

COLUMBUS METROPOLITAN HOUSING AUTHORITY

FRANKLIN COUNTY

JANUARY 1, 2009 TO DECEMBER 31, 2009



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, 2009 through December 31, 2009. 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 12, 2010

Columbus Metropolitan Housing Authority

Consolidated Financial Statements, Supplemental Financial Data Schedules, and Federal Financial Data Schedules as of and for the Year Ended December 31, 2009, and Independent Auditors' Report; and Independent Auditor's 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* and 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

COLUMBUS METROPOLITAN HOUSING AUTHORITY

TABLE OF CONTENTS

| | Page |
|--|-------------|
| INDEPENDENT AUDITORS' REPORT | 1–2 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | 3–9 |
| CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2009: | |
| Consolidated Statement of Net Assets | 10 |
| Balance Sheet — Component Units | 11 |
| Consolidated Statement of Revenues, Expenses, and Changes in Net Assets | 12 |
| Statement of Operations and Changes in Equity — Component Units | 13 |
| Consolidated Statement of Cash Flows | 14 |
| Notes to Consolidated Financial Statements | 15–42 |
| CONSOLIDATING SUPPLEMENTAL FINANCIAL DATA SCHEDULES AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2009: | 43 |
| Consolidating Statement of Net Assets Information | 44–46 |
| Consolidating Statement of Revenues and Expenses Information | 47–49 |
| FEDERAL FINANCIAL DATA SCHEDULES AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2009 | |
| Schedule of Expenditures of Federal Awards | 50 |
| Notes to Schedule of Expenditures of Federal Awards | 51 |
| Schedules of Actual Modernization Costs | 52–54 |
| 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 <i>GOVERNMENT AUDITING STANDARDS</i> | 55–56 |
| 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 | 57–58 |
| SCHEDULE OF FINDINGS AND QUESTIONED COSTS | 59–61 |

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of the net assets of the Columbus Metropolitan Housing Authority (the "Authority") as of December 31, 2009, and the related consolidated statements of revenues, expenses, and changes in net assets, and of cash flows for the year then ended. These consolidated financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the balance sheets of the discretely presented component units, Rosewind Limited Partnership, Gender Road Limited Partnership, Jenkins Terrace, LLC, and Worley Terrace, LLC as of December 31, 2009, and the related statements of operations and changes in equity for the year then ended. We did not audit the statement of net assets of the blended component unit, The Homes at Second Avenue, LLC as of December 31, 2009, and the related statement of revenue, expenses, and changes in net assets and cash flows 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, Jenkins Terrace, LLC, Worley Terrace, LLC, 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Gender Road Limited Partnership, Worley Terrace, LLC, and Jenkins Terrace, LLC were not audited in accordance with *Government Auditing Standards*, but were audited in accordance with auditing standards generally accepted in the United States of America. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, such consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Authority and its discretely presented component units as of December 31, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 17 to the consolidated financial statements, beginning net assets in the accompanying December 31, 2009 financial statements has been restated.

The Management's Discussion and Analysis on pages 3 through 9 is not a required part of the consolidated financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Authority's consolidated financial statements taken as a whole. The consolidating statement of net assets information and the consolidating statement of revenue and expenses information on pages 43 through 49 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, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's consolidated financial statements. The schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, on page 50, the notes to the schedule of expenditures of federal awards on page 51, and the schedules of actual modernization costs on pages 52 to 54, 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 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 16, 2010, on our consideration of internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The 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 16, 2010

**MANAGEMENT'S DISCUSSION AND ANALYSIS
COLUMBUS METROPOLITAN HOUSING AUTHORITY
DECEMBER 31, 2009**

As management of the Columbus Metropolitan Housing Authority (the "Authority"), we offer readers of the Authority's financial statement this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended December 31, 2009. We encourage readers to consider the information presented here in conjunction with the Authority's consolidated financial statements. This management discussion and analysis focuses on the operations of the Authority and not its discretely presented component units, Rosewind Limited Partnership, Gender Road Limited Partnership, Jenkins Terrace LLC and Worley Terrace LLC. Information pertaining to the discretely presented component units is located in footnotes 13 through 16 to the financial statements.

OVERVIEW OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

These statements include a Statement of Net Assets, which is similar to a Balance Sheet. The Statement of Net Assets reports all financial and capital resources of the Authority. The statement is presented in the format where assets minus liabilities equal "Net Assets", formerly known as equity. Assets and liabilities are presented in order of liquidity and are classified as "Current" (convertible to cash within one year) and "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 Consolidated 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, 2009:

- The Authority's total assets increased by \$4,537,846 or 2.8%
- Total liabilities increased by \$6,685,102 or 38.4%
- Total revenues increased by \$19,734,054; of this amount, \$24,736,945 is due to an increase in the number of contracts being administered by the Authority's wholly owned subsidiary, Assisted Housing Services Corporation (AHSC).
- Total expenses increased by \$10,633,798; of this amount \$31,316,013 related to housing assistance payments offset by a charge for impairment of assets \$17,904,678 recorded in the prior year.

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

PHA Owned Rental Housing – Under the Public Housing Program, the Authority rents units it owns to low-income households. This program operates under an Annual Contribution Contract with the U.S. Department of Housing and Urban Development ("HUD"). Operating subsidy is provided by HUD to enable the Authority to provide the housing at a rent that is based upon 30% of adjusted gross income.

Effective January 1, 2008, HUD has implemented its new Operating Fund Program that included two major provisions: 1) to establish a new formula for determining operating subsidy and 2) implementation of asset based management. This new HUD regulation required that the Authority establish project based accounting, budgeting and management. Administrative overhead that was previously allocated costs to the other funds was replaced with a management and bookkeeping fees. Under the regulations, the Authority charged the projects for centralized maintenance services received. The fees charged were used to fund the operation of the Central Office Cost Center.

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

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

In general terms, participants in these dialogues agreed that the Authority must take action to maintain its financial solvency, dispose of projects that are physically distressed and are a detriment to their neighborhoods and, importantly, insure that residents are relocated to comparable housing in non-impacted areas. The Authority developed a plan to demolish or sell 1,972 Public Housing units over next five years and submitted the plan to HUD for approval. Our plan was approved by HUD; in 2009, we have disposed of 433 units.

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

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

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

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

Other Business – The Authority has other business ventures that are not dependent upon HUD funding. These programs consist of six funds that provide resources for other business activities. Five 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. One program provides a source of funds for other related housing activities.

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

BASIC CONSOLIDATED FINANCIAL STATEMENTS

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

| | 2009 | 2008 |
|--|-----------------|-----------------|
| Assets: | | |
| Current and other assets | \$ 101.0 | \$ 93.6 |
| Capital assets | <u>\$ 63.2</u> | <u>66.0</u> |
| Total assets | <u>\$ 164.2</u> | <u>\$ 159.6</u> |
| Liabilities: | | |
| Current liabilities | \$ 16.7 | \$ 9.2 |
| Long-term liabilities | <u>\$ 7.4</u> | <u>8.2</u> |
| Total liabilities | <u>\$ 24.1</u> | <u>17.4</u> |
| Net Assets: | | |
| Invested in capital assets – net of related debt | \$ 55.9 | 58.3 |
| Restricted | \$ 24.7 | 21.9 |
| Unrestricted | <u>\$ 59.5</u> | <u>62.0</u> |
| Total net assets | <u>\$ 140.1</u> | <u>142.2</u> |
| Total liabilities and net assets | <u>\$ 164.2</u> | <u>\$ 159.6</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 \$7.4 million while current liabilities increased by \$7.5 million. Current assets include cash and investments that increased by \$10.5 million due to: 1) \$4.3 million from collection of accounts receivable; 2) \$2.8 million from sale of property; and 3) \$3.4 million increase from other operation changes.

Other assets decreased by \$3.2 million due to a decrease in accounts receivable by \$3.4 million and an increase in prepaid expenses and other assets \$2 million.

Capital assets decreased by \$2.8 million due primarily to acquisitions of assets (\$7.2 million) less current year depreciation (\$7.2 million), and retirement of Assets (\$2.8 million).

A prior year adjustment was made to restate 2008 current liabilities and restricted net assets. According to HUD Notice 2008-9, the Authority was to report any excess cash received for Housing Assistance Payments as restricted net assets (equity). Excess cash received from HUD was previously reported as deferred revenue until earned. The 2008-9 Notice specifies contract changes which required revenue recognition upon receipt and retroactively applied these grant term changes to prior unspent funds. The Authority reported the excess cash received as deferred revenue; therefore, we have reduced prior year current liabilities by \$9,192,718 and increased restricted net assets by the same amount.

Table 2
Change of Unrestricted Net Assets
(In millions)

| | |
|---|----------------|
| Unrestricted Net Assets — December 31, 2008 | \$ 62.0 |
| Results of operation | (2.2) |
| Depreciation (1) | 7.2 |
| Capital expenditures | (7.2) |
| Change in other investments | <u>(0.3)</u> |
| Unrestricted Net Assets — December 31, 2009 | <u>\$ 59.5</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 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)

| | 2009 | 2008 |
|--|--------------|--------------|
| Revenues: | | |
| Rental income | \$ 4.5 | \$ 5.1 |
| Operating subsidy and grants | 38.1 | 38.8 |
| Subsidy for housing assistance payment | 561.2 | 539.1 |
| Capital grants | 5.7 | 4.6 |
| Investment income | 0.6 | 1.2 |
| Other income | 3.6 | 5.1 |
| Gain (loss) in sale of property | <u>0.1</u> | <u>0.2</u> |
| Total revenues | <u>613.8</u> | <u>594.1</u> |

| | | |
|---|-----------------|------------------|
| Expenses: | | |
| Administrative and tenant services | \$ 33.4 | \$ 31.7 |
| Utilities | 3.4 | 3.7 |
| Maintenance and operations | 6.4 | 5.5 |
| Protective services | 0.7 | 0.7 |
| General | 3.2 | 5.8 |
| Housing assistance payment | 561.2 | 529.9 |
| Interest expense | 0.4 | 0.4 |
| Depreciation | 7.2 | 9.7 |
| Extraordinary item - Loss on Impairment | 0.0 | 17.9 |
| Extraordinary item - Gain on Insurance proceeds | <u>0.0</u> | <u>(1.2)</u> |
| Total Expenses | <u>615.9</u> | <u>604.1</u> |
| Change in net assets | <u>\$ (2.1)</u> | <u>\$ (10.0)</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. In 2008, an extraordinary expense item of \$17.9 was recorded to reflect an impairment loss and an extraordinary gain of \$1.2 was reported for an insurance recovery. Other expenses increased due to inflation.

A prior year adjustment was made to restate Subsidy for Housing Assistance Payment. Per HUD Notice 2008-9, the Authority was to report any excess cash received for Housing Assistance Payments as current year revenue. Excess cash received from HUD was previously reported as deferred revenue until earned. The 2008-9 Notice specifies contract changes which required revenue recognition upon receipt and retroactively applied these grant term changes to prior unspent funds. The Authority reported the excess cash received as deferred revenue; therefore, we have reduced prior year current liabilities by \$9,192,718 and increased Subsidy for Housing Assistance Payment by the same amount.

CAPITAL ASSETS

As of December 31, 2009, the Housing Authority's had \$63.2 million invested in Capital Assets as reflected in the schedule below, which represents a net decrease (additions, deductions and depreciation) of \$2.8 million from the end of last year.

Table 4
Capital Assets at December 31, 2009
Net of Depreciation
(In millions)

| | 2009 | 2008 |
|--------------------------|----------------|----------------|
| Land | \$ 3.0 | \$ 2.9 |
| Buildings | 212.4 | 224.0 |
| Equipment | 6.2 | 6.3 |
| Accumulated depreciation | (167.8) | (174.3) |
| Construction in process | <u>9.4</u> | <u>7.1</u> |
| Total | <u>\$ 63.2</u> | <u>\$ 66.0</u> |

The following reconciliation summarizes the change in Capital Assets:

Table 5
Change in Capital Assets
(In millions)

| | |
|--------------------------------------|----------------|
| Beginning balance | \$ 66.0 |
| Additions | 7.2 |
| Retirements — net of depreciation | (2.8) |
| Depreciation | <u>(7.2)</u> |
| Ending balance | <u>\$ 63.2</u> |
| Major activities for this year were: | |
| Modernization of units | \$ 6.6 |
| Construction of new units | 0.4 |
| Equipment purchases | <u>0.2</u> |
| Total additions | <u>\$ 7.2</u> |

As of December 31, 2009, the Authority has \$7.3 million in debt (bonds and notes) outstanding, including the current portion of \$.4 million compared to \$7.6 million last year, a \$.3 million decrease.

Table 6
Outstanding Debt
(In millions)

| | 2009 | 2008 |
|----------------------|---------------|---------------|
| Business type: | | |
| Energy program | \$ 2.1 | \$ 2.4 |
| Capital improvements | <u>5.2</u> | <u>5.2</u> |
| Total | <u>\$ 7.3</u> | <u>\$ 7.6</u> |

ECONOMIC FACTORS

Significant economic factors affecting the Authority in 2009 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.
- Lower interest rates had an adverse impact on interest revenue

COLUMBUS METROPOLITAN HOUSING AUTHORITY

CONSOLIDATED STATEMENT OF NET ASSETS AS OF DECEMBER 31, 2009

ASSETS

CURRENT ASSETS:

| | |
|---|-------------------|
| Cash and cash equivalents — including restricted cash of \$22,372,380 | \$ 32,759,050 |
| Accounts receivable — net: | |
| Tenants — net of allowance for doubtful accounts of \$20,378 | 151,065 |
| HUD | 6,201,441 |
| Other — net of allowance for doubtful accounts of \$1,435,762 | 1,838,954 |
| Notes receivable from discretely presented component units | 50,000 |
| Notes receivable | 400,000 |
| Investments | 8,900,000 |
| Investments — legally restricted | 9,862,715 |
| Inventory | 190,306 |
| Prepaid items and other | 480,193 |
| Total current assets | <u>60,833,724</u> |

NONCURRENT ASSETS:

| | |
|--|--------------------|
| Notes receivable from discretely presented component units — net of allowance of \$4,591,731 | 20,495,141 |
| Notes receivable from related party — net of allowance of \$89,680 | 1,926,150 |
| Notes receivable | 875,000 |
| Capital assets: | |
| Land | 3,034,388 |
| Other property and equipment — net of accumulated depreciation of \$167,798,855 | 50,718,307 |
| Construction in progress | 9,443,945 |
| Other noncurrent assets | 16,859,645 |
| Total noncurrent assets | <u>103,352,576</u> |

TOTAL \$ 164,186,300

LIABILITIES

CURRENT LIABILITIES:

| | |
|-----------------------------------|-------------------|
| Accounts payable: | |
| Trade | \$ 7,196,499 |
| HUD | 25,872 |
| Other | 260,537 |
| Accrued expenses | 1,536,872 |
| Deferred credits | 6,889,094 |
| Trust and deposit liabilities | 389,134 |
| Bonds and notes payable — current | 361,175 |
| Total current liabilities | <u>16,659,183</u> |

NONCURRENT LIABILITIES:

| | |
|---|-------------------|
| Bonds payable | 5,140,000 |
| Notes payable | 1,791,104 |
| Accrued compensated absences — noncurrent portion | 221,945 |
| Other liabilities | 293,106 |
| Total noncurrent liabilities | <u>7,446,155</u> |
| Total liabilities | <u>24,105,338</u> |

NET ASSETS:

| | |
|--|--------------------|
| Invested in capital assets — net of related debt | 55,904,361 |
| Restricted | 24,657,278 |
| Unrestricted | 59,519,323 |
| Total net assets | <u>140,080,962</u> |

TOTAL \$ 164,186,300

See notes to consolidated financial statements.

COLUMBUS METROPOLITAN HOUSING AUTHORITY

CONSOLIDATED BALANCE SHEET — COMPONENT UNITS AS OF DECEMBER 31, 2009

| | Rosewind Limited Partnership | Gender Road Limited Partnership | Jenkins Terrace LLC | Worley Terrace LLC | Total |
|--|------------------------------------|---------------------------------------|-----------------------------|-----------------------------|-----------------------------|
| ASSETS | | | | | |
| RENTAL PROPERTY: | | | | | |
| Buildings | \$ 26,101,667 | \$ 8,281,647 | \$ 12,453,403 | \$ 12,255,385 | \$ 59,092,102 |
| Furniture and fixtures | 454,160 | 100,476 | 130,629 | 410,988 | 1,096,253 |
| Construction in process | | 8,400 | | | 8,400 |
| Less accumulated depreciation | <u>(10,498,387)</u> | <u>(2,781,621)</u> | <u>(971,936)</u> | <u>(631,711)</u> | <u>(14,883,655)</u> |
| Net rental property | 16,057,440 | 5,608,902 | 11,612,096 | 12,034,662 | 45,313,100 |
| CASH | 166,335 | 83,895 | 340,643 | 531,558 | 1,122,431 |
| CASH RESERVES | 1,128,352 | 566,895 | 23,137 | 253,461 | 1,971,845 |
| ACCOUNTS RECEIVABLE | 25,907 | 14,244 | 9,012 | 4,308 | 53,471 |
| MONITORING FEES | 5,700 | | | | 5,700 |
| OTHER ASSETS | <u>82,975</u> | <u>22,926</u> | <u>137,852</u> | <u>165,162</u> | <u>408,915</u> |
| TOTAL | <u>\$ 17,466,709</u> | <u>\$ 6,296,862</u> | <u>\$ 12,122,740</u> | <u>\$ 12,989,151</u> | <u>\$ 48,875,462</u> |
| LIABILITIES AND PARTNERS'/MEMBER'S EQUITY | | | | | |
| LIABILITIES: | | | | | |
| Accounts payable — trade | \$ 278,287 | \$ 71,474 | \$ 103,765 | \$ 63,099 | \$ 516,625 |
| Accrued expenses | 65,157 | 40,571 | 41,906 | 22,893 | 170,527 |
| Tenants' security deposits | 55,090 | 27,557 | 23,312 | 22,122 | 128,081 |
| Notes payable to primary government | <u>18,896,789</u> | <u>6,240,082</u> | | | <u>25,136,871</u> |
| Total liabilities | <u>19,295,323</u> | <u>6,379,684</u> | <u>168,983</u> | <u>108,114</u> | <u>25,952,104</u> |
| PARTNERS'/MEMBER'S EQUITY (DEFICIENCY): | | | | | |
| General partners'/member's equity | 5,263 | 175,726 | 8,161,804 | 8,309,349 | 16,652,142 |
| Limited partners | (1,833,877) | 54,452 | 4,278,325 | 4,787,496 | 7,286,396 |
| Less note receivable from limited partners | | <u>(313,000)</u> | <u>(486,372)</u> | <u>(215,808)</u> | <u>(1,015,180)</u> |
| Total partners'/member's (deficiency) equity | <u>(1,828,614)</u> | <u>(82,822)</u> | <u>11,953,757</u> | <u>12,881,037</u> | <u>22,923,358</u> |
| TOTAL | <u>\$ 17,466,709</u> | <u>\$ 6,296,862</u> | <u>\$ 12,122,740</u> | <u>\$ 12,989,151</u> | <u>\$ 48,875,462</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, 2009

| | |
|--|-----------------------|
| OPERATING REVENUES: | |
| Rental | \$ 4,504,841 |
| Other | <u>3,556,731</u> |
| Total operating revenues | <u>8,061,572</u> |
| OPERATING EXPENSES: | |
| Housing assistance payments | 561,210,517 |
| Depreciation | 7,243,351 |
| Administration | 32,581,131 |
| Tenant services | 857,468 |
| Utilities | 3,432,797 |
| Ordinary maintenance and operations | 6,380,921 |
| Protective services | 673,247 |
| General expenses | <u>3,212,195</u> |
| Total operating expenses | <u>615,591,627</u> |
| OPERATING LOSS | <u>(607,530,055)</u> |
| NONOPERATING REVENUES (EXPENSES): | |
| HUD grants | 599,305,710 |
| HUD capital grants | 5,680,020 |
| Interest income | 644,950 |
| Interest expense | (352,896) |
| Gain on disposal of assets | <u>105,015</u> |
| Total nonoperating revenues | <u>605,382,799</u> |
| CHANGE IN NET ASSETS | <u>(2,147,256)</u> |
| NET ASSETS — Beginning of year, as previously reported | 133,035,500 |
| PRIOR PERIOD ADJUSTMENT (Note 17) | <u>9,192,718</u> |
| NET ASSETS — Beginning of year, as restated | <u>142,228,218</u> |
| NET ASSETS — End of year | <u>\$ 140,080,962</u> |

See notes to consolidated financial statements.

COLUMBUS METROPOLITAN HOUSING AUTHORITY

CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN EQUITY — COMPONENT UNITS FOR THE YEAR ENDED DECEMBER 31, 2009

| | Rosewind Limited Partnership | Gender Road Limited Partnership | Jenkins Terrace LLC | Worley Terrace LLC | Total |
|---|------------------------------------|---------------------------------------|------------------------|-----------------------|---------------------|
| REVENUES: | | | | | |
| Rental | \$ 1,168,066 | \$ 515,257 | \$ 445,549 | \$ 347,842 | \$ 2,476,714 |
| Other | 19,678 | 45,078 | 6,346 | - | 71,102 |
| Interest | 5,110 | 2,538 | 8,656 | 3,791 | 20,095 |
| Total revenues | <u>1,192,854</u> | <u>562,873</u> | <u>460,551</u> | <u>351,633</u> | <u>2,567,911</u> |
| EXPENSES: | | | | | |
| Depreciation | 859,879 | 314,986 | 389,143 | 421,185 | 1,985,193 |
| Maintenance and decorating | 411,094 | 138,920 | 210,888 | 145,765 | 906,667 |
| Administrative and personnel | 282,219 | 103,279 | 137,309 | 124,099 | 646,906 |
| Water and sewer | 163,566 | 110,037 | 32,279 | 43,952 | 349,834 |
| Insurance expense | 91,382 | 31,996 | 25,162 | 20,291 | 168,831 |
| Management fee | 94,115 | 38,815 | 43,903 | 41,300 | 218,133 |
| Payment in lieu of taxes | 24,613 | 4,808 | 6,765 | - | 36,186 |
| Utilities | 52,628 | 16,346 | 51,622 | 62,191 | 182,787 |
| Interest expense | | | | 89,922 | 89,922 |
| Audit and tax return | 11,850 | 9,750 | | 9,750 | 31,350 |
| Bad debts | 31,661 | 10,375 | | - | 42,036 |
| Asset management fee | 8,868 | 5,472 | | 5,000 | 19,340 |
| Amortization | 1,900 | 791 | 5,230 | 6,000 | 13,921 |
| Total expenses | <u>2,033,775</u> | <u>785,575</u> | <u>902,301</u> | <u>969,455</u> | <u>4,691,106</u> |
| NET LOSS | (840,921) | (222,702) | (441,750) | (617,822) | (2,123,195) |
| EQUITY (DEFICIENCY IN NET ASSETS) — | | | | | |
| Beginning of year | (987,693) | 3,785 | 12,395,507 | 7,955,180 | 19,366,779 |
| CURRENT-YEAR CONTRIBUTIONS | | | | | |
| | <u>-</u> | <u>136,095</u> | <u>-</u> | <u>5,543,679</u> | <u>5,679,774</u> |
| EQUITY (DEFICIENCY IN NET ASSETS) — End of year | | | | | |
| | <u>\$(1,828,614)</u> | <u>\$(82,822)</u> | <u>\$11,953,757</u> | <u>\$12,881,037</u> | <u>\$22,923,358</u> |

See notes to consolidated financial statements.

COLUMBUS METROPOLITAN HOUSING AUTHORITY

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2009

| | |
|---|-------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Cash received from tenants | \$ 4,512,569 |
| Cash payments to suppliers for goods and services | (34,790,609) |
| Cash paid for salaries and benefits | (12,225,147) |
| Housing assistance payments | (561,210,517) |
| Other receipts | <u>6,607,898</u> |
| Net cash used in operating activities | <u>(597,105,806)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES — HUD operating subsidies and grants | <u>605,365,993</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | |
| HUD capital grants | 5,113,737 |
| Property and equipment additions | (6,580,335) |
| Repayment of debt and capital lease obligations | (344,249) |
| Interest paid debt and capital lease obligations | (354,445) |
| Proceeds from the sale of capital assets | 2,805,464 |
| Notes receivable from sale of assets | 1,110,297 |
| Investment in joint ventures | (84,205) |
| Other receipts | <u>50,000</u> |
| Net cash provided by capital and related financing activities | <u>1,716,264</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | |
| Purchases of investments | (11,588,299) |
| Proceeds from maturity of investments | 9,041,109 |
| Interest income | <u>565,519</u> |
| Net cash used in investing activities | <u>(1,981,671)</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 7,994,780 |
| CASH AND CASH EQUIVALENTS BALANCE (Including restricted cash of \$18,037,911) — beginning of year | <u>24,764,270</u> |
| CASH AND CASH EQUIVALENTS BALANCE (Including restricted cash of \$22,372,380) — end of year | <u>\$ 32,759,050</u> |
| RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES: | |
| Operating loss | \$ (607,530,055) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | |
| Depreciation | 7,243,351 |
| Provision for uncollectible accounts | 295,199 |
| Amortization of bond issuance costs | 6,375 |
| Change in operating assets and liabilities: | |
| Accounts receivable — tenants | 33,923 |
| Accounts receivable — other | 2,746,917 |
| Notes and mortgages receivable | 825,000 |
| Inventory | (5,373) |
| Prepaid expenses and other assets | (929,035) |
| Accounts payables | 384,967 |
| Accrued expenses and other | (124,599) |
| Security and other deposits | <u>(52,476)</u> |
| NET CASH USED IN OPERATING ACTIVITIES | <u>\$ (597,105,806)</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, 2009

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

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

The accompanying consolidated financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units — an amendment of GASB Statement No. 14*, in that the consolidated financial statements include all organizations, activities, and functions for which the Authority is financially accountable. 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.

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

Rosewind Limited Partnership — Rosewind Limited Partnership was formed on January 7, 1997, for the purposes of constructing, owning, and operating residential apartments for low-income residents of Columbus, Ohio. Rosewind Limited Partnership’s financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Financial Accounting Standards 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 purposes of acquiring, constructing, owning, and operating an apartment complex for low- and moderate-income residents of Columbus, Ohio. Gender Road Limited Partnership's financial statements are prepared on the accrual basis of accounting in accordance with GAAP as prescribed by the 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 purposes of acquiring, developing, leasing, operating, and administering an apartment complex of 100 single-bedroom, elderly, public housing units in Columbus, Ohio. Jenkins Terrace, LLC's financial statements are prepared on the accrual basis of accounting in accordance with GAAP as prescribed by the FASB Statements and Interpretations. Because of Jenkins Terrace, LLC's fiscal dependency on the Authority, a component unit relationship is deemed to exist. See Note 15 to the consolidated financial statements for additional disclosures regarding Jenkins Terrace, LLC.

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

Waggoner Road, LLC (a Related Party) — In October 2002, the Authority established a wholly owned subsidiary, Waggoner Road, LLC, which is fully consolidated in the accompanying financial statements. Waggoner Road, LLC entered into Waggoner Road Senior Limited Partnership. The general partner is Waggoner Senior Housing, Inc., a wholly owned subsidiary of the National Church Residences, which has a 0.01% interest in the owner entity. The Authority is the special limited partner and will have a 0.01% interest in the owner entity. The limited partner is NHT Fifth Third X Tax Credit Fund LLC, which has a 99.98% interest in the owner entity. The Authority and National Church Residences have entered into development agreements to collaborate for codevelopment of the project.

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

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

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

A summary of each of these funds is provided below:

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

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

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

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

Other Business Ventures— This program consists of eight funds that provide resources for housing-related activities. 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 maturity of three or less when purchased to be cash equivalents. The Authority records cash that is only allowed to be expended for certain activities or has restrictions on the use of funds by the sources of the funds as restricted cash.

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

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

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

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

A summary of changes in the accrued compensated absences as of December 31, 2009, is as follows:

| | Balance 2008 | Increase | Decrease | Balance 2009 | Due Within One Year |
|------------------------------|-------------------|-------------|--------------------|-------------------|------------------------|
| Accrued compensated absences | <u>\$ 396,558</u> | <u>\$ -</u> | <u>\$ (29,746)</u> | <u>\$ 366,812</u> | <u>\$ 144,867</u> |

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

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

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

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

| | Balance 2008 | Increase | Decrease | Balance 2009 |
|---|-------------------|-------------------|---------------------|-------------------|
| Family Self-Sufficient Program deposits | \$ 520,889 | \$ - | \$ (227,783) | \$ 293,106 |
| Other | <u>113,603</u> | <u> </u> | <u>(113,603)</u> | <u>-</u> |
| Total | <u>\$ 634,492</u> | <u>\$ -</u> | <u>\$ (341,386)</u> | <u>\$ 293,106</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 consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Standards Not Yet Implemented — In June 2007, GASB issued GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement established standards for the capitalization, amortization, and financial reporting of intangible assets, including easements, water rights, timber rights, patents, trademarks, and computer software. The requirements of this statement are effective for periods beginning after June 15, 2009. Management has determined that the implementation of GASB Statement No. 51 will not have an effect on its reported consolidated financial statements.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The requirements of this statement are effective for periods beginning after June 15, 2009. Management has determined that the implementation of GASB Statement No. 53 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 — These are public deposits necessary to meet current demands for the Authority. Such monies must be maintained either as cash in the Authority's commercial accounts payable or withdrawal-on-demand accounts, including negotiable order of withdrawal accounts, or in money market deposit accounts.

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

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

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

- United States Treasury notes, bills, bonds, or other obligations or securities issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States.
- Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association; all federal agency securities shall be direct issuances of the federal government agencies or instrumentalities.
- Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed 30 days.
- Bonds and other obligations of the State of Ohio.

- No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
- The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio ("STAR Ohio").

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

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

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

Deposits — The Authority maintains cash, cash equivalents, and investments in separate accounts for the Low-Rent Housing Program Fund restricted to investing in obligations of the U.S. government and other instruments issued by the State of Ohio.

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

Cash and cash equivalents of the Authority as of December 31, 2009, are as follows:

| | |
|--------------------------------------|---------------------|
| Active deposits: | |
| Deposits with financial institutions | \$ 16,738,471 |
| STAR Ohio | <u>16,020,579</u> |
| Carrying balance | <u>\$32,759,050</u> |

At year-end, the carrying amount of the Authority's deposits was \$16,738,471 and the total bank balance was \$17,636,485, the difference representing outstanding checks and other in-transit items. Of the bank balance, \$1,500,000 was covered by federal depository insurance, \$250 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, 2009, the Authority had \$16,020,579 held in STAR Ohio. STAR Ohio is a highly liquid investment pool with participation restricted to subdivisions of the State of Ohio. Under Ohio Revised Code Section 135.143, STAR Ohio is 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— The Authority’s investments and maturities as of December 31, 2009, are as follows:

| | Fair Value | Maturity Date | Credit Rating S & P/Moody’s |
|--------------------------------|-------------------------|------------------|--------------------------------|
| Federal home loan | \$ 2,669,860 | January 21, 2011 | AAA/Aaa |
| CD | 8,700,000 | July 15, 2010 | N/A |
| CD | 7,000,000 | June 1, 2010 | N/A |
| CD | 91,736 | March 6, 2010 | N/A |
| CD | 200,000 | February 4, 2010 | N/A |
| Mutual funds | 37,992 | N/A | N/A |
| Guaranteed investment contract | <u>63,127</u> | N/A | N/A |
| Total | <u>\$18,762,715</u> | | |

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

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

| | |
|--------------------------------|------------------|
| U.S. federal agency | 14.2 % |
| CDs | 85.3 |
| Guaranteed investment contract | 0.3 |
| Mutual funds | <u>0.2</u> |
| Total | <u>100 %</u> |

Custodial Credit Risk — For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. 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, 2009, the Authority maintains cash balances of \$22,372,380 and investments of \$9,862,715, which are restricted as to their use. Of these amounts, \$12,319,679 is restricted to funding construction of housing and repaying related debt, \$1,577 for housing assistance payments, and \$19,913,839 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 \$18,896,789, and is presented net of allowance for doubtful accounts of \$4,127,684 as of December 31, 2009.

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

In August 2000, the Authority entered into a promissory note (the "Gender Road Note") with Gender Road Limited Partnership, a component unit of the Authority (see Note 10), for the purchase of low-income housing for a maximum amount of \$10,000,000 without interest. The Gender Road Note agreement provides that Gender Road Limited Partnership will make minimum annual payments to the Authority in the amount of \$25,000, and the remaining balance of the principal will be due 35 years from the date of the Gender Road Note. The balance of the Gender Road Note is \$6,240,083, and is presented net of allowance for doubtful accounts of \$464,047 at December 31, 2009.

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

In October 2002, the Authority entered into a promissory note (the "Waggoner Note") with Waggoner Senior Housing Limited Partnership (see Note 10) for the development of low-income housing in the amount of \$262,000. The Waggoner Note agreement has an annual interest rate of 4.9% and provides that payments are deferred until cash flows are sufficient to make payments, 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 \$262,000 at December 31, 2009.

In December 2002, the Authority entered into a Construction Loan (the "Waggoner Construction Loan") with Waggoner Senior Housing Limited Partnership (see Note 10) for the development of low-income housing. In 2006, the construction on the 75-unit housing project was completed, and the Waggoner Construction Loan in the amount of \$1,753,830 was issued to Waggoner Senior Housing Limited Partnership. The Waggoner Construction Loan has an annual interest rate of 0.5% and provides that all payments are deferred until cash flows are sufficient to make payments, and the entire balance of principal and all unpaid interest shall be due and payable 40 years from the date of the Waggoner Construction Loan. The balance of the Waggoner Construction Loan is \$1,753,830 at December 31, 2009, and is presented net of an allowance for doubtful accounts of \$89,680.

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

In February 2006, the Authority entered into an agreement with Worley Terrace, LLC whereby the Authority will provide a capital contribution of \$7,810,325 and a promissory note (the "Worley Note") of \$2,385,297 for the development of low-income elderly housing. The Worley Note was paid in full June 2009.

In June 2009, the Authority entered into an agreement with VTT Skyview Towers, LLC whereby the Authority will sell certain real estate property known as Sawyer Towers in exchange for Promissory Note of \$1,275,000. VTT Skyview Towers LLC shall make a principal payment in the amount of \$400,000 on or before October 29, 2010. The note has an annual interest rate of 8% and the balance of the principal and any accrued but unpaid interest thereon, shall be paid in full on the maturity date, October 29, 2011.

4. CAPITAL ASSETS

The changes in capital assets during the year ended December 31, 2009, are as follows:

| | Balance 2008 | Additions | Disposals | Transfers | Balance 2009 |
|--------------------------|----------------------|--------------------|-----------------------|--------------------|----------------------|
| Land | \$ 2,948,387 | \$ 86,001 | \$ - | \$ - | \$ 3,034,388 |
| Site improvements | 29,254,678 | 22,272 | (259,478) | 459,119 | 29,476,591 |
| Buildings | 183,276,731 | 320,372 | (15,902,255) | 3,653,943 | 171,348,791 |
| Community buildings | 11,500,762 | | | | 11,500,762 |
| Other capital assets | 6,273,902 | 174,225 | (327,758) | 70,649 | 6,191,018 |
| Construction in process | <u>7,077,123</u> | <u>6,634,738</u> | | <u>(4,267,916)</u> | <u>9,443,945</u> |
| Total | 240,331,583 | 7,237,608 | (16,489,491) | (84,205) | 230,995,495 |
| Accumulated depreciation | <u>(174,344,549)</u> | <u>(7,243,351)</u> | <u>13,789,045</u> | | <u>(167,798,855)</u> |
| Capital assets— net | <u>\$ 65,987,034</u> | <u>\$ (5,743)</u> | <u>\$ (2,700,446)</u> | <u>\$ (84,205)</u> | <u>\$ 63,196,640</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 2009, those payments totaled \$306,429.

6. RISK MANAGEMENT

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

The Authority is a member of Housing Authority Risk Retention Group (HARRG), which is a comprehensive general liability insurance group operated as a joint venture by its 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; \$1,000,000 of public officials' errors and omissions coverage, with a \$50,000 deductible; \$100 million of property with a \$25,000 deductible; \$1,000,000 flood and earthquake with a \$25,000 deductible; \$50 million boiler with a \$1,000 deductible; and \$100,000 coverage for mold or other fungus, with a \$25,000 deductible. The Authority paid \$556,111 in premiums to HARRG for the year ended December 31, 2009.

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

The Authority is part of the statewide plan for workers' compensation insurance coverage.

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

7. BONDS AND NOTES PAYABLE

A rollforward of the Authority's long-term debt as of December 31, 2009, is as follows:

| | Balance 2008 | Increase | Decrease | Balance 2009 | Due Within One Year |
|---------------|--------------------|-------------------|------------------|--------------------|------------------------|
| Bonds payable | \$5,245,000 | \$ - | \$ 50,000 | \$5,195,000 | \$ 55,000 |
| Notes payable | <u>2,391,528</u> | <u> </u> | <u>294,249</u> | <u>2,097,279</u> | <u>306,175</u> |
| Total | <u>\$7,636,528</u> | <u>\$ -</u> | <u>\$344,249</u> | <u>\$7,292,279</u> | <u>\$361,175</u> |

Bonds Payable— In December 2002, New Village Homes issued \$5,420,000 of Columbus Metropolitan Housing Authority Multifamily Housing Mortgage Revenue Bonds, Series 2003, guaranteed by HUD, for the construction of the New Village Homes Project. Principal payments are due at various intervals, with the balance due on November 20, 2044. The bonds are fully collateralized by the building. The interest rate is 5.4%. The future debt service as of December 31, 2009, is as follows:

| Maturity Date | Principal Amount | Interest Amount | Total |
|---------------|---------------------|--------------------|---------------------|
| 2010 | \$ 55,000 | \$ 261,684 | \$ 316,684 |
| 2011 | 55,000 | 259,384 | 314,384 |
| 2012 | 60,000 | 257,184 | 317,184 |
| 2013 | 60,000 | 254,641 | 314,641 |
| 2014 | 65,000 | 251,548 | 316,548 |
| 2015–2019 | 385,000 | 1,204,896 | 1,589,896 |
| 2020–2024 | 495,000 | 1,097,816 | 1,592,816 |
| 2025–2029 | 650,000 | 956,534 | 1,606,534 |
| 2030–2034 | 850,000 | 770,326 | 1,620,326 |
| 2035–2039 | 1,110,000 | 524,160 | 1,634,160 |
| 2040–2044 | <u>1,410,000</u> | <u>201,925</u> | <u>1,611,925</u> |
| Total | <u>\$5,195,000</u> | <u>\$6,040,098</u> | <u>\$11,235,098</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. ("Honeywell") 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 notes payable as of December 31, 2009, are as follows:

| Maturity Date | Principal | Interest | Total |
|----------------------|--------------------|------------------|--------------------|
| 2010 | \$ 306,175 | \$ 77,927 | \$ 384,102 |
| 2011 | 318,585 | 65,517 | 384,102 |
| 2012 | 331,499 | 52,603 | 384,102 |
| 2013 | 344,936 | 39,166 | 384,102 |
| 2014–2016 | <u>796,084</u> | <u>36,136</u> | <u>832,220</u> |
| Total | <u>\$2,097,279</u> | <u>\$271,349</u> | <u>\$2,368,628</u> |

8. PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS

The Authority contributes to the Public Employees' Retirement System of Ohio (OPERS), a cost-sharing, multiple-employer, defined benefit pension plan administered by the State of Ohio. OPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Authority to establish and amend benefits is provided by State Statute per Chapter 145 of the Ohio Revised Code. OPERS administers three separate pension plans: The Traditional Pension Plan — a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan — a defined contribution plan; and the Combined Plan — a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer, defined postemployment health care plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including postemployment health care coverage.

OPERS also 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, OH 43215-4642 or by calling +1 614 222 5601 or +1 800 222 7377.

The Authority's expense for OPERS, representing 100% of employer contributions, were \$1,367,742, \$1,449,483, and \$1,347,058, for the years ended December 31, 2009, 2008, and 2007, respectively.

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

- OPERS provides postretirement health care coverage to age and service retirees with 10 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 OPEB as described in GASB Statement No. 12, *Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers*, and meets the definition of OPEB as described in GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. 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. In 2009, state and local employers contributed a rate of 14% of covered payroll and public safety and law enforcement employer units contributed at 17.6%. The portion of employer contributions allocated to health care was 7% in 2009 from January 1 through March 31, 2009, and 5.5% from April 1 through

December 31, 2009, for all employers. Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. The portion of the Authority's 2009 and 2008 expense that were used to fund postemployment benefits was \$577,794 and \$724,741, respectively.

- The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care benefits. The OPERS Postemployment Health Care Plan was established under, and is administrated in accordance with, Internal Revenue Code (IRC) Section 401(h).
- The assumptions and calculations below were based on OPERS' latest actuarial review performed as of December 31, 2008. An individual entry age 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 2008 was 6.5%. An annual increase of 4% 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% base increase, were assumed to range from 0.5% to 6.3%. Health care costs were assumed to increase at the projected wage inflation rate, plus an additional factor ranging from 0.5% to 3% for the next six years. In subsequent years (seven and beyond), health care costs were assumed to increase 4% (the projected wage inflation rate).
- OPEBs are advance funded on an actuarially determined basis. As of December 31, 2008, the actuarial value of OPERS' net assets available for OPEB was \$10.7 billion. The number of active contributing participants used in the December 31, 2008, actuarial valuation was 356,388. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$29.6 billion and \$18.9 billion, respectively.

The Health Care Preservation Plan adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, 2007, and 2008, which allowed additional funds to be allocated to the health care plan.

9. DEFERRED COMPENSATION

The Authority offers its employees a deferred compensation plan created in accordance with IRC Section 457. The plan, available to all regular employees, permits them to defer a portion of their salaries until future years. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency. The Authority made no contributions to the plan in 2009.

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

10. RELATED ENTITIES

Rosewind Limited Partnership (a Discretely Presented Component Unit) — In November 1996, the Authority established a not-for-profit subsidiary known as Metropolitan Housing Partners (MHP), which is included in other business ventures. MHP is the majority owner, with a 79% interest, in Rosewind GP Corporation, which is the 1% general partner in Rosewind Limited Partnership, a component unit of the Authority (see Note 13). These entities were established to facilitate the construction of low-income housing for which third-party investors will receive low-income tax credits in return for equity investments in Rosewind Limited Partnership.

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

For the year ended December 31, 2009, 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 2009. There were no amounts held in escrow at December 31, 2009.

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 IRC Section 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 2009. 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 Gender Road Limited Partnership, a component unit of the Authority (see Note 14). These entities were established to facilitate the construction of low-income housing for which third-party investors will receive low-income tax credits in return for equity investments in Gender Road Limited Partnership.

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

For the year ended December 31, 2009, the Authority has not incurred any accounts payable to Gender Road Limited Partnership for pass-through funds to subsidiaries. Additionally, the Authority has outstanding notes receivable (see Note 3) for the sale of the property.

In August 2000, Franklin County, Ohio, issued \$6 million in tax-exempt bonds on behalf of Gender Road Limited Partnership, as the borrower. The proceeds of the bond issuance were used to repay the promissory note agreements owed to the Authority by Gender Road Limited Partnership. The Authority, in turn, pledged the monies and subsequent interest earned, on behalf of Gender Road Limited Partnership, as collateral for the repayment of the tax-exempt bonds issued and interest expense incurred on the bonds. A principal payment in the amount of \$25,000 was made during 2009.

Gender Road Limited Partnership is allocated Federal Low-Income Housing Tax Credits under the program described by IRC Section 42. These tax credits are not reflected in the accompanying 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 2009. The General Partner does not receive a fee under this provision.

Jenkins Terrace, LLC (a Discretely Presented Component Unit) — In March 2005, MHP became the majority owner of Jenkins Terrace Incorporated, with a 75% ownership interest. Jenkins Terrace Inc. is the Managing Member in Jenkins Terrace, LLC, a component unit of the Authority (see Note 15).

These entities were established to facilitate the construction of low-income housing for which third-party investors will receive low-income tax credits in return for equity investments in Jenkins Terrace, LLC.

Construction has been funded using Capital grant funds and the proceeds of a bond issuance. The Authority leases to Jenkins Terrace, LLC the property on which the low-income housing was constructed. The lease term is for 55 years at \$100 per year.

For the year ended December 31, 2009, the Authority has not incurred any accounts payable to Jenkins Terrace, LLC for pass-through funds to subsidiaries.

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

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

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

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

For the year ended December 31, 2009, 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 0.01% ownership interest in Worley Terrace, LLC, a component unit of the Authority (see Note 16).

These entities were established to facilitate the construction of low-income housing for which third-party investors will receive low-income tax credits in return for equity investments in Worley Terrace, LLC.

Construction has been funded using Capital grant funds and the proceeds of a bond issuance. The Authority leases to Worley Terrace, LLC the property on which the low-income housing was constructed. The lease term is for 55 years at \$100 per year.

For the year ended December 31, 2009, the Authority has not incurred any accounts payable for pass-through funds to subsidiaries.

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

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

11. UNCOMPLETED CONTRACTS

At December 31, 2009, the Authority has commitments of \$7,743,484 in uncompleted contracts for the Capital Grant Program.

12. CONTINGENT LIABILITIES

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

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

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

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

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

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

Summary of Significant Accounting Policies

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

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

| | |
|------------------------|-------------|
| Buildings | 15–40 years |
| Furniture and fixtures | 7 years |

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

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 and the statement of cash flows.

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.

Effective January 1, 2009, Partnership adopted the Financial Accounting Standards Codification, *Accounting for Uncertainty in Income Tax Positions*. This standard requires the Partnership to annually evaluate tax positions as part of the preparation of its tax accrual. This process includes an analysis of whether tax positions the Partnership takes with regard to a particular item of income or deduction would meet the definition of an uncertain tax position. The Partnership's open audit periods are 2006–2008. No accrual has been recorded as management believes there are no uncertain tax positions for the Partnership.

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

Cash Reserves— Cash reserves at December 31, 2009, included the following:

| | |
|----------------------------|------------------------|
| Tenants' security deposits | \$ 50,262 |
| Rental payment escrow | 3,421 |
| Replacement reserve | 290,963 |
| Exit tax escrow | <u>783,706</u> |
| Total | <u>\$1,128,352</u> |

Other Assets— Other assets at December 31, 2009, included the following:

| | |
|-------------------|---------------------|
| Prepaid insurance | \$77,941 |
| Prepaid contracts | <u>5,034</u> |
| Total | <u>\$82,975</u> |

Note Payable— The Partnership has a note payable to the Columbus Metropolitan Housing Authority (CMHA) in the amount of \$18,896,789 at December 31, 2009. The note does not bear interest and is payable as funds are available. The note matures in 2032. Proceeds of this note were to be used for construction and operating expenditures. The note is secured solely by the Partnership property.

Related-Party Transactions— The Partnership Agreement provides 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 \$8,868 were charged to expense in 2009.

Management fees were based on \$35 per occupied unit per month and are payable to CMHA. Management fees amounting to \$94,115 were charged to expense in 2009.

All operating expenses are initially incurred and paid by CMHA. The Partnership reimburses CMHA for its monthly expenses. As of December 31, 2009, the Partnership owed CMHA \$127,633. This amount is included in accounts payable— trade in the accompanying balance sheet.

Operating Deficit Guaranty— The Partnership has entered into a Development Agreement, Guaranty Agreement, and Pledge Agreement with 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 IRC Section 42. These tax credits are not reflected in the accompanying financial statements of the Partnership, and therefore, have not been audited. However, the Partnership Agreement provides for a credit reduction payment. In the event that the total amount of tax credits obtained is less than the total amount projected, the Limited Partners shall reduce their required capital contribution by the amount of the shortfall (as defined in the Partnership Agreement). Further, if the full amount of annual tax credits is not obtained, the General Partner of the project partnership is obligated to pay the Limited Partners the amount of the shortfall. Under the terms of the Partnership Agreement, Rosewind General Partner is required to provide the General Partner a maximum of \$1,331,406 for this purpose. No credit reduction payments were made during 2009. The General Partner does not receive a fee under this provision.

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

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

Subsequent Events— Date of Management Evaluation— Management has evaluated subsequent events through March 1, 2010, the date on which the financial statements were available to be issued.

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

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

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

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

Summary of Significant Accounting Policies

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

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

| | |
|------------------------|------------|
| Buildings | 27.5 years |
| Site improvements | 15 years |
| Furniture and fixtures | 5 years |

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

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— 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, 99.9% and 0.1%, respectively, other than special allocations (as defined by the Partnership Agreement) and certain other items that are specifically allocated in accordance with the Partnership Agreement.

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

Effective January 1, 2009, Partnership adopted the Financial Accounting Standards Codification, *Accounting for Uncertainty in Income Tax Positions*. This standard requires the Partnership to annually evaluate tax positions as part of the preparation of its tax accrual. This process includes an analysis of whether tax positions the Partnership takes with regard to a particular item of income or deduction would meet the definition of an uncertain tax position. The Partnership's open audit periods are 2006–2008. No accrual has been recorded as management believes there are no uncertain tax positions for the Partnership.

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

Cash Reserves— Cash reserves at December 31, 2009, included the following:

| | |
|----------------------------|-------------------|
| Operating reserve | \$ 440,194 |
| Tenants' security deposits | 27,716 |
| Replacement reserve | <u>98,985</u> |
| Total | <u>\$ 566,895</u> |

Other Assets— Other assets at December 31, 2009, included the following:

| | |
|---------------------------------|------------------|
| Prepaid insurance | \$ 18,176 |
| Compliance monitoring fee — net | <u>4,750</u> |
| Total other assets | <u>\$ 22,926</u> |

Note Payable— The Partnership has a \$10,000,000 open-end mortgage with the Authority. The Partnership is required to make minimum annual payments of \$25,000 per year. At December 31, 2009, the outstanding balance on the loan was \$6,240,082. The loan does not bear interest and is due on July 31, 2035. The mortgage is secured solely by the Partnership property.

Related-Party Transactions— The note receivable from the Limited Partners in the amount of \$313,000 as of December 31, 2009, is for the subscribed capital contributions. The note is secured solely by the Limited Partners' interest in the Partnership. The balance of \$313,000 is due full in 2011.

The Partnership Agreement provides that an annual asset management fee be paid to Ohio Capital Corporation for Housing (OCCH). The fee is \$4,000 for the first year and increases 4% annually, as set forth in the Partnership Agreement. Asset management fees in the amount of \$5,472 were charged to expense in 2009.

Management fees are based on \$35 per occupied unit, per month and are payable to CMHA. Management fees amounting to \$35,815 were charged to expense in 2009.

All operating expenses are initially incurred and paid by CMHA. The Partnership reimburses CMHA for its monthly expenses. As of December 31, 2009, the Partnership owed CMHA \$46,342. This amount is included in accounts payable — trade in the accompanying balance sheet.

Credit Reduction Payment — The Partnership is allocated Federal Low-Income Housing Tax Credits under the program described by the IRC Section 42. These tax credits are not reflected in the accompanying financial statements of the Partnership and, therefore, have not been audited. However, the Partnership Agreement provides for a credit reduction payment. In the event that the total amount of tax credits obtained is less than the total amount projected, the Limited Partners shall reduce their required capital contribution by the amount of the shortfall (as defined in the Partnership Agreement). Further, if the full amount of annual tax credits is not obtained, the General Partner of the project partnership is obligated to pay the Limited Partners the amount of the shortfall. Under the terms of the Partnership Agreement, Gender Road Limited Partnership is required to provide the General Partner a maximum of \$600,000 for this purpose. No credit reduction payments were made during 2009. The General Partner does not receive a fee under this provision.

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

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

Subsequent Events — Date of Management Evaluation — Management has evaluated subsequent events through March 1, 2010, the date on which the financial statements were available to be issued.

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

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

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

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

Summary of Significant Accounting Policies

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

Rental Property— Rental property is carried at cost, less accumulated depreciation computed on 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 costs and related accumulated depreciation are removed from the accounts, and any gain or loss is included in income. Rental property assets are depreciated over their estimated useful lives as follows:

| | |
|------------------------|-----------|
| Buildings | 40 years |
| Site improvements | 15 years |
| Furniture and fixtures | 3–5 years |

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

Cash Reserves— Cash reserves include tenant security deposits and investor contributions. The reserves have been established in amounts considered by the members to be adequate and in accordance with the Operating Agreement. Use of the reserves is restricted as defined in the Operating Agreement, and therefore, the reserves have been excluded from cash in the accompanying balance sheet.

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

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

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

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

Effective January 1, 2009, Partnership adopted the Financial Accounting Standards Codification, *Accounting for Uncertainty in Income Tax Positions*. This standard requires the Partnership to annually evaluate tax positions as part of the preparation of its tax accrual. This process includes an analysis of whether tax positions the Partnership takes with regard to a particular item of income or deduction

would meet the definition of an uncertain tax position. The Partnership's open audit periods are 2006–2008. No accrual has been recorded as management believes there are no uncertain tax positions for the Partnership.

Cash — The Company maintains two bank accounts with one financial institution, which, at times, may exceed federally insured limits.

Cash Reserves — Cash reserves at December 31, 2009, included the following:

| | |
|----------------------------|-----------------|
| Operating reserve | \$ - |
| Tenants' security deposits | <u>23,137</u> |
| Total | <u>\$23,137</u> |

Other Assets and Prepaid Expense — Other assets and prepaid expense at December 31, 2009, included the following:

| | |
|---------------------------|-----------------|
| Compliance monitoring fee | \$43,334 |
| Prepaid expense | - |
| Tax credit fees | <u>24,680</u> |
| Total other assets | <u>\$68,014</u> |

Related-Party Transactions — The note receivable from the Investor Member in the amount of \$486,372 as of December 31, 2009, is for the subscribed capital contributions. The note is secured solely by the Investor Member's interest in the Company. The balance is due in an installment of \$468,372 on or before April 30, 2013.

The Operating Agreement provides that an asset management fee be paid to Ohio Capital Corporation for Housing (OCCH). The fee for the term of the agreement (15 years) is \$65,000 and was paid in November 2007. The asset management fee will be amortized over the term of the agreement beginning in 2008. Prepaid asset management fees were \$56,333 as of December 31, 2009, and are included in prepaid expenses in the accompanying balance sheet.

The development agreement provides that a development fee of \$1,884,700 be paid to the Authority, as affiliate of the Managing Member, for providing certain development services and guarantees for the completion of the development of the Project. The total development fee was capitalized as a depreciable cost of the rental property. The amount was paid in full during 2008.

Beginning in 2007, monthly management fees of \$35 per occupied unit are payable to CMHA. This amount increases by 3% annually. Management fees amounting to \$43,903 were charged to expense in 2009.

All operating expenses are initially incurred and paid by the Authority. The Company reimburses CMHA for its monthly expenses. As of December 31, 2009, the Company owed CMHA \$39,816. These amounts are included in accounts payable — trade in the accompanying balance sheet.

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

Credit Reduction Payment — The Company is allocated Federal Low-Income Housing Tax Credits under the program described by IRC Section 42. These tax credits are not reflected in the accompanying financial statements of the Company, and therefore, have not been audited. However, the Operating Agreement provides for a credit reduction payment. In the event that the total amount of tax credits obtained is less than the total amount projected, the Investor Member shall reduce its required capital contribution by the amount of the shortfall (as defined in the Operating Agreement). Further, if the full amount of annual tax credits is not obtained, the Managing Member of the Company is obligated to pay the Investor Member the amount of the shortfall. Under the terms of the Operating Agreement, Jenkins Terrace, LLC is required to provide the Managing Member with a maximum of \$1,884,700 for this purpose. No credit reduction payments were made during 2009. The Managing Member does not receive a fee under this provision.

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

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

In addition, the covenant requires rent restrictions so that the units can be rented at a level that is affordable to persons with income at or below specific percentages of the AMGI. These restrictions are as follows:

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

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

Subsequent Events — Date of Management Evaluation — Management has evaluated subsequent events through February 23, 2010, the date on which the financial statements were available to be issued.

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

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

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

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

Summary of Significant Accounting Policies

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

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

| | |
|----------------------------|----------|
| Buildings and improvements | 40 years |
| Site improvements | 15 years |
| Furniture and fixtures | 5 years |

Interest of \$222,218 was capitalized as part of rental property during 2008. No interest was capitalized during 2009.

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

Cash Reserve— Cash reserve include an interest escrow account as of December 31, 2008, and tenant security deposits and replacement reserve accounts as of December 31, 2009. The reserves have been established in amounts considered by the Members to be adequate and in accordance with the Operating Agreement. Use of the reserves is restricted as defined in the Operating Agreement, and therefore, the reserves have been excluded from cash in the accompanying balance sheet.

Tenant Receivable— Tenant rent charges for the current month are due on the first of the month. Tenants who are evicted or move out are charged with any damages or cleaning fees. The Company accounts for all past-due rents at the contract rate and recognizes other tenant charges on the date assessed at the actual amount due. The Company does not accrue interest on tenant receivable balances. The carrying amount of tenant receivables is reduced by a valuation allowance that reflects management's best estimate of the amount that will 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.

Bond Closing Costs— Direct costs included in connection with obtaining bond financing have been capitalized and were amortized over the life of the bonds using the straight-line method. The cost was fully amortized in 2008.

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

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

Effective January 1, 2009, the Company adopted the Financial Accounting Standards Codification, *Accounting for Uncertainty in Income Tax Positions*. This standard requires the Company to annually evaluate tax positions as part of the preparation of its tax accrual. This process includes an analysis of whether tax positions the Company takes with regard to a particular item of income or deduction would meet the definition of an uncertain tax position. The Company's open audit periods are 2006–2008. No accrual has been recorded as management believes there are no uncertain tax positions for the Company.

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

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

| | 2009 |
|---------------------------|-------------------|
| Replacement reserve | \$ 231,614 |
| Tenants' security deposit | <u>21,847</u> |
| Total | <u>\$ 253,461</u> |

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

| | 2009 |
|---------------------------------|-------------------|
| Compliance monitoring fee — net | \$ 84,000 |
| Asset management fee — net | <u>70,000</u> |
| Total | <u>\$ 154,000</u> |

Bonds Payable — The Company had issued bonds in the amount of \$7,000,000 with interest at 4.125% to finance construction. The bonds were repaid during 2008.

Related-Party Transactions — The note receivable from the Investor Members in the amount of \$215,808 as of December 31, 2009, is for the subscribed capital contributions. The note is secured solely by the Investor Members' interest in the Company. The balance is due in installments ranging from \$100,000 to \$115,808 through the year 2014.

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

The development agreement provides that a development fee of \$1,928,705 be paid to the Columbus Metropolitan Housing Authority (CMHA), an affiliate of the Managing Member, for providing certain development services and guarantees for the completion of the development of the Project. The total development fee was capitalized as a depreciable cost of the rental property. The entire development fee was paid to CMHA during 2009.

The Project also owed CMHA \$2,588,075 relating to various expenses for the construction and related costs as of December 31, 2008. These amounts were included in account payable — trade in the accompanying balance sheet. The balance was paid in full during 2009.

Monthly management fees of \$35 per occupied unit are payable to CMHA. Management fees amounting to \$41,300 were charged to expense during 2009.

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

All operating expenses are initially incurred and paid by CMHA. The Project reimburses CMHA for its monthly expenses. As of December 31, 2009, the Project owed CMHA \$50,667. This amount is included accounts payable — trade in the accompanying balance sheets.

Credit Reduction Payment — The Company is allocated Federal Low-Income Housing Tax Credits under the program described by IRC Section 42. These tax credits are not reflected in the accompanying financial statements of the Company and, therefore, have not been audited. However, the Operating Agreement provides for a credit reduction payment. In the event that the total amount of tax credits obtained is less than the total amount projected, the Investor Member shall reduce its required capital contribution by the amount of the shortfall (as defined in the Operating Agreement). Further, if the full amount of annual tax credits is not obtained, the Managing Member of the Company is obligated to pay the Investor Members the amount of the shortfall. Under the terms of the Operating Agreement, Worley Terrace, LLC is required to provide the Managing Member a maximum of \$1,958,591 for this purpose. No credit reduction payments were made during 2009. The Managing Member does not receive a fee under this provision.

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

Commitments and Contingencies

Restrictive Covenant — The Company's participation in the housing tax credit program requires the Company to enter into and be bound by a restrictive covenant with Housing and Urban Development (HUD). The covenant states that 100% of the project property must be maintained as low-income housing for an initial compliance period of 15 years and for the extended use period of an additional 15 years, unless terminated after the end of the initial 15-year period.

In addition, the covenant requires rent restrictions so that the units can be rented at a level that is affordable to persons with income at or below specific percentages of the area median gross income (AMGI). These restrictions are as follows:

Income restrictions:

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

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

Rent restrictions:

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

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

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

Subsequent Events — Date of Management Evaluation — Management has evaluated subsequent events through March 1, 2010, the date on which the financial statements were available to be issued.

17. PRIOR PERIOD ADJUSTMENT

On January 30, 2008, the U.S. Department of Housing and Urban Development issued Notice PIH 2008-9 "Financial Reporting Requirement for the Housing Choice Voucher Program Submitted Through the Financial Assessment Subsystem for Public Housing and the Voucher Management System." This notice changed the structure of the housing assistance payment funds received previously and prospectively under the Section 8 Housing Choice Voucher Program. Historically the time and purpose restrictions were met and revenue was recognized when an expense was incurred. With the issuance of Notice PIH 2008-9, HUD has removed the time and purpose restrictions associated with the funds and revenue is recognized when the funds are received by the Authority. This required the restatement of \$9,192,718 from deferred credits to HUD grant nonoperating revenue in 2008, which results in the restatement of beginning restricted net assets.

* * * * *

SUPPLEMENTAL FINANCIAL DATA SCHEDULES

COLUMBUS METROPOLITAN HOUSING AUTHORITY

**CONSOLIDATING STATEMENT OF NET ASSETS INFORMATION
AS OF DECEMBER 31, 2009**

| | Section 8 Housing Choice Vouchers 14.871 | DHAP 97.109 | MainStream 14.781 | Section 8 Veterans 14. VASH | Capital Grant 14.872 | Capital Stimulus 14.884 | HOPE VI 14.866 | Shelter Care Plus 14.238 | Other Business Ventures | Section 8 NC S/R 14.182 | Central Office | AHSC 14.195 | Interprogram Eliminations | Total |
|---|--|----------------|----------------------|-----------------------------------|----------------------------|-------------------------------|-------------------|--------------------------------|-------------------------------|-------------------------------|-------------------|----------------|------------------------------|---------------|
| ASSETS | | | | | | | | | | | | | | |
| CASH AND CASH EQUIVALENTS: | | | | | | | | | | | | | | |
| Unrestricted | \$ 4,071,011 | \$ - | \$ 56,016 | \$ - | \$ - | \$ - | \$ - | \$ 165,862 | \$ 1,451,404 | \$ - | \$ 3,351,396 | \$ 462,773 | \$ - | \$ 10,386,670 |
| Restricted, modernization, and development | 1,523,436 | | | | 15,863 | | | | 264,577 | | 855,803 | 1,577 | | 2,659,679 |
| Other restricted | 555 | 81,983 | | | | | | | 5,717,905 | | | | | 12,134,888 |
| Tenant security deposits | 314,318 | | 29,515 | 268,663 | | | | | 86,465 | | | | | 400,783 |
| Restricted for payment of current liability | 6,726,835 | | | | | | | | 152,017 | | | | | 7,177,030 |
| Total cash and cash equivalents | 5,909,320 | 81,983 | 85,531 | 268,663 | 15,863 | - | - | 165,862 | 7,672,368 | - | 4,207,199 | 464,350 | - | 32,759,050 |
| ACCOUNTS AND NOTES RECEIVABLE: | | | | | | | | | | | | | | |
| Accounts receivable — PHA projects | 63,517 | | | | | | | | | | | | | 63,517 |
| Accounts receivable — HUD, other projects | 225,161 | | | 12,655 | 635,578 | 438,915 | | 7,728 | 323,443 | | 721,024 | 4,881,404 | (53,803) | 6,201,441 |
| Accounts receivable — miscellaneous | 312,382 | 475 | 16,400 | 1,990 | | | | | | | | | | 1,544,968 |
| Allowance for doubtful accounts — miscellaneous | | | | | | | | | | | | | | - |
| Accounts receivable — tenants, dwelling rent | 157,142 | | | | | | | | 14,301 | | | | | 171,443 |
| Allowance for doubtful accounts — dwelling rent | (19,528) | | | | | | | | (850) | | | | | (20,378) |
| Allowance for doubtful accounts — other | | (475) | (16,400) | (1,990) | | | | | | | (2,889,670) | | | (3,219,957) |
| Notes and mortgages receivable — current | 400,000 | | | | | | | | | | 50,000 | | | 450,000 |
| Fraud recovery | | | | | | | | | | | | | | 1,105,475 |
| Allowance for doubtful accounts — fraud | | | | | | | | | | | | | | (1,105,475) |
| Accrued interest receivable | | | | | | | | | | | | | | 560,756 |
| Total receivables — net allowance for doubtful accounts | 760,671 | - | - | 12,655 | 635,578 | 438,915 | - | 7,728 | 551,517 | - | (1,843,459) | 4,881,404 | (53,803) | 5,751,790 |

(Continued)

COLUMBUS METROPOLITAN HOUSING AUTHORITY

CONSOLIDATING STATEMENT OF NET ASSETS INFORMATION
AS OF DECEMBER 31, 2009

| | Low Rent 14,850 | Section 8 Housing Choice Vouchers 14,871 | DHAP 97,109 | Main Stream 14,181 | Section 8 Veterans 14, VASH | Capital Grant 14,872 | Capital Stimulus 14,884 | HOPE VI 14,866 | Shelter Care Plus 14,238 | Other Business Ventures | Section 8 NC SIR 14,182 | Central Office | AHSC 14,195 | Interprogram Eliminations | Total |
|--|--------------------|--|----------------|--------------------------|-----------------------------------|----------------------------|-------------------------------|-------------------|--------------------------------|-------------------------------|-------------------------------|-------------------|----------------|------------------------------|----------------|
| INVESTMENTS: | | | | | | | | | | | | | | | |
| Unrestricted | \$ - | \$ 800,000 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 3,200,000 | \$ - | \$ 4,900,000 | \$ - | \$ - | \$ 8,900,000 |
| Restricted for payment of current liability | | | | | | | | | | | | | | | |
| Restricted | | | | | | | | | | 192,855 | | 9,669,860 | | | 9,862,715 |
| Total investments | | 800,000 | | | | | | | | 3,392,855 | | 14,569,860 | | | 18,762,715 |
| PREPAID EXPENSES AND OTHER ASSETS — Excluding accrued interest receivables | 198,256 | 91,487 | | | | | | | 1,948 | 58,375 | | 130,127 | | | 480,193 |
| INVENTORIES | | | | | | | | | | | | 196,070 | | | 196,070 |
| ALLOWANCE FOR OBSOLETE INVENTORIES | | | | | | | | | | | | (5,764) | | | (5,764) |
| INTERPROGRAM RECEIVABLE | | | | | | | | | | | | 10 | | (10) | |
| CAPITAL ASSETS: | | | | | | | | | | | | | | | |
| Land | 98,620 | 785,041 | | | | | | | | 306,600 | | 1,844,127 | | | 3,034,388 |
| Buildings | 182,548,990 | 318,040 | | | | | | | | 17,307,217 | | 12,151,897 | | | 212,326,144 |
| Furniture, equipment, and machinery — dwellings | 1,482,376 | | | | | | | | | 72,000 | 50,440 | 1,727,423 | | | 3,332,239 |
| Furniture, equipment, and machinery — administration | | 2,143,963 | | | | | | | 16,926 | 431,281 | | | 266,609 | | 2,858,779 |
| Accumulated depreciation | (155,816,197) | (1,912,665) | | | | | | | (16,926) | (3,851,567) | (50,440) | (5,884,451) | (266,609) | | (167,798,855) |
| Construction in progress | | | | | | 7,461,621 | 1,011,743 | | | 962,181 | | 8,400 | | | 9,443,945 |
| Total capital assets — net of accumulated depreciation | 28,313,789 | 1,334,379 | | | | 7,461,621 | 1,011,743 | | | 15,227,712 | | 9,847,396 | | | 63,196,640 |
| OTHER ASSETS: | | | | | | | | | | | | | | | |
| Notes and mortgages receivable — noncurrent | 875,000 | | | | | | | | | 261,990 | | 25,048,971 | | | 26,185,961 |
| Other assets | | | | | | | | | | 203,480 | | 3,863 | | | 207,343 |
| Investments and joint ventures | | | | | | | | | | 1,019 | | 16,651,283 | | | 16,652,302 |
| Total other assets | 875,000 | | | | | | | | | 466,489 | | 41,704,117 | | | 43,045,606 |
| TOTAL | \$ 36,057,036 | \$ 16,474,361 | \$ 81,983 | \$ 85,531 | \$ 281,318 | \$ 8,113,062 | \$ 1,450,658 | \$ - | \$ 175,538 | \$ 27,369,316 | \$ - | \$ 68,805,556 | \$ 5,345,754 | \$ (63,813) | \$ 164,186,300 |

(Continued)

COLUMBUS METROPOLITAN HOUSING AUTHORITY

CONSOLIDATING STATEMENT OF NET ASSETS INFORMATION
AS OF DECEMBER 31, 2009

| | Low Rent 14,850 | Section 8 Housing Choice Vouchers 14,871 | DHAP 97,109 | Main Stream 14,181 | Section 8 Veterans 14, VASH | Capital Grant 14,872 | Capital Stimulus 14,884 | HOPE VI 14,866 | Shelter Care Plus 14,238 | Other Business Ventures | Section 8 NC S/R 14,182 | Central Office | AHSC 14,195 | Interprogram Eliminations | Total |
|--|--------------------|--|----------------|--------------------------|-----------------------------------|----------------------------|-------------------------------|-------------------|--------------------------------|-------------------------------|-------------------------------|-------------------|----------------|------------------------------|---------------|
| LIABILITIES AND NET ASSETS | | | | | | | | | | | | | | | |
| LIABILITIES: | | | | | | | | | | | | | | | |
| Accounts payable, accrued liabilities, and other liabilities: | | | | | | | | | | | | | | | |
| Accounts payable — <90 days | \$ 718,309 | \$ 430,175 | \$ - | \$ - | \$ - | \$ 347,796 | \$ 428,222 | \$ - | \$ 3,828 | \$ 184,638 | \$ - | \$ 318,188 | \$ 4,548,097 | \$ (53,803) | \$ 6,925,550 |
| Accounts payable — >90 days | 18,474 | 1 | | | | 239,541 | 10,593 | | 2,340 | | | 2,340 | | | 270,949 |
| Accrued wages/payroll taxes payable | 222,498 | 224,898 | | | | 33,200 | | | 4,125 | 26,516 | | 383,504 | 5,228 | | 899,969 |
| Accrued compensated absences — current portion | 48,230 | 37,650 | | | | 4,824 | | | | 2,496 | | 47,022 | 4,645 | | 144,867 |
| Accrued contingent liability | | | | | | | | | | | | | | | - |
| Accrued interest payable | 2,645 | | | | | | | | | 28,914 | | 137 | | | 31,696 |
| Accounts payable — HUD, PHA program | 42,236 | 4,705 | | 11,172 | | | | | 12,973 | 213,596 | | | 1,727 | | 25,872 |
| Accounts payable — other government | 305,982 | | | | | | | | | 83,152 | | | | | 260,537 |
| Tenant security deposits | 134,720 | 6,441,061 | | 29,515 | 2,688,663 | | | | | 15,135 | | | | | 389,134 |
| Deferred revenue | | | | | | | | | | | | | | | 6,889,094 |
| Current portion of long-term debt — capital projects | 263,894 | | | | | | | | | 55,000 | | 42,281 | | | 361,175 |
| Other current liabilities | | | | | | | | | 6 | 131,617 | | 15,530 | | | 131,617 |
| Accrued liabilities — other | 306,670 | 790 | | | | | | | | 5,727 | | | | | 328,723 |
| Interprogram payable | | | | | | | | | | 10 | | | | (10) | - |
| Total accounts payable, accrued liabilities, and other liabilities | 2,063,658 | 7,139,280 | - | 40,687 | 2,688,663 | 625,361 | 438,915 | - | 20,932 | 746,801 | - | 809,002 | 4,559,697 | (53,813) | 16,659,183 |
| Debt and other liabilities: | | | | | | | | | | | | | | | |
| Long-term debt — net of current — capital projects | 1,543,765 | | | | | | | | | 5,140,000 | | 247,339 | | | 6,931,104 |
| Noncurrent liabilities — other | 46,609 | 293,106 | | | | 10,221 | | | 339 | 5,711 | | 133,523 | | | 293,106 |
| Accrued compensated absences — noncurrent | 1,590,374 | 318,648 | | | | 10,221 | | | 339 | 5,145,711 | | 380,862 | | | 221,945 |
| Total debt and other liabilities | 3,654,032 | 7,457,928 | - | 40,687 | 2,688,663 | 635,582 | 438,915 | - | 21,271 | 5,892,512 | - | 1,189,864 | 4,559,697 | (53,813) | 7,446,155 |
| Total liabilities | | | | | | | | | | | | | | | 24,105,338 |
| NET ASSETS: | | | | | | | | | | | | | | | |
| Invested in capital assets — net of related debt | 26,506,130 | 1,334,379 | | | | 7,461,621 | 1,011,743 | | | 10,032,712 | | 9,557,776 | | | 55,904,361 |
| Restricted net assets | 1,523,991 | 6,332,868 | 81,983 | 44,844 | 12,655 | 15,859 | | | 154,267 | 6,175,337 | | 10,525,663 | 1,577 | | 24,657,278 |
| Unrestricted net assets | 437,283 | 1,349,186 | | | | | | | | 5,268,755 | | 47,532,253 | 784,480 | | 59,519,323 |
| Total net assets | 32,403,004 | 9,016,433 | 81,983 | 44,844 | 12,655 | 7,477,480 | 1,011,743 | - | 154,267 | 21,476,804 | - | 67,615,692 | 786,057 | - | 140,080,902 |
| TOTAL | \$36,057,036 | \$16,474,361 | \$81,983 | \$85,531 | \$281,318 | \$8,113,062 | \$1,450,658 | \$- | \$175,538 | \$27,369,316 | \$- | \$68,805,556 | \$5,343,754 | \$(53,813) | \$164,186,300 |

(Concluded)

COLUMBUS METROPOLITAN HOUSING AUTHORITY

**CONSOLIDATING STATEMENT OF REVENUES AND EXPENSES INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | Section 8 Housing Choice Vouchers | DHAP 97,109 | Main Stream 14,181 | Section 8 Veterans 14, VASH | Capital Grant 14,872 | Capital Stimulus 14,884 | HOPE VI 14,866 | Shelter Care Plus 14,238 | Other Business Ventures | Section 8 NC SIR 14,182 | Central Office | AHSC 14,195 | Eliminations | Total |
|--|--|----------------|--------------------------|-----------------------------------|----------------------------|-------------------------------|-------------------|--------------------------------|-------------------------------|-------------------------------|-------------------|--------------------|--------------------|--------------------|
| REVENUES: | | | | | | | | | | | | | | |
| Net tenant rental revenues | \$ 2,903,792 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,601,049 | \$ - | \$ - | \$ - | \$ - | \$ 4,504,841 |
| HUD, PHA operating grants | 10,807,640 | | 338,929 | 160,777 | 2,929,059 | 25,900 | 934,509 | 3,103,376 | | 5,201,990 | | 508,880,643 | | 599,305,710 |
| Capital grants | | | | | 4,668,277 | 1,011,743 | | | | | | | (4,883,893) | 5,680,020 |
| Total fee revenue | 72,124,877 | | | | | | | | | | | | | 318,097 |
| Other government grants | | 10,916 | | | | | | 89 | 127,370 | 503 | 116,944 | 33 | | 10,916 |
| Interest income — unrestricted | 12,184 | 66 | 46 | 26 | | | | | 1,216,457 | | 1,141,746 | | | 335,200 |
| Other revenue | 426,797 | | | | | | | | | | | | | 2,909,636 |
| Fraud recovery | 318,082 | | | | | | | | | | | | | 318,082 |
| Gain or loss on the sale of fixed assets | 97,715 | 44 | | 690 | | | | | 15,922 | | 7,300 | 2 | | 105,015 |
| Interest income — restricted | 11,764 | | | | | | | | | | 245,933 | | | 105,015 |
| Total revenues | 142,59,892 | 11,026 | 338,975 | 161,493 | 7,597,336 | 1,037,643 | 934,509 | 3,103,465 | 2,960,798 | 503 | 6,713,913 | 508,880,678 | (4,883,893) | 613,797,267 |
| EXPENSES: | | | | | | | | | | | | | | |
| Administrative: | | | | | | | | | | | | | | |
| Administrative salaries | 1,145,486 | 132 | | | 2,580 | | | 108,950 | 370,064 | | 3,102,423 | 101,322 | | 7,290,473 |
| Auditing fees | 36,027 | | | | | | | 3,463 | 7,587 | | 8,039 | 48,400 | | 198,638 |
| Outside management fees | 1,411,295 | 144 | 5,130 | 1,950 | 512,779 | | | 41,700 | 160,580 | | | 19,898,636 | (2,852,021) | 19,989,215 |
| Employee benefit contributions — administrative | 372,741 | | | | 426 | | | 36,313 | 115,508 | | 858,844 | 15,397 | | 2,171,812 |
| Other administrative expenses | 745,885 | 379 | 6,412 | 2,437 | 176,423 | 25,900 | 140,527 | 78,796 | 197,410 | | 687,701 | 185,179 | (1,320,937) | 2,930,993 |
| Total administrative expenses | 3,711,434 | 655 | 11,542 | 4,387 | 692,208 | 25,900 | 140,527 | 269,222 | 851,149 | - | 4,657,007 | 20,248,934 | (4,172,958) | 32,581,131 |
| Total asset management fee | | | | | | | | | 9,000 | | | | (9,000) | |
| Tenant services: | | | | | | | | | | | | | | |
| Tenant services — salaries | | | | | 53,415 | | | | | | | | | 53,415 |
| Relocation costs | | | | | 719,860 | | | | | | | | | 719,860 |
| Employee benefit contributions — tenant services | | | | | 15,170 | | | | | | 1,475 | | | 15,170 |
| Tenant services — other | 67,548 | | | | | | | | | | | | | 69,023 |
| Total tenant services | 67,548 | - | - | - | 788,445 | - | - | - | - | - | 1,475 | - | - | 857,468 |

(Continued)

COLUMBUS METROPOLITAN HOUSING AUTHORITY

CONSOLIDATING STATEMENT OF REVENUES AND EXPENSES INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2009

| | Low Rent 14.85 | Section 8 Housing Choice Vouchers 14.871 | DHAP 97.109 | Main Stream 14.181 | Section 8 Veterans 14. VASH | Capital Grant 14.872 | Capital Stimulus 14.884 | HOPE VI 14.866 | Shelter Care Plus 14.238 | Other Business Ventures | Section B NC, SIR 14.182 | Central Office | AHSC 14.195 | Eliminations | Total | |
|---|-------------------|--|----------------|--------------------------|-----------------------------------|----------------------------|-------------------------------|-------------------|--------------------------------|-------------------------------|--------------------------------|-------------------|----------------|--------------|--------------|---------|
| Utilities: | | | | | | | | | | | | | | | | |
| Water | \$ 1,623,285 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 33,719 | \$ - | \$ 8,404 | \$ - | \$ - | \$ 1,665,408 | |
| Electricity | 823,278 | 945 | | | | | | | | 63,367 | | 137,462 | | | 1,025,052 | |
| Gas | 690,889 | 219 | | | | | | | | 43,379 | | 7,850 | | | 742,337 | |
| Total utilities | 3,137,452 | 1,164 | | | | | | | | 140,465 | | 153,716 | | | 3,432,797 | |
| Ordinary maintenance and operations: | | | | | | | | | | | | | | | | |
| Labor | 1,438,302 | | | | | | | | | | | | | | | |
| Materials and other | 802,813 | 32,581 | | | | | | | 34 | 74,597 | | 400,256 | | | 1,913,155 | |
| Contract costs | 2,328,880 | 46,619 | | | | | | | | 24,104 | | 94,910 | | (701,935) | 954,442 | |
| Employee benefit contributions — maintenance and operations | 467,598 | | | | | | | | | 214,620 | | 204,996 | | | 2,093,180 | |
| Total ordinary maintenance and operations | 5,037,593 | 79,200 | | | | | | | 34 | 18,545 | | 110,803 | | | 596,946 | |
| Protective services: | | | | | | | | | | | | | | | | |
| Protective services — labor | 485 | | | | | | | | | | | | | | | |
| Protective services — other contract costs | | | | | | 342,229 | | | | | | | | | | |
| Protective services — other | | | | | | 230,016 | | | | 2,856 | | | | | | |
| Employee benefit contributions — protective services | 158 | | | | | 97,503 | | | | | | | | | | 97,661 |
| Total protective services | 643 | | | | | 669,748 | | | | 2,856 | | | | | | 673,247 |
| General expenses: | | | | | | | | | | | | | | | | |
| Insurance premiums | 466,097 | 187,578 | 6 | | | 17,664 | | | 5,309 | 84,955 | | 201,933 | 73,074 | | 1,036,616 | |
| Other general expenses | 1,545,164 | 61,934 | | | 82 | | | | | 200 | | | | | 1,607,380 | |
| Payments in lieu of taxes and other real estate tax expense | 42,236 | 1,660 | | | | | | | | 262,533 | | | | | 306,429 | |
| Bad debt — tenant rents | 243,827 | | | | | | | | | 3,167 | | (3,371) | | | 243,623 | |
| Bad debt — other | | | | | | | | | | | | | | | | |
| Interest expense | 76,951 | 2,715 | | | | | | | | 263,477 | | 12,468 | | | 352,896 | |
| Severance expense | 15,432 | | | | | | | | | | | | | | 18,147 | |
| Total general expenses | 2,389,707 | 253,887 | 6 | | 82 | 17,664 | | | 5,309 | 614,332 | | 211,030 | 73,074 | | 3,565,091 | |

(Continued)

COLUMBUS METROPOLITAN HOUSING AUTHORITY

**CONSOLIDATING STATEMENT OF REVENUES AND EXPENSES INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | Section 8 Housing Choice Vouchers 14,871 | DHAP 97,109 | Main Stream 14,181 | Section 8 Veterans 14, VASH | Capital Grant 14,872 | Capital Stimulus 14,884 | HOPE VI 14,866 | Shelter Care Plus 14,238 | Other Business Ventures | Section B NC S/R 14,182 | Central Office | AHSC 14,195 | Eliminations | Total |
|---|--|-----------------|--------------------------|-----------------------------------|----------------------------|-------------------------------|-------------------|--------------------------------|-------------------------------|-------------------------------|-------------------|------------------|--------------|-----------------------|
| Other expenses: | | | | | | | | | | | | | | |
| Nonroutine maintenance | \$ - | \$ - | \$ - | \$ - | \$ 29,216 | \$ - | \$ 793,982 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 823,198 |
| Housing assistance payments | 69,493,822 | 9,297 | 290,245 | 145,193 | - | - | - | 2,782,971 | 704,222 | - | 694,869 | 488,488,989 | - | 561,210,517 |
| Depreciation expense | 126,483 | - | - | - | - | - | - | - | - | - | - | - | - | 7,243,351 |
| Total other expenses | \$ 71,717,777 | 9,297 | 290,245 | 145,193 | 29,216 | - | 793,982 | 2,782,971 | 704,222 | - | 694,869 | 488,488,989 | - | 569,277,066 |
| Total expenses | 20,062,154 | 9,958 | 301,787 | 149,662 | 2,197,281 | 25,900 | 934,509 | 3,057,536 | 2,653,890 | - | 6,529,062 | 508,810,997 | (4,883,893) | 615,944,523 |
| OTHER FINANCING SOURCES (USES): | | | | | | | | | | | | | | |
| Operating transfers in | 731,776 | - | - | - | (731,776) | - | - | - | - | - | - | - | - | 731,776 |
| Operating transfers out | - | - | - | - | - | - | - | - | - | - | - | - | - | (731,776) |
| Extraordinary items — net loss | - | - | - | - | (731,776) | - | - | - | - | - | - | - | - | - |
| Total other financing uses | 731,776 | - | - | - | (731,776) | - | - | - | - | - | - | - | - | - |
| EXCESS (DEFICIENCY) OF TOTAL REVENUES OVER (UNDER) TOTAL EXPENSES | <u>\$ (5,070,486)</u> | <u>\$ 1,068</u> | <u>\$ 37,188</u> | <u>\$ 11,831</u> | <u>\$ 4,668,279</u> | <u>\$ 1,011,743</u> | <u>\$ -</u> | <u>\$ 45,929</u> | <u>\$ 306,908</u> | <u>\$ 503</u> | <u>\$ 184,851</u> | <u>\$ 69,681</u> | <u>\$ -</u> | <u>\$ (2,147,256)</u> |

(Continued)

COLUMBUS METROPOLITAN HOUSING AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2009

| 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 | \$ 10,807,640 |
| Revitalization of severely distressed public housing | 14.866 | 934,509 |
| Public Housing Capital Fund Program | 14.872 | <u>7,597,336</u> |
| Subtotal — public housing | | <u>19,339,485</u> |
| Direct programs: | | |
| Section 8 Housing Assistance Payment Program: | | |
| Housing choice vouchers | 14.871 | 72,124,877 |
| Shelter Care Plus | 14.238 | 3,103,376 |
| Special allocations | 14.195 | 508,880,643 |
| Supportive housing for persons with disabilities | 14.181 | 338,929 |
| Veterans | 14.VASH | <u>160,777</u> |
| Subtotal — direct programs | | <u>584,608,602</u> |
| ARRA — Capital Stimulus | 14.884 | <u>1,037,643</u> |
| Disaster housing assistance grant | 97.109 | <u>10,916</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | <u>\$604,996,646</u> |

See notes to 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, 2009

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards has been prepared using the accrual basis of accounting in accordance with the format as set forth in *Government Auditing Standards*, issued by the Comptroller General of the United States of America, and U.S. Office of Management and Budget Circular No. A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

2. PROGRAM STATUS

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

The Authority receives assistance in the form of an operating subsidy from HUD (CFDA No. 14.850) to be used for the purpose of maintaining the low-rent character of the local housing program. The monies are being received under one program number. During 2009, the receipts of \$721,993, \$316,524, \$233,678, \$110,000, and \$162,969 were considered federal pass-through awards to Rosewind Limited Partnership, Gender Road Limited Partnership, Jenkins Terrace, LLC, Waggoner Senior Housing Limited Partnership, and Worley Terrace, LLC, respectively (related entities of the Authority).

The Authority also has a Guaranty and Supplemental Funding Agreement with Gender Road Limited Partnership (the "Partnership") that it will provide nonfederal funds for debt service payments if the Partnership has insufficient cash flow. During 2009, the Authority provided \$25,000 to the Partnership for this purpose.

3. SECTION 8 HOUSING CLUSTER

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

* * * * *

COLUMBUS METROPOLITAN HOUSING AUTHORITY

SCHEDULE OF ACTUAL MODERNIZATION COSTS INCURRED ON PROJECT OH16-P001-501-06 THROUGH DECEMBER 31, 2009

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

| Classification | Project OH16-P001-501-06 |
|--------------------------------------|-------------------------------------|
| Operations | \$ 918,030 |
| Management improvements — soft costs | 972,201 |
| Administration | 341,345 |
| Fees and costs | 439,442 |
| Site improvements | 738,761 |
| Dwelling structures | 1,806,122 |
| Nondwelling structures | |
| Nondwelling equipment | 1,725 |
| Relocation costs | <u>581,819</u> |
| Total costs | <u>\$5,799,445</u> |

2. The distribution of costs by major cost accounts as shown on the Final Budget Summary dated March 9, 2010, for Project OH16-P001-501-06, as submitted to HUD for approval, is in agreement with the Authority's records.
3. Funds advanced for Project OH16-P001-501-06 totaled \$5,799,445.

COLUMBUS METROPOLITAN HOUSING AUTHORITY

SCHEDULE OF ACTUAL MODERNIZATION COSTS INCURRED ON PROJECT OH16-URD001-D103 THROUGH DECEMBER 31, 2009

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

| Classification | Project OH16-URD001-D103 |
|--------------------------------------|-------------------------------------|
| Operations | \$ - |
| Management improvements — soft costs | |
| Administration | 4,407 |
| Fees and costs | 153,008 |
| Site improvements | |
| Dwelling structures | |
| Nondwelling structures | |
| Nondwelling equipment | |
| Demolition | 1,006,585 |
| Relocation costs | |
| | <hr/> |
| Total costs | <u>\$1,164,000</u> |

2. The distribution of costs by major cost accounts as shown on the Performance and Evaluation Report dated September 8, 2009, for Project OH16-URD001-D103, as submitted to HUD for approval, is in agreement with the Authority's records.
3. Funds advanced for Project OH16-URD001-D103 totaled \$1,164,000.

COLUMBUS METROPOLITAN HOUSING AUTHORITY

SCHEDULE OF ACTUAL MODERNIZATION COSTS INCURRED ON PROJECT OH12-URD001-D103 THROUGH DECEMBER 31, 2009

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

| Classification | Project OH12-URD001-D103 |
|-------------------------------------|-------------------------------------|
| Operations | \$ - |
| Management improvements— soft costs | |
| Administration | 8,008 |
| Fees and costs | 134,761 |
| Site improvements | |
| Dwelling structures | |
| Nondwelling structures | |
| Nondwelling equipment | |
| Demolition | 1,725,560 |
| Relocation costs | <u>235,671</u> |
| Total costs | <u>\$2,104,000</u> |

2. The distribution of costs by major cost accounts as shown on the Performance and Evaluation Report dated September 22, 2009, for Project OH12-URD001-D103, as submitted to HUD for approval, is in agreement with the Authority's records.
3. Funds advanced for Project OH12-URD001-D103 totaled \$ 2,104,000.

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

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

We have audited the consolidated financial statements of the Columbus Metropolitan Housing Authority (the "Authority") as of and for the year ended December 31, 2009, and have issued our report thereon dated April 16, 2010, which included a reference to other auditors who audited the financial statements of Rosewind Limited Partnership, Gender Road Limited Partnership, Jenkins Terrace, LLC, and Worley Terrace, LLC, discretely presented component units of the Authority and The Homes At Second Avenue, LLC, a blended component unit and an emphasis of a matter paragraph to restate beginning net assets. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Other auditors audited the financial statements of Rosewind Limited Partnership, Gender Road Limited Partnership, Jenkins Terrace, LLC, and Worley Terrace, LLC, discretely presented component units of the Authority and The Homes at Second Avenue, LLC, a blended component unit, as described in our report on the Authority's consolidated financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Deloitte + Touche LLP

April 16, 2010

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
the Columbus Metropolitan Housing Authority:

Compliance

We have audited the compliance of 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, 2009. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009. 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 09-01 and 09-02.

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 the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and 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. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as item 09-01. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 management, the Commissioners, the U.S. Department of Housing and Urban Development, and the Auditor of State of Ohio, and is not intended to be, and should not be, used by anyone other than these specified parties.

Deloitte + Touche LLP

April 16, 2010

COLUMBUS METROPOLITAN HOUSING AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2009

PART I — SUMMARY OF AUDITORS' RESULTS

Financial Statements:

| | | | |
|--|-------------|---------------|---------------|
| Type of auditors' report issued: | Unqualified | | |
| Internal control over financial reporting: | | | |
| 1. Material weakness(es) identified? | _____ Yes | _____ X _____ | No |
| 2. Significant deficiencies identified not considered to be material weaknesses? | _____ Yes | _____ X _____ | None reported |
| 3. Noncompliance material to consolidated financial statements noted? | _____ Yes | _____ X _____ | No |

Federal Awards:

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

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

| | | | |
|---|---------------|-----------------|----|
| 6. Any audit findings disclosed that are required to be reported in accordance with OMB Circular No. A-133 (Section 510(a) of OMB Circular No. A-133) | _____ X _____ | _____ Yes _____ | No |
|---|---------------|-----------------|----|

7. The Authority's major programs were:

Name of Federal Program or Cluster

CFDA Number

| | |
|--|--------|
| Section 8 Housing Assistance Payment Program — Special Allocations | 14.195 |
| Section 8 Housing Choice Vouchers | 14.871 |
| ARRA — Capital Stimulus Program | 14.884 |
| Shelter Plus Care | 14.238 |

| | |
|---|-------------|
| 8. Dollar threshold used to distinguish between Type A and Type B programs? | \$3,000,000 |
|---|-------------|

| | | | |
|---|-----------|---------------|----|
| 9. Auditee qualified as low-risk auditee: | _____ Yes | _____ X _____ | No |
|---|-----------|---------------|----|

(Continued)

COLUMBUS METROPOLITAN HOUSING AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2009

PART II — FINANCIAL STATEMENT FINDINGS SECTION

No matters were reportable.

PART III — FEDERAL AWARDS FINDINGS SECTION

09-01 Special Tests and Provisions Compliance Requirement-Waiting List

Grantor — U.S. Department of Housing and Urban Development

CFDA Number — 14.871, Section 8 Housing Choice Vouchers, funding year 2009

Criteria — Public Housing Agency (PHA) must have written policies in its HCVP administrative plan for selecting applicants from the waiting list and PHA documentation must show that the PHA follows these policies when selecting applicants for admission from the waiting list. “Selection” from the waiting list generally occurs when the PHA notifies a family whose name reaches the top of the waiting list to come in to verify eligibility for admission.

Finding — There was one individual who was not awarded the correct number of points due to a data entry omission. If the applicant had been awarded the correct number of points, he would have been selected from the wait list before other applicants.

Effect — Applicant should have been selected from the wait list prior to an indeterminable number of applicants.

Questioned Cost — N/A

Recommendation — The Authority should assess the data entry process and ensure that all fields require data entry before the application can be processed or automatically default to the greater point value.

Views of Responsible Officials — Management has requested that the software vendor change the application entry so that all required fields for wait list preferences must be completed before an application can be processed. The software vendor expects the change to the software will be completed with 120 days.

09-02 Reporting: Annual Progress Reports Submissions

Grantor — U.S. Department of Housing and Urban Development

CFDA Number — 14.238, Shelter Care Plus Program, funding year 2009

Criteria — Public Housing Agency (PHA) must submit HUD-40118, Annual Progress Report (OMB No. 2506-0145) on an annual basis. This report is due from each grantee (and separately for each component funded) within 90 days after the end of its operating year.

Finding — Four of the nine reports selected for testing were submitted to HUD after the 90 day reporting requirement. These four reports ranged from 100 to 119 days following the end of the operating year.

Effect — Annual Progress Reports are not being submitted to HUD within 90 days after the end of its operating year.

Questioned Cost — N/A

Recommendation — The Authority should enforce a strict deadline with the sponsoring organizations to ensure the Authority can submit the Annual Progress Reports by the 90 day deadline.

Views of Responsible Officials — Management will strictly enforce the reporting requirements with the sponsoring organizations to ensure the reports are submitted to HUD by the required due dates.

PART IV — SUMMARY OF PRIOR AUDIT FINDINGS

| Number | Finding | Status | Contact |
|--------|----------------------------------|-----------|----------------------------------|
| 08-01 | Resolution of Overpayment Issues | Corrected | Dennis Guest, Executive Director |

(Concluded)

THE HOMES AT SECOND AVENUE, LLC

A Component Unit of
Columbus Metropolitan Housing Authority

Financial Statements, Supplemental Schedules, and
Schedule of Expenditures of Federal Awards
As of and for the Year Ended December 31, 2009
And
Independent Auditors' Reports



THE HOMES AT SECOND AVENUE, LLC

TABLE OF CONTENTS

| | Page |
|--|-------------|
| INDEPENDENT AUDITORS' REPORT | 1-2 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | 3-6 |
| FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2009: | |
| Statement of Net Assets | 7 |
| Statement of Revenues, Expenses, and Changes in Net Assets | 8 |
| Statement of Cash Flows | 9 |
| Notes to Financial Statements | 10-14 |
| SUPPLEMENTAL SCHEDULES FOR THE YEAR ENDED DECEMBER 31, 2009: | 15 |
| Schedule of Reserve for Replacements | 16 |
| Schedule of Residual Receipts | 16 |
| Schedule of Surplus Cash, Distributions, and Residual Receipts | 16 |
| SINGLE AUDIT SECTION: | 17 |
| 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 <i>Government Auditing Standards</i> | 18-19 |
| Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 | 20-21 |
| Schedule of Expenditures of Federal Awards | 22 |
| Notes to the Schedule of Expenditures of Federal Awards | 23 |
| Schedule of Findings and Questioned Costs | 24 |

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 (dba "New Village Homes"), a component unit of Columbus Metropolitan Housing Authority, as of December 31, 2009, and the related statements of revenues, expenses and changes in net assets and of cash flows for the year then ended. These financial statements are the responsibility of The Homes at Second Avenue, LLC's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Homes at Second Avenue, LLC at December 31, 2009, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis presented on pages 3 through 6 is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of The Homes at Second Avenue, LLC's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of The Homes at Second Avenue, LLC taken as a whole. The Schedule of Reserve for Replacements, the Schedule of Residual Receipts, and the Schedule of Surplus Cash Distributions and Residual Receipts Reserve on page 16 are presented for purposes of additional analysis and is not a required part of the basic financial statements. These schedules are the responsibility of The Homes at Second Avenue, LLC's management. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements of The Homes at Second Avenue, LLC.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards on pages 22 and 23 is presented for the purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. This schedule is the responsibility of The Homes at Second Avenue, LLC's management. Such information has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated, in all material respects, when considered in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 12, 2010, on our consideration of The Homes at Second Avenue, LLC's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Farms & Company, LLC

February 12, 2010

THE HOMES AT SECOND AVENUE, LLC

MANAGEMENT DISCUSSION AND ANALYSIS DECEMBER 31, 2009

As management of The Homes at Second Avenue LLC (dba “New Village Homes”), a blended component unit of Columbus Metropolitan Housing Authority, we offer readers of New Village Homes’ financial statements this narrative overview and analysis of the financial activities of New Village Homes for the year January 1, 2009 through December 31, 2009. We encourage readers to consider the information presented here in conjunction with the financial statements.

Overview of the Financial Statements

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

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

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

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

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

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

Unrestricted Net Assets — This component of net assets consists of net assets that do not meet the definition of “Net Assets Invested in Capital Assets — Net of Related Debt” or “Restricted Net Assets.”

The basic financial statements also include a Statement of Revenues, Expenses, and Changes in Net Assets (similar to the Income Statement). This statement includes operating revenues, such as rental income; operating expenses, such as administrative, utilities, maintenance, and depreciation; and non-operating revenue and expenses, such as interest income and interest expense.

The focus of the Statement of Revenues, Expenses, and Changes in Net Assets is the “Change in Net Assets,” which is similar to net income or loss.

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

Financial Highlights

During the period ended December 31, 2009:

- New Village Homes' total assets decreased by \$626,801, or 3.8%.
- Total liabilities decreased by \$73,285, or 1.30%.

Basic Financial Statements

Statement of Net Assets:

The following table reflects the Statement of Net Assets:

| | 2009 | 2008 |
|--|----------------------|----------------------|
| ASSETS: | | |
| Current assets | \$ 477,479 | \$ 423,383 |
| Capital assets | 14,724,828 | 15,447,759 |
| Other noncurrent assets | <u>544,657</u> | <u>502,623</u> |
| Total noncurrent assets | <u>15,269,485</u> | <u>15,950,382</u> |
| TOTAL | <u>\$ 15,746,964</u> | <u>\$ 16,373,765</u> |
| LIABILITIES AND NET ASSETS: | | |
| Liabilities: | | |
| Current liabilities | \$ 373,219 | \$ 391,809 |
| Noncurrent liabilities | <u>5,177,469</u> | <u>5,232,164</u> |
| Total liabilities | <u>5,550,688</u> | <u>5,623,973</u> |
| NET ASSETS: | | |
| Invested in capital assets — net of related debt | 9,529,828 | 10,202,759 |
| Restricted | 366,240 | 312,293 |
| Unrestricted | <u>300,208</u> | <u>234,740</u> |
| Total net assets | <u>10,196,276</u> | <u>10,749,792</u> |
| TOTAL | <u>\$ 15,746,964</u> | <u>\$ 16,373,765</u> |

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

Major Factors Affecting the Statement of Net Assets

Current assets increased by \$54,096 due primarily to an increase in cash, as outlined in the Statement of Cash Flows. Current liabilities decreased by \$18,590 due primarily to a decrease in deferred rental income. Capital assets decreased by \$722,931 due to depreciation.

Statement of Revenues, Expenses, and Changes in Net Assets

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

| | 2009 | 2008 |
|-----------------------------------|---------------------|---------------------|
| OPERATING REVENUE: | | |
| Rental | \$ 887,987 | \$ 848,340 |
| Operating subsidy | 83,992 | 66,884 |
| Other | <u>33,285</u> | <u>26,009</u> |
| Total operating revenue | <u>1,005,264</u> | <u>941,233</u> |
| OPERATING EXPENSES: | | |
| General | 269,218 | 259,653 |
| Administration | 181,469 | 225,072 |
| Depreciation | 722,931 | 722,114 |
| Other | <u>126,170</u> | <u>113,162</u> |
| Total operating expenses | <u>1,299,788</u> | <u>1,320,001</u> |
| OPERATING LOSS | (294,524) | (378,768) |
| NET NONOPERATING INCOME (EXPENSE) | <u>(258,992)</u> | <u>(255,422)</u> |
| CHANGE IN NET ASSETS | <u>\$ (553,516)</u> | <u>\$ (634,190)</u> |

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

During fiscal year 2009, operating revenue increased \$64,031, due primarily to the increase in rental income of \$39,647 and the operating subsidy from the Department of Housing and Urban Development of \$17,108. New Village expects to receive this subsidy on an annual basis. Administration expenses decreased \$20,213, due primarily to a decrease in legal fees.

Capital Assets

As of December 31, 2009, New Village Homes had \$14.7 million invested in capital assets, as reflected in the schedule below, which represents a net decrease due to and depreciation of \$722,931 during the period.

| CAPITAL ASSETS: | 2009 | 2008 |
|--------------------------|----------------------|----------------------|
| Land | \$ 3,005 | \$ 3,005 |
| Buildings | 15,022,985 | 15,022,985 |
| Site improvements | 2,479,359 | 2,479,359 |
| Nondwelling structures | 76,149 | 76,149 |
| Furniture and equipment | <u>380,348</u> | <u>380,348</u> |
| Total | 17,961,846 | 17,961,846 |
| Accumulated depreciation | <u>(3,237,018)</u> | <u>(2,514,087)</u> |
| Capital assets — net | <u>\$ 14,724,828</u> | <u>\$ 15,447,759</u> |

Outstanding Debt

As of December 31, 2009, New Village Homes has \$5,195,000 million in long-term debt outstanding.

Economic Factors

Significant economic factors affecting New Village Homes in 2009 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, 2009

ASSETS

CURRENT ASSETS:

| | |
|--|----------------|
| Cash and cash equivalents — including restricted cash of \$152,017 | \$ 351,124 |
| Restricted investments | 63,127 |
| Accounts receivable: | |
| Tenants - net of allowance for doubtful accounts of \$4,563 | 16,005 |
| Other | 4,090 |
| Prepaid items and other | 43,133 |
| | <u>477,479</u> |
| Total current assets | <u>477,479</u> |

NONCURRENT ASSETS:

| | |
|---|-------------------|
| Tenant deposits | 38,064 |
| Replacement reserves | 264,577 |
| Residual receipts reserves | 38,536 |
| Capital assets: | |
| Land | 3,005 |
| Other property and equipment — net of accumulated depreciation of \$3,237,018 | 14,721,823 |
| Other noncurrent assets | 203,480 |
| | <u>15,269,485</u> |
| Total noncurrent assets | <u>15,269,485</u> |

TOTAL \$ 15,746,964

LIABILITIES

CURRENT LIABILITIES:

| | |
|---------------------------|----------------|
| Accounts payable | \$ 67,896 |
| Accrued expenses: | |
| Accrued property taxes | 211,181 |
| Other | 29,081 |
| Deferred revenue | 10,061 |
| Long-term debt — current | 55,000 |
| | <u>373,219</u> |
| Total current liabilities | <u>373,219</u> |

NONCURRENT LIABILITIES

| | |
|------------------------------|------------------|
| Bonds payable | 5,140,000 |
| Tenant deposits | 37,469 |
| | <u>5,177,469</u> |
| Total noncurrent liabilities | <u>5,177,469</u> |
| Total liabilities | <u>5,550,688</u> |

NET ASSETS:

| | |
|--|-------------------|
| Invested in capital assets — net of related debt | 9,529,828 |
| Restricted | 366,240 |
| Unrestricted | 300,208 |
| | <u>10,196,276</u> |
| Total net assets | <u>10,196,276</u> |

TOTAL \$ 15,746,964

See notes to financial statements.

THE HOMES AT SECOND AVENUE, LLC

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2009

OPERATING REVENUE:

| | |
|-------------------|---------------|
| Rental | \$ 887,987 |
| Operating subsidy | 83,992 |
| Other | <u>33,285</u> |

Total operating revenue 1,005,264

OPERATING EXPENSES:

| | |
|------------------------------------|----------------|
| General | 269,218 |
| Administration | 181,469 |
| Depreciation | 722,931 |
| Utilities | 17,072 |
| Ordinary maintenance and operation | <u>109,098</u> |

Total operating expenses 1,299,788

OPERATING LOSS (294,524)

NONOPERATING REVENUES AND (EXPENSES):

| | |
|------------------|------------------|
| Interest income | 4,485 |
| Interest expense | <u>(263,477)</u> |

Total nonoperating revenues and expenses (258,992)

CHANGE IN NET ASSETS (553,516)

NET ASSETS — Beginning of the year 10,749,792

NET ASSETS — End of the year \$10,196,276

See notes to financial statements.

THE HOMES AT SECOND AVENUE, LLC

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2009

| | |
|---|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Cash received from tenants | \$ 860,874 |
| Cash received operating subsidy | 83,992 |
| Cash payments to suppliers for goods and services | (567,135) |
| Other receipts | <u>29,261</u> |
| Net cash provided by operating activities | <u>406,992</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | |
| Decrease in bonds payable | (50,000) |
| Interest expense | <u>(264,085)</u> |
| Net cash used in capital and related financing activities | <u>(314,085)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | |
| Change in investment | (2,600) |
| Change in replacement reserve | (56,887) |
| Change in residual receipts reserve | 5,540 |
| Interest income | <u>4,485</u> |
| Net cash used in investing activities | <u>(49,462)</u> |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | 43,445 |
| CASH AND CASH EQUIVALENTS BALANCE (Including restricted cash of \$130,912) — January 1, 2008 | <u>307,679</u> |
| CASH AND CASH EQUIVALENTS BALANCE (Including restricted cash of \$152,017) — December 31, 2009 | <u>\$ 351,124</u> |
| RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | |
| Operating loss | \$(294,524) |
| Adjustments to reconcile operating loss to net cash provided by operating activities: | |
| Depreciation and amortization | 722,931 |
| Change in operating assets and liabilities: | |
| Accounts receivable — tenants | (3,668) |
| Accounts receivable — other | (4,024) |
| Prepaid item and other | (359) |
| Tenant deposits | 2,938 |
| Other noncurrent assets | 6,375 |
| Accounts payable | (3,920) |
| Accrued expenses | 3,063 |
| Deferred revenue | (22,125) |
| Tenant deposits | <u>305</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>\$ 406,992</u> |

See notes to financial statements.

THE HOMES AT SECOND AVENUE, LLC

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Basis of Accounting — The consolidated financial statements are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America, whereby revenues and expenses are recognized in the period earned or incurred. All intercompany balances and transactions have been eliminated in consolidation.

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, New Village Homes follows GASB pronouncements, as well as Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principles Board opinions and Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. New Village Homes has elected not to apply FASB statements and interpretations issued after November 30, 1989.

Revenue Recognition — Tenant rental revenues are recognized during the period of occupancy as earned. Other receipts are recognized when the related expenses are incurred. Cash received in advance of the service being performed are recorded as deferred revenue. Subsidies received from the Department of Housing and Urban Development (HUD) are recognized during the period to which they relate, and all eligibility requirements have been satisfied. Expenses are recognized as incurred.

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

Investments — New Village Homes investments are recorded at fair value. Fair value generally represents quoted market value prices for investments traded in the public marketplace. Investment income, including changes in the fair value of investments, is recorded as nonoperating revenue in the operating statements. Investment income is recognized and recorded when earned.

THE HOMES AT SECOND AVENUE, LLC

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

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

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

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

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

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

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

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

Newly Effective or Issued Accounting Pronouncements — In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement establishes standards for the capitalization, amortization, and financial reporting of intangible assets, including easements, water rights, timber rights, patents, trademarks, and computer software. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2009. New Village Homes' management has determined that the implementation of GASB Statement No. 51 will have no effect on its financial statements.

THE HOMES AT SECOND AVENUE, LLC

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

In November 2007, GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. This Statement requires endowments to report their land and other real estate at fair value. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2008. The implementation of GASB Statement No. 52 had no effect on New Village Homes financial statements.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009. New Village Homes' management has determined that the implementation of GASB Statement No. 53 will have no effect on its financial statements.

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The Statement addresses the reporting by fund balance classifications. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2010. New Village Homes' management has determined that the implementation of GASB Statement No. 54 will have no effect on its financial statements.

In April 2009, GASB issued Statement No.55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*. These statements address the GASB efforts to codify all GAAP hierarchy so they derive from a single source. These statements are not expected to change current practices in financial statements reporting.

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, 2009, both the carrying amount and the bank balance of New Village Homes' deposits was \$653,765. Of this balance, \$487,173 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).

At December 31, 2009, New Village Homes had \$38,536 held in STAR Ohio. STAR Ohio is a highly liquid investment pool with participation restricted to subdivisions of the State of Ohio. Under Ohio Revised Code Section 135.143, STAR Ohio is restricted to investing in obligations of the U.S. government and other instruments issued by the State of Ohio and its political subdivisions. Due to the highly liquid nature of the fund, STAR Ohio resembles a money market fund and, therefore, has been treated as a cash equivalent by New Village Homes in the financial statements. New Village Homes' investment in the pool is not subject to custodial credit risk categorization, because it is not evidenced by securities that exist in physical or book entry form.

THE HOMES AT SECOND AVENUE, LLC

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

3. INVESTMENTS

As of December 31, 2009, New Village Homes had \$63,127 invested in a guaranteed investment contract, which represented its fair value.

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

Concentration of Credit Risk — New Village Homes places no limit on the amount it may invest with one issuer. As of December 31, 2009, New Village Homes' investments resided in one guaranteed investment contract.

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

4. CAPITAL ASSETS

The changes in capital assets for the year ended December 31, 2009, are as follows:

| | Balance December 31, 2008 | Additions | Disposals | Transfers | Balance December 31, 2009 |
|--------------------------|------------------------------|---------------------|-------------|-------------|------------------------------|
| Land | \$ 3,005 | \$ - | \$ - | \$ - | \$ 3,005 |
| Buildings | 15,022,985 | | | | 15,022,985 |
| Site improvements | 2,479,359 | | | | 2,479,359 |
| Nondwelling structure | 76,149 | | | | 76,149 |
| Furniture and equipment | <u>380,348</u> | | | | <u>380,348</u> |
| Total | 17,961,846 | - | - | - | 17,961,846 |
| Accumulated depreciation | <u>(2,514,087)</u> | <u>(722,931)</u> | | | <u>(3,237,018)</u> |
| Net property | <u>\$ 15,447,759</u> | <u>\$ (722,931)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 14,724,828</u> |

5. RISK MANAGEMENT

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

New Village Homes is part of the statewide plan for workers' compensation insurance coverage.

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

THE HOMES AT SECOND AVENUE, LLC

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

6. BONDS AND NOTES PAYABLE

A rollforward of the New Village Homes' long-term debt for the year ended December 31, 2009, is as follows:

| | Bonds Payable | Beginning Balance | Increase | Decrease | Ending Balance | Current Portion |
|------|----------------------|--------------------------|-----------------|-----------------|-----------------------|------------------------|
| 2009 | | \$ 5,245,000 | \$ - | \$ 50,000 | \$ 5,195,000 | \$ 55,000 |

Bonds Payable — In December 2002, New Village Homes issued \$5,420,000 of Columbus Metropolitan Housing Authority Multifamily Housing Mortgage Revenue Bonds, Series 2003A, guaranteed by HUD, for the construction of the New Village Homes project. Principal payments are due at various intervals, with the balance due on November 20, 2044. The bonds are fully collateralized by the building. The interest rate is 5.4%. The future debt service at December 31, 2009, is as follows:

| Maturity Date | Principal Amount | Interest Amount | Total |
|----------------------|-------------------------|------------------------|---------------------|
| 2010 | \$ 55,000 | \$ 261,684 | \$ 316,684 |
| 2011 | 55,000 | 259,384 | 314,384 |
| 2012 | 60,000 | 257,184 | 317,184 |
| 2013 | 60,000 | 254,641 | 314,641 |
| 2014 | 65,000 | 251,548 | 316,548 |
| 2015 – 2019 | 385,000 | 1,204,896 | 1,589,896 |
| 2020 – 2024 | 495,000 | 1,097,816 | 1,592,816 |
| 2025 – 2029 | 650,000 | 956,534 | 1,606,534 |
| 2030 – 2034 | 850,000 | 770,326 | 1,620,326 |
| 2035 – 2039 | 1,110,000 | 524,160 | 1,634,160 |
| 2040 – 2044 | 1,410,000 | 201,925 | 1,611,925 |
| Total | <u>\$ 5,195,000</u> | <u>\$ 6,040,098</u> | <u>\$11,235,098</u> |

7. MANAGEMENT FEE

An annual management fee is paid to Affiniti Management, LLC. For the year ended December 31, 2009, \$50,826 was charged to expense for this fee.

8. RELATED-PARTY TRANSACTIONS

For the year ended, New Village Homes' paid Columbus Metropolitan Housing Authority \$11,466 for administrative fees. At December 31, 2008, there was \$32,098 in outstanding accounts payable due to Columbus Metropolitan Housing Authority.

SUPPLEMENTAL SCHEDULES

THE HOMES AT SECOND AVENUE, LLC

**SUPPLEMENTAL SCHEDULE REQUIRED BY HUD
SCHEDULE OF RESERVE FOR REPLACEMENTS
SCHEDULE OF RESIDUAL RECEIPTS AND
SCHEDULE OF SURPLUS CASH, DISTRIBUTIONS, AND RESIDUAL RECEIPTS RESERVE
YEAR ENDED DECEMBER 31, 2009**

SCHEDULE OF RESERVE FOR REPLACEMENTS

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

| | |
|-----------------------------------|-------------------|
| BALANCE—Beginning of the year | \$ 207,690 |
| Deposits (\$4,610.25 X 12 months) | 55,323 |
| Other deposits | |
| Interest income | 1,564 |
| Withdrawals | <u> </u> |
| BALANCE—End of the year | <u>\$ 264,577</u> |

SCHEDULE OF RESIDUAL RECEIPTS

| | |
|-------------------------------|------------------|
| BALANCE—Beginning of the year | \$ 44,076 |
| Deposits | |
| Other deposits | |
| Interest income | 110 |
| Approved Withdrawals | <u>(5,650)</u> |
| BALANCE—End of the year | <u>\$ 38,536</u> |

SCHEDULE OF SURPLUS CASH, DISTRIBUTIONS AND RESIDUAL RECEIPTS RESERVE

| | |
|--|------------------|
| Cash—including tenant deposits | \$ 237,170 |
| Accrued mortgage interest payable | 28,914 |
| Accounts payable—30 days | 68,062 |
| Loans and notes payable due within 30 days | 54,025 |
| Prepaid revenue | 10,061 |
| Tenant deposits held in trust | <u>37,469</u> |
| Subtotal current obligations | <u>198,531</u> |
| Surplus cash | <u>\$ 38,639</u> |

SINGLE AUDIT SECTION

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

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

We have audited the consolidated financial statements of The Homes at Second Avenue, LLC as of and for the year ended December 31, 2009, and have issued our report thereon dated February 12, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Parns & Company, LLC

February 12, 2010

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

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

Compliance

We have audited the compliance of The Homes at Second Avenue, LLC, 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, 2009. The Homes at Second Avenue, LLC's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of The Homes at Second Avenue, LLC's management. Our responsibility is to express an opinion on The Homes at Second Avenue, LLC's compliance based on our audit.

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

In our opinion, The Homes at Second Avenue, LLC complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

Internal Control Over Compliance

Management of The Homes at Second Avenue, LLC is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered The Homes at Second Avenue, LLC's internal control over compliance with 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The Homes at Second Avenue, LLC's internal control over compliance.

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

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

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

Farms & Company, LLC

February 12, 2010

THE HOMES AT SECOND AVENUE, LLC

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2009

| | | |
|--|--------|---------------------|
| U.S. Department of Housing and Urban Development — Direct Programs — Mortgage insurance rental and cooperative housing for moderate income families and elderly — market interest rate — guarantee of bonds outstanding | 14.135 | <u>\$ 5,195,000</u> |
| Total | | <u>\$ 5,195,000</u> |

See notes to schedule of expenditures of federal awards.

THE HOMES AT SECOND AVENUE, LLC

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2009

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards has been prepared using the accrual basis of accounting in accordance with the format as set forth in the *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133.

2. LOAN GUARANTEE

In December 2002, The Homes at Second Avenue, LLC issued \$5,420,000 of Columbus Metropolitan Housing Authority Multifamily Housing Mortgage Revenue Bonds, Series 2003A, guaranteed by HUD, for the construction of the New Village Homes project. Principal payments are due at various intervals, with the balance due on November 20, 2044. The bonds are fully collateralized by the building.

THE HOMES AT SECOND AVENUE, LLC

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2009

PART I — SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- | | | | | |
|---|-------|-----|---------------|---------------|
| 1. Material Weakness(es) identified? | _____ | Yes | _____ X _____ | No |
| 2. Significant deficiencies identified that are not considered to be material weaknesses? | _____ | Yes | _____ X _____ | None reported |
| 3. Noncompliance material to financial statements noted? | _____ | Yes | _____ X _____ | No |

Federal Awards:

Internal control over major programs:

- | | | | | |
|---|-------|-----|---------------|---------------|
| 4. Material weakness(es) identified? | _____ | Yes | _____ X _____ | No |
| 5. Significant deficiencies identified that are not considered to be material weaknesses? | _____ | Yes | _____ X _____ | None reported |

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

- | | | | | |
|--|---------------|-----|---------------|----|
| 6. Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510(a) of Circular A-133) | _____ | Yes | _____ X _____ | No |
| 7. The major program was: Mortgage insurance rental and cooperative housing for moderate income families and elderly — market interest rate | | | 14.135 | |
| 8. Dollar threshold used to distinguish between Type A and Type B programs? | | | \$ 300,000 | |
| 9. Auditee qualified as low-risk auditee: | _____ X _____ | Yes | _____ | No |

PART II — FINANCIAL STATEMENT FINDINGS SECTION

No matters were reportable.

PART III — FEDERAL AWARDS FINDINGS SECTION

No matters were reportable.

PART IV — SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters were reportable.



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 22, 2010