Threshold used to distinguish between Type A and Type B programs? |           | <u>\$300,000</u>     |    |
| 9. Auditee qualified as low-risk auditee:                                   | _____ Yes | _____ <u>X</u> _____ | No |

**PART II—FINANCIAL STATEMENT FINDINGS SECTION**

No matters were reportable.

**PART III—FEDERAL AWARDS FINDINGS SECTION**

No matters were reportable.



**Mary Taylor, CPA**  
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  
JULY 26, 2007**