

***Cuyahoga
Metropolitan
Housing Authority***

*Single Audit Report as of and for the
Year Ended December 31, 2005*



**Auditor of State
Betty Montgomery**

Board of Commissioners
Cuyahoga Metropolitan Housing Authority
1441 West 25th Street
Cleveland, Ohio 44113-3101

We have reviewed the *Independent Auditor's Report* of the Cuyahoga Metropolitan Housing Authority, Cuyahoga County, prepared by Deloitte & Touche LLP, for the audit period January 1, 2005 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

November 9, 2006

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CUYAHOGA METROPOLITAN HOUSING AUTHORITY

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Cuyahoga Metropolitan Housing Authority
Cleveland, Ohio

We have audited the accompanying financial statements of the Cuyahoga Metropolitan Housing Authority (the "Authority") as of and for the years ended December 31, 2005 and 2004, listed in the foregoing table of contents. These financial statements are the responsibility of the management of the Authority. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the respective financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 Authority at December 31, 2005 and 2004, and its changes in net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 10 to the financial statements, the Authority has been audited by outside regulatory agencies and has also been audited in accordance with the provisions of the Single Audit Act Amendments of 1996. Certain unresolved compliance findings and questioned costs exist as a result of audits conducted for 2003 and prior years, the outcome of which is not presently determinable. Accordingly, no provision for any loss that might result from the resolution of these matters has been made in the accompanying financial statements.

The management's discussion and analysis on pages 3–11 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the Authority's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit such information and do not express an opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Authority taken as a whole. The accompanying Supplemental 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*, the Supplemental Financial Data Schedule and Reconciliation of the Financial Statements to the Financial Data Schedule, and the Supplemental Schedule of Actual Modernization Costs and Actual Development Costs Incurred on Certain Projects Closed Through December 31, 2005, as required by the U.S. Department of Housing and Urban Development, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. These schedules are the responsibility of management of the Authority. Such supplemental schedules have been subjected to auditing procedures applied in our audit of the basic financial statements and, in our opinion, are 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 our report dated August 28, 2006 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Deloitte & Touche LLP

August 28, 2006

CUYAHOGA METROPOLITAN HOUSING AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

The Cuyahoga Metropolitan Housing Authority (“CMHA” or the “Authority”) owns and manages property and administers rent subsidy programs to provide eligible low-income persons good, safe and affordable housing. CMHA is a political subdivision of the State of Ohio, created under sections 3735.27 to 3735.50 of the Ohio Revised Code and serves the County of Cuyahoga primarily through two federally assisted programs administered by the U.S. Department of Housing and Urban Development (“HUD”): Conventional Low Income Public Housing and Housing Choice Voucher programs.

The following discussion and analysis provides an overview of the Authority’s financial activities and should be read in conjunction with the Authority’s financial statements which begin on page 12. If you have any questions, please contact – Lou Anne Chung, Chief Financial Officer, 1242 East 49th Street, Cleveland, Ohio 44114-3851 or telephone 216-432-5455 Ext. 3164.

Overview of the Financial Statements

The financial statements are presented in accordance with accounting principles generally accepted in the United States of America, including Governmental Accounting Standards Board (“GASB”) Statement No. 34 (as amended by GASB Statement No. 37). The Authority follows the “business-type activities” reporting requirements of GASB Statement No. 34 that provide a comprehensive authority-wide look at the Authority’s financial activities. The statements are:

- Statements of Net Assets
- Statements of Revenues, Expenses and Changes in Net Assets
- Statements of Cash Flows

The financial statements are prepared on the accrual basis and present all assets and liabilities of the Authority, both financial and capital, and short and long term. They also present all revenues and expenses of the Authority during the year, regardless of when cash was received or paid. Collectively, the statements provide information regarding the Authority’s financial condition as of December 31, 2005 and 2004 and the results of its operations and cash flows for the years then ended.

2005 Financial Highlights

- The Authority’s net assets decreased by \$7.4 million (or 3.3%) during 2005. Net assets were \$215.4 million and \$222.8 million at December 31, 2005 and 2004, respectively.

- Total operating and non-operating revenues increased by \$8.3 million (3.7%) during 2005, and were \$230.2 million and \$221.9 million for 2005 and 2004, respectively.
- The total expenses of all Authority programs increased by \$2.1 million (or less than 1%). Total expenses were \$237.7 million and \$235.6 million for 2005 and 2004, respectively.
- The Authority's unrestricted net assets increased by \$1.7 million (or 13.2%) during 2005, and were \$14.6 million and \$12.9 million for 2005 and 2004, respectively.

The Authority's Funds

The Authority's financial statements include all programs that are considered to be within its administrative control. The Authority generally maintains separate accounting records for each grant program or annual contribution contract, as required by HUD. A list of the more significant programs is as follows:

Conventional Low-Income Public Housing—Under the Conventional Low Income Public Housing Program, the Authority rents units that it owns to low-income households. The Conventional Low Income Public Housing Program is operated under an Annual Contributions Contract with HUD, and HUD provides operating subsidy and capital grant funding to enable CMHA to provide the housing at a rent that is based upon 30% of household income. The Conventional Low Income Public Housing Program also includes the Capital Fund Program, which is the primary funding source for physical and management improvements to the Authority's properties.

Housing Choice Voucher Program—Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under an Annual Contributions Contract with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure a lease that sets the participants' rent at 30% of household income.

Other Programs—In addition to the significant programs above, the Authority also maintains the following programs which have assets, liabilities, revenues, or expenses of at least 5% or more of the Authority's total assets, liabilities, revenues, or expenses in either 2005 or 2004:

Economic Development and Supportive Services Program—a grant program funded by HUD that encourages economic self-sufficiency among the Authority's resident population

Urban Revitalization Demonstrative Grants—a grant program funded by HUD for the redevelopment of the Authority's properties

Hope VI Planning Grant—a grant program funded by HUD for large scale redevelopment of the Authority's properties

Section 8 New Construction and Moderate Rehabilitation Program—a grant program for the operation of low-income housing developments where the Authority or private developers contract directly with HUD to develop low-income housing.

AUTHORITY-WIDE FINANCIAL STATEMENT

Statement of Net Assets

The Statement of Net Assets includes all assets and liabilities of the Authority using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. The following table reflects the condensed information from the Authority's Statement of Net Assets compared to the prior two years.

CONDENSED STATEMENTS OF NET ASSETS (In millions)

	December 31		
	2005	2004	2003
Assets:			
Current and other assets	\$ 48.3	\$ 44.8	\$ 49.9
Capital assets	<u>211.4</u>	<u>216.3</u>	<u>230.1</u>
Total assets	<u>259.7</u>	<u>261.1</u>	<u>280.0</u>
Liabilities:			
Accounts payable and other current liabilities	28.8	27.2	31.8
Long-term liabilities	<u>15.5</u>	<u>11.1</u>	<u>11.7</u>
Total liabilities	<u>44.3</u>	<u>38.3</u>	<u>43.5</u>
Net Assets:			
Invested in capital assets—net of related debt	197.4	206.4	219.4
Restricted	3.4	3.5	3.1
Unrestricted	<u>14.6</u>	<u>12.9</u>	<u>14.0</u>
Total Net Assets	<u>\$ 215.4</u>	<u>\$ 222.8</u>	<u>\$ 236.5</u>

For more detailed information see page 12 for the Statements of Net Assets.

Major Factors Affecting the Statement of Net Assets

December 31, 2005 compared to December 31, 2004

Current and other assets increased by \$3.5 million. Current assets increased \$3.3 million and current liabilities increased by \$1.6 million. The Authority's current ratio remained at 1.5 to 1 in 2005. As such, there are sufficient current assets (primarily cash, investments and receivables from HUD) to extinguish current liabilities.

Capital assets decreased to \$211.4 million in 2005 from \$216.3 million in 2004. The \$4.9 million decrease is attributed primarily to current year depreciation and amortization of \$25.2 million, offset by capital asset additions of \$20.4 million. For additional detail see "Capital Assets and Debt Administration."

Long-term liabilities increased \$4.4 million in 2005. The increase is primarily a result the addition of \$5.0 million in bond anticipation notes payable net of normal pay down on long-term debt and capital lease liabilities of \$.6 million.

December 31, 2004 compared to December 31, 2003

Current and other assets decreased by \$5.1 million. Current assets decreased \$5.5 million and current liabilities decreased by \$4.6 million. The Authority’s current ratio remained at 1.5 to 1 in 2004. As such, there are sufficient current assets (primarily cash, investments and receivables from HUD) to extinguish current liabilities.

Capital assets decreased to \$216.3 million in 2004 from \$230.1 million in 2003. The \$13.8 million decrease is attributed primarily to the demolition of older estates with a net book value of \$13.5 million in preparation for the construction of new units and current year depreciation and amortization of \$26.6 million offset by capital asset additions of \$26.3 million. For additional detail see “Capital Assets and Debt Administration”.

Long-term liabilities decreased \$.6 million in 2004. The decrease is a result of the normal paydown on long-term debt and capital leases, and a \$.3 million increase in the workers compensation liability.

While operating results are a significant measure of the Authority’s activities, the analysis of the changes in unrestricted net assets provides a clearer picture of the change in financial well-being. The following presents details on the change in unrestricted net assets during the years ended December 31, 2005 and 2004:

	2005	2004
	(In millions)	
Unrestricted net assets—Beginning of year	<u>\$ 12.9</u>	<u>\$ 14.0</u>
Total change in net assets	(7.4)	(13.7)
Adjustments:		
Depreciation (1)	25.2	26.6
Other—loss on demolition of capital assets (1)	<u> </u>	<u>13.5</u>
Adjusted change in net assets	17.8	26.4
Additions to long term debt net of payments on long term debt	4.1	(0.8)
Capital expenditures	(20.4)	(26.3)
(Increase) decrease in restricted net assets	<u>0.2</u>	<u>(0.4)</u>
Unrestricted net assets—End of year	<u><u>\$ 14.6</u></u>	<u><u>\$ 12.9</u></u>

(1) Loss on demolition of capital assets and depreciation are treated as an expense and reduce the net assets invested in capital assets, net of related debt, but does not have an impact on unrestricted net assets.

Statement of Revenues, Expenses and Changes in Net Assets

The 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 accounting principles generally accepted in the United States of America. Condensed information from the Authority's statements of revenue, expenses and changes in net assets is as follows for the years ended December 31, 2005, 2004 and 2003:

**CONDENSED STATEMENTS OF REVENUES,
EXPENSES AND CHANGES IN NET ASSETS
(In millions)**

	2005	2004	2003
Operating revenues:			
Dwelling rent from tenants	\$ 12.9	\$ 13.0	\$ 13.4
Other revenues	1.7	2.2	2.3
Total revenue	<u>14.6</u>	<u>15.2</u>	<u>15.7</u>
Operating expenses:			
Housing assistance payments	93.7	94.4	86.8
Depreciation	25.2	26.6	28.5
Administrative	29.8	29.4	28.1
Building maintenance	19.1	20.7	21.9
Utilities	20.4	18.5	18.3
Nonroutine maintenance	37.4	20.8	28.5
Tenant services	3.6	3.5	3.7
General	4.3	3.8	3.3
Protective services	1.0	1.3	1.3
Other	2.5	2.4	2.2
Total operating expenses	<u>237.0</u>	<u>221.4</u>	<u>222.6</u>
Operating loss	<u>(222.4)</u>	<u>(206.2)</u>	<u>(206.9)</u>
Non-operating revenues (expenses):			
Subsidies and grants from HUD	214.6	205.7	205.9
Grants—other	0.2	0.6	0.5
Interest income	0.8	0.4	0.5
Interest expense	(0.6)	(0.7)	(0.7)
Other	0.0	(13.5)	0.0
Total non-operating revenues—net	<u>215.0</u>	<u>192.5</u>	<u>206.2</u>
Change in net assets	(7.4)	(13.7)	(0.7)
Net assets—beginning of year	<u>222.8</u>	<u>236.5</u>	<u>237.2</u>
Net assets—end of year	<u>\$ 215.4</u>	<u>\$ 222.8</u>	<u>\$ 236.5</u>

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

December 31, 2005 compared to December 31, 2004

Tenant and other revenue decreased slightly in 2005 as increased occupancy was offset by lower average rent levels.

HUD subsidies and grants increased \$8.9 million, due primarily to higher Conventional Low Income subsidy, higher Housing Choice Voucher Program subsidy, higher Capital Fund subsidies, higher housing assistance revenue, and higher Grant subsidies. A 2% increase in units rented and the discontinuation of the year-end settlement process caused the Housing Choice Voucher Program subsidy to increase \$2.8 million or 2.7%. Capital Grant funding increased \$1.0 million. Housing assistance revenue increased \$1.0 million due to settlement of legal action against HUD in which CMHA was awarded back rent and damages dating back to 1994, when HUD changed their method of rent increases to a system that negated previously agreed upon contract rights. Conventional Low Income Public Housing subsidy, including subsidy for extra-ordinary maintenance, increased \$1.8 million. Grant subsidies increased \$2.2 million due to the increased activity with the Cleveland Housing Network in completing projects.

Total operating expenses increased \$15.6 million due to higher administrative expenses, up \$0.4 million, higher non-routine maintenance costs at estates not owned by the Authority, up \$16.6 million, offset by lower depreciation expense, down \$1.4 million. The increase in non-routine maintenance costs is primarily attributed to off-site housing phases of Carver Park (Eastside Neighborhood Homes and Westside Homes), which amounted to \$11.0 million. Neither of these projects will be owned by the Authority.

Total other non-operating expenses decreased \$13.6 million in 2005 and is attributed primarily to the 2004 loss on demolition of older estates with a net book value of \$13.5 million in preparation for the construction of new units.

December 31, 2004 compared to December 31, 2003

Tenant and other revenue decreased slightly in 2004 as increased occupancy was offset by lower average rent levels.

HUD subsidies and grants decreased slightly as higher Housing Choice Voucher Program and Capital Fund subsidies were more than offset by lower Conventional Low Income Public Housing subsidy and elimination of the Drug Elimination Program. A 5% increase in units rented and higher average rent caused the Housing Choice Voucher Program subsidy to increase \$7.2 million or 7.6%. Capital Grant funding increased \$5.1 million due to closing of the 2001 Capital Fund and 1993 Hope VI grants as projects completed included Phoenix Village. Conventional Low Income Public Housing subsidy, including subsidy for extra-ordinary maintenance, decreased \$11.6 million, with \$6.3 million of the decrease due to the elimination of utility adjustments in 2003. Drug Elimination Program decreased \$.9 million as the program was discontinued.

Total operating expenses decreased \$1.1 million as higher Housing Assistance payments, up \$7.6 million, and higher administrative expenses, up \$1.3 million, were more than offset by lower nonroutine maintenance costs, down \$7.7 million, lower depreciation expense, down \$1.9 million, with all other expenses being down \$.4 million.

Total other non-operating expenses increased \$13.7 million in 2004 and is attributed primarily to a loss on demolition of older estates with a net book value of \$13.5 million in preparation for the construction of new units.

Capital Assets and Debt Administration

Capital Assets

At December 31, 2005, the Authority had \$211.4 million invested in a variety of capital assets (as reflected in the following schedule), which represents a net decrease of \$4.9 million from December 31, 2004.

**CAPITAL ASSETS AT YEAR-END
(NET OF DEPRECIATION)
(In millions)**

	December 31		
	2005	2004	2003
Land	\$ 27.3	\$ 23.6	\$ 23.6
Buildings	553.7	537.3	569.2
Equipment—administrative	10.0	10.5	10.4
Equipment—dwelling	10.4	9.7	7.9
Construction in progress	10.9	12.4	18.3
Total	612.3	593.5	629.4
Accumulated depreciation	(400.9)	(377.2)	(399.3)
Capital assets—net	<u>\$ 211.4</u>	<u>\$ 216.3</u>	<u>\$ 230.1</u>

The following reconciliation summarizes the 2005 and 2004 change in capital assets, which is presented in detail in Note 5 to the financial statements.

**CHANGES IN CAPITAL ASSETS
(In millions)**

	2005	2004
Capital assets—beginning of year	\$ 216.3	\$ 230.1
Additions	20.4	26.3
Retirements—net	(0.1)	(13.5)
Depreciation expense	(25.2)	(26.6)
Capital assets—end of year	<u>\$ 211.4</u>	<u>\$ 216.3</u>

December 31, 2005 compared to December 31, 2004

Capital additions in 2005 were primarily for estate improvements through the Modernization Program under which \$16.3 million was expended for capital improvements. Land and equipment purchases totaled \$4.1 million.

In 2005, the second phase of the Carver Park redevelopment project, consisting of 89 new units, was completed. Overall, 279 new units were constructed at Carver Park from 2003–2005. At over \$30 million, this was the largest new development project completed by the Authority in 30 years. In 2005, \$6.7 million was expended on this project.

The King Kennedy North Family Redevelopment program (Phoenix Village) which began in 2002 continued with the completion of 48 town homes in Phase II of the project in 2005. Overall a total of 98 new units were constructed from 2003–2005 with a total cost of \$15 million. In 2005, \$2.0 million was expended on this project.

The second phase of the Lakeview Terrace modernization and renovation program consisting of the conversion of 104 units to 64 units which began in March 2004, was complete at year-end. The units are expected to be ready for occupancy in early 2006. In 2005, \$4.2 million was expended on this project.

In addition to these major improvements, the roofs were replaced at six estates, new security systems were installed at six estates, parking lots were replaced at four estates and new signage was installed at six estates.

Equipment purchases include vehicles for police and inspection use, computer upgrades and appliances for the estates.

December 31, 2004 compared to December 31, 2003

Capital additions in 2004 were primarily for estate improvements through the Modernization Program under which \$24.3 million was expended for capital improvements. Equipment purchases totaled \$2.0 million.

In 2004 at Carver Park, the demolition of the remaining 168 units was completed and 166 townhouse units, which were started in 2003, were completed and occupancy began in November 2004. In addition, an additional 24 units were started for completion in January 2005 with occupancy expected in the summer of 2005. In 2004, \$11.1 million was expended on this project.

The King Kennedy North Family Redevelopment program which began in 2002 continued with the completion of 48 town homes. A grand opening ceremony and ribbon cutting was held in July 2004 with occupancy starting then. Phase II of the project consisting of 50 additional town houses was started with expected completion in the summer of 2005. In 2004, \$6.2 million was expended on this project.

The second phase of the Lakeview Terrace modernization and renovation program consisting of the conversion of 104 units to 64 units which began in March 2004, was 35% complete at year-end. The units are expected to be ready for occupancy in late 2005. In 2004, \$3.6 million was expended on this project.

In addition to these major improvements, the roofs were replaced at eight estates, new security systems were installed at fourteen estates, sidewalks were replaced at twelve estates and new security screens were installed at eight estates.

Equipment purchases include vehicles for police and inspection use, computer upgrades and appliances for the estates.

Debt Outstanding

As of December 31, 2005, the Authority had \$13.4 million in long-term debt and capital lease obligations compared to \$9.0 million at December 31, 2004, for a \$4.4 million increase. The following summarizes these obligations:

**OUTSTANDING DEBT, AT YEAR-END
(In millions)**

	December 31		
	2005	2004	2003
Energy program—capital lease	\$ 3.3	\$ 3.9	\$ 4.4
Bond anticipation note	5.0	0.0	0.0
Ambleside refinancing	<u>5.7</u>	<u>6.0</u>	<u>6.3</u>
Total	14.0	9.9	10.7
Less current portion	<u>(0.6)</u>	<u>(0.9)</u>	<u>(0.8)</u>
Long-term portion	<u>\$ 13.4</u>	<u>\$ 9.0</u>	<u>\$ 9.9</u>

Economic Factors

Significant economic factors affecting the Authority are as follows:

- Federal funding is at the discretion of the U.S. Department of Housing and Urban Development operating subsidy for the Conventional Low Income Housing program was funded at 88.8%
- Local labor supply and demand, which can affect salary and wage rates of the Authority
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income
- Inflationary pressure on utility rates, supplies and other costs, which affects the costs of the programs
- Employee health insurance costs continue to rise. During 2005 they increased 6% over 2004.

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CUYAHOGA METROPOLITAN HOUSING AUTHORITY

STATEMENTS OF NET ASSETS AS OF DECEMBER 31, 2005 AND 2004

	2005	2004		2005	2004
ASSETS			LIABILITIES		
CURRENT ASSETS:			CURRENT LIABILITIES:		
Cash and cash equivalents	\$ 16,423,486	\$ 19,426,745	Accounts payable—vendors	\$ 13,494,793	\$ 12,508,965
Investments	4,408,901	4,813,663	Accounts payable—HUD	3,018,309	3,726,887
Cash and investments—restricted	5,267,829	5,276,028	Accrued expenses	9,951,019	8,489,175
Accounts receivable tenants—net of allowance for doubtful accounts of \$887,126 and \$391,817	391,132	217,504	Security and other deposits	1,801,779	1,599,455
Accounts receivable—HUD	12,706,730	7,468,465	Current portion of long-term debt		278,006
Accounts receivable—other government	126,548	495,792	Current portion of capital leases	<u>623,786</u>	<u>591,066</u>
Accounts receivable—other	1,451,826	858,535			
Inventory	866,495	998,264	Total current liabilities	<u>28,889,686</u>	<u>27,193,554</u>
Prepaid expenses and other current assets	<u>2,367,473</u>	<u>1,176,729</u>			
			NONCURRENT LIABILITIES:		
Total current assets	<u>44,010,420</u>	<u>40,731,725</u>	Long-term debt—net of current portion	10,720,831	5,720,831
			Capital leases—net of current portion	2,656,508	3,280,294
NON-CURRENT ASSETS:			Workers' compensation liability	<u>2,110,000</u>	<u>2,150,000</u>
Capital assets:					
Land	27,309,133	23,554,223	Total noncurrent liabilities	<u>15,487,339</u>	<u>11,151,125</u>
Property and equipment—net	<u>184,106,221</u>	<u>192,758,255</u>			
			Total liabilities	<u>44,377,025</u>	<u>38,344,679</u>
Total capital assets	211,415,354	216,312,478	NET ASSETS:		
Investments—restricted	3,436,338	3,240,654	Invested in capital assets—net of related debt	197,414,229	206,442,281
Debt issuance costs, net of amortization of \$123,004 and \$110,706	152,699	164,997	Restricted	3,348,874	3,472,236
Investment in joint venture	<u>727,898</u>	<u>664,096</u>	Unrestricted	14,602,581	12,854,754
Total non-current assets	<u>215,732,289</u>	<u>220,382,225</u>			
Total assets	<u>259,742,709</u>	<u>261,113,950</u>	TOTAL NET ASSETS	<u>\$215,365,684</u>	<u>\$222,769,271</u>

See notes to the financial statements.

CUYAHOGA METROPOLITAN HOUSING AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	2005	2004
OPERATING REVENUES:		
Dwelling rent from tenants	\$ 12,891,441	\$ 12,953,520
Other revenues	<u>1,724,323</u>	<u>2,226,230</u>
Total revenues	<u>14,615,764</u>	<u>15,179,750</u>
OPERATING EXPENSES:		
Housing assistance payments	93,654,438	94,437,673
Depreciation	25,238,494	26,611,044
Administrative	29,840,301	29,328,146
Building maintenance	19,094,845	20,739,715
Utilities	20,449,680	18,452,155
Nonroutine maintenance	37,351,548	20,845,487
Tenant services	3,628,986	3,528,406
General	4,270,259	3,827,297
Protective services	991,998	1,263,478
Other	<u>2,504,395</u>	<u>2,364,463</u>
Total operating expenses	<u>237,024,944</u>	<u>221,397,864</u>
OPERATING LOSS	<u>(222,409,180)</u>	<u>(206,218,114)</u>
NONOPERATING REVENUES (EXPENSES):		
HUD operating subsidies and grants	200,961,994	180,177,508
HUD capital grants	13,623,530	25,477,502
Grants—other	273,893	594,591
Interest income	782,972	459,784
Interest expense	(636,796)	(686,249)
Other—loss on demolition of capital assets	<u> </u>	<u>(13,513,482)</u>
Total nonoperating revenues—net	<u>215,005,593</u>	<u>192,509,654</u>
CHANGE IN NET ASSETS	(7,403,587)	(13,708,460)
NET ASSETS—Beginning of year	<u>222,769,271</u>	<u>236,477,731</u>
NET ASSETS—End of year	<u>\$215,365,684</u>	<u>\$222,769,271</u>

See notes to the financial statements.

CUYAHOGA METROPOLITAN HOUSING AUTHORITY

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from tenant rents	\$ 12,717,813	\$ 12,987,884
Cash payments to suppliers for goods and services	(74,136,163)	(63,716,118)
Cash paid for salaries and benefits	(40,101,126)	(39,980,470)
Housing assistance payments	(93,654,438)	(94,437,673)
Other receipts	1,163,214	1,931,030
Other payments	<u>(2,329,773)</u>	<u>(1,855,798)</u>
Net cash used in operating activities	<u>(196,340,473)</u>	<u>(185,071,145)</u>
CASH FLOWS FROM NONCAPITAL FINANCING:		
HUD operating subsidies and grants	197,226,987	181,739,869
Other grants	<u>643,137</u>	<u>505,307</u>
Cash provided by noncapital financing activities	<u>197,870,124</u>	<u>182,245,176</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
HUD capital grants	11,411,694	27,509,829
Property and equipment additions	(20,424,949)	(26,420,742)
Proceeds from issuance of bond anticipation notes	5,000,000	
Repayment of debt and capital lease obligations	(869,072)	(823,419)
Interest paid on debt and capital lease obligations	(638,427)	(687,773)
Proceeds from sale of capital assets	<u>53,315</u>	<u>77,657</u>
Net cash used in capital and related financing activities	<u>(5,467,439)</u>	<u>(344,448)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(11,387,102)	(8,784,676)
Proceeds from maturity of investments	10,922,647	7,176,101
Interest income	<u>781,055</u>	<u>448,243</u>
Net cash provided by (used in) investing activities	<u>316,600</u>	<u>(1,160,332)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(3,621,188)	(4,330,749)
CASH AND CASH EQUIVALENTS—Beginning of year	<u>21,726,498</u>	<u>26,057,247</u>
CASH AND CASH EQUIVALENTS—End of year*	<u>\$ 18,105,310</u>	<u>\$ 21,726,498</u>

* The amount includes \$16,423,486 and \$19,426,745 unrestricted cash and cash equivalents and \$1,681,824 and \$2,299,753 of restricted cash in 2005 and 2004, respectively.

See notes to the financial statements.

(Continued)

CUYAHOGA METROPOLITAN HOUSING AUTHORITY

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	2005	2004
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	\$ (222,409,180)	\$ (206,218,114)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	25,238,494	26,611,044
Provision for uncollectible accounts	495,309	(16,050)
Amortization of bond issue costs	12,298	12,297
Loss on sale of capital assets	30,264	
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable tenants	(668,937)	50,414
Accounts receivable—other	(591,373)	(295,200)
Inventory	131,769	189,747
Prepaid expenses and other assets	(1,190,744)	(802,863)
Increase (decrease) in liabilities:		
Accounts payable	985,828	(4,841,584)
Accrued expenses and other	1,463,475	(257,204)
Security and other deposits	202,324	196,368
Workers' compensation	(40,000)	300,000
Net cash used in operating activities	<u>\$ (196,340,473)</u>	<u>\$ (185,071,145)</u>

See notes to the financial statements.

(Concluded)

CUYAHOGA METROPOLITAN HOUSING AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

1. DEFINITION OF THE ENTITY

The Cuyahoga Metropolitan Housing Authority (the “Authority”) is a political subdivision organized under the laws of the State of Ohio. The Authority is responsible for operating certain low-rent housing programs in the County of Cuyahoga under programs administered by the U.S. Department of Housing and Urban Development (“HUD”). These programs provide housing for eligible families under the United States Housing Act of 1937, as amended.

The Authority’s financial statements include all programs that are considered to be within its administrative control. The Authority generally maintains separate accounting records for each grant program or annual contribution contract, as required by HUD. A list of the various programs, including HUD Annual Contributions Contract Number (“ACC”), if applicable, is as follows:

Conventional Low-Rent Housing Program (ACC C-5003) (“Conventional Program”)—The Authority develops, modernizes and manages low-rent housing projects. This program accounts for housing operations primarily funded under ACC C-5003, which also includes the Capital Fund Program (“CFP”), Comprehensive Grant Program (“CGP”), Replacement Housing Fund and Urban Revitalization Development Grant (“URD”, “HOPE VI”).

Homeownership Program (ACC C-5003)—Ownership equity is realized by the family tenant through monthly payments into an earned home payments account and through regular maintenance of the home. A family achieves ownership when the equity increases to a point where it is equal to a predetermined amount based upon the unamortized purchase price of the home. A family may also purchase the home by obtaining financing or otherwise paying the amount by which the purchase price exceeds the family’s equity.

Housing Choice Voucher and Moderate Rehabilitation Programs (ACC C-5015)—The Authority contracts with private landlords and subsidizes the rent for dwelling units. Payments are made to the landlord on behalf of the tenant for the difference between the contract rent amount and the amount that the tenant is required to pay under HUD established guidelines that consider factors such as family composition and income.

Section 8 New Construction Housing Assistance Payment Programs (Ambleside Contract C-77-242, Severance Contract C-78-089 and Quarrytown Contract C-77-330)—These programs account for the operation of low-income housing developments where the Authority or private developers contract directly with HUD to develop low-income housing. The Authority manages all developments and handles all HUD funding and reporting. The Authority owns the Ambleside development. The Annual Contribution Contracts for Severance Housing Corporation (“Severance”) and the Cuyahoga County Housing Corporation (“Quarrytown”) are between HUD and the Authority. In these cases, the Authority leases the housing projects from a private developer (see Note 7).

Woody Woods and Noah Properties—In September 1996, HUD sold 10 properties on which it had foreclosed to the Authority for \$1 each. In addition, HUD awarded grants of approximately \$20 million for the demolition or rehabilitation of existing properties and new construction of housing. With the exception of Woody Woods and Blainewood (part of the Noah properties), all of the properties were demolished (including the other Noah properties) and the land is currently available for redevelopment. The Woody Woods property currently contains facilities serving both Housing Choice Voucher Program and Non-Housing Choice Voucher Program residents. The Blainewood property has been vacant since it was purchased from HUD in 1996.

Western Reserve Revitalization and Management Company—The Authority has established Western Reserve Revitalization and Management Company (“Western Reserve”) as a wholly-owned subsidiary. Western Reserve was established for the purpose of owning an investment as the general partner, together with The Cleveland Housing Network, in the Cleveland New Construction Limited Partnership (“CNC III”). CNC III was established for the purpose of developing single-family homes and townhouses as part of a scattered-site lease-purchase project. CNC III is not considered a component unit of the Authority as defined by 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 14. Accordingly, the assets, liabilities, and results of operations of CNC III are not included in the accompanying financial statements.

Local Fund—In 1998, a \$100,000 contribution of capital was made by Title V to a new local fund. This fund is to be used for expenditures necessary for the accomplishment of the Authority’s mission but which do not fall under HUD oversight. All expenditures from the local fund must be approved by the Executive Director and the budget is approved by the Board of Commissioners.

Title V/Affordable Housing—Assets in the Title V program represent the proceeds and investment income realized from the sale of World War II Title V housing projects that were given to the Authority by the U.S. government at the end of the Title V program and other funds transferred to the program by the Authority. In 1994, the Authority transferred \$2,538,638 into Title V from the Ambleside program. This amount represented the excess proceeds on the bond refinancing of the Ambleside property. These assets are subject to the terms of a Memorandum of Understanding between HUD and the Authority. All activity within this program must comply with the laws of the State of Ohio and the Administrative Orders issued by the Board of Commissioners of the Authority.

The Affordable Housing program was established to provide safe and sanitary housing accommodations within Cuyahoga County, particularly within the City of Cleveland, to low-income families through the construction of housing in conformity with federal “turnkey rules” promulgated by HUD.

Other Grants—During 2005 and 2004, the Authority received federal, state and local funding under the Public Housing Drug Elimination Grant Program, Youth Violence Grant, Resident Opportunities and Supportive Services Program, Foster Care Grant, CopsMore Program, City of Cleveland CDBG, PAL Youth Enrichment Program, PAL Safety Town, George Gund Foundation, The Cleveland Foundation, Youth Health Program, NFL Youth Football Grant, Supportive Housing Program, and private donations. Expenditures for these programs and grants must be made in accordance with the rules and regulations established by the grantors.

CMHA Charities Fund, Inc.—The Authority has established CMHA Charities Fund, Inc., a 501(c)(3) Corporation. This charity is to raise funds through donations and fund raising events to be used to provide charitable and educational support for the Authority’s residents. The assets, liabilities and results of operations are included in the accompanying financial statements.

Excluded Entities—Certain entities that conduct activities for the benefit of the Authority or its residents are excluded from the financial statements. These entities are:

Nonprofit Corporations—In accordance with housing subsidy contracts, the Authority has designated several Section 8 nonprofit corporations (Severance Housing Corporation, Cuyahoga Housing Corporation, Cuyahoga-Puritas Housing Corporation, Rosalind-Amesbury Housing Assistance Corporation, Cleveland-Rock Glen Housing Assistance Corporation, and Chester Village Housing Incorporated) to serve as instrumentalities of the Authority to assist in the development and financing of housing projects. The Board of the Authority appoints the Board of Trustees of the Severance Housing Corporation, Cuyahoga-Puritas Housing Corporation, Rosalind-Amesbury Housing Assistance Corporation, Cleveland-Rock Glen Housing Assistance Corporation, and Chester Village Housing Incorporated, the members of which are all the same. The Authority’s Board of Commissioners must approve all actions of the instrumentalities and, upon their dissolution, all assets and residual receipts are to be distributed to the Authority. These Section 8 nonprofit corporations have no employees, perform no day-to-day functions, and the officers thereof serve in a non-paid status. There are no assets or liabilities in these corporations and there were no revenues earned or expenses incurred during 2005 and 2004.

Joint Venture—The Authority is a member of the Housing Authority Risk Retention Group (“HARRG”) and the Housing Authority Property Insurance, Inc. (“HAPI”). HARRG and HAPI are nonprofit, tax exempt mutual insurance companies that are wholly owned by their public housing authority members. HARRG operates under the Federal Liability Risk Retention Act. It provides liability insurance coverages solely to public housing authorities and public housing and redevelopment agencies throughout the United States. HAPI is a captive insurance company formed pursuant to the Vermont Captive Insurance Companies Act. It provides property insurance to public housing authorities and public housing and redevelopment authorities throughout the United States. The Board of Directors is elected by HARRG’s approximately 762 members. The number of votes granted to each member is based upon premiums paid and is limited to a maximum of 10% of the total votes available. Due to the lack of significant oversight responsibility and accountability of the Authority’s Board of Commissioners for actions, operations, and fiscal matters of HARRG and HAPI, the degree of financial interdependency is considered insufficient to warrant inclusion of these organizations within the Authority’s reporting entity. HARRG and HAPI issue stand-alone financial reports that include financial statements and required supplementary information. Interested parties may obtain a copy by making a written request to Housing Authority Insurance, c/o Mark Wilson, P.O. Box 189, Cheshire, CT 06410 or by calling 203-272-8220.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Authority has prepared its financial statements in conformity with accounting principles generally accepted in the United States of America. The Authority follows the business-type activities reporting requirements of GASB Statement No. 34, *Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments*. In accordance with GASB Statement No. 34, the accompanying basic financial statements are reported on an Authority-wide basis.

Statement No. 34 requires the following, which collectively make up the Authority's basic financial statements:

Basic financial statements:

- Statement of Net Assets
- Statement of Revenues, Expenses, and Changes in Net Assets
- Statement of Cash Flows
- Notes to the financial statements

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Authority has elected not to apply the provisions of the Statements and Interpretations of the Financial Accounting Standards Board issued after November 30, 1989. The Authority will continue to apply all applicable pronouncements of the GASB.

The significant accounting policies under which the financial statements have been prepared are as follows:

- a. *Cash and Cash Equivalents*—Cash and cash equivalents include investments with original maturities of three months or less. Cash and cash equivalents are stated at fair value.
- b. *Investments*—Investments are stated at fair value.
- c. *Capital Assets*—Capital assets (items with an individual cost greater than \$1,500, or appliances less than \$1,500, and a useful life exceeding two years), including land, property and equipment, are recorded at cost. Property and equipment are depreciated using the straight line method over the estimated useful lives of the assets, which are as follows:

Property	15–40 Years
Equipment	3–7 Years
- d. *Debt Obligations*—Debt obligations (and the related debt service requirements) of the Ambleside program, bond anticipation note, and a capital lease for the purchase of heating and energy efficiency equipment are the responsibility of the Authority, and are classified as liabilities in the accompanying financial statements.
- e. *Compensated Absences*—Vacation time may be accrued and carried over from year to year up to a maximum of 240 hours. Earned vacation time is due and payable to employees upon termination of employment.

For union employees only, a portion of accrued sick time is payable upon retirement. Upon retirement, a union employee can convert up to 120 days of accumulated but unused sick time into a cash payment at the rate of one day for every two days accumulated.

- f. *Debt Amortization Funds*—Debt amortization funds consist of restricted cash and investments held by fiscal agents. These funds are used to retire current installments of debt and to pay interest accrued thereon. Investments of debt amortization funds are carried at fair value.

- g. *Revenue Recognition*—Subsidies and grants received from HUD and other grantors are generally recognized during the periods to which the grants relate. Tenant rental revenues are recognized during the period of occupancy. Receipts from CGP, CFP, URD (HOPE VI), and other reimbursement based grants are recognized when the related expenses are incurred. Expenses are recognized as incurred.
- h. *Debt Issuance Costs and Original Issue Discounts*—Bond premiums, original issuance discounts and bond issuance costs are amortized over the life of the underlying debt using the effective interest method.
- i. *Indirect Costs*—Certain indirect costs are charged to programs under a cost allocation plan. These indirect costs are accumulated in and allocated from the Conventional Low-Rent Housing Program.
- j. *Inventory*—Inventory is valued using an average costing method. Expense is recorded based upon consumption.
- k. *Use of Estimates*—The preparation of financial statements in conformity with accounting principals generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues and expenses, at and during the reporting period. Actual results could differ from those estimates.
- l. *Budgetary Accounting and Control*—The Authority’s annual budget is prepared on the accrual basis of accounting and approved by the Board of Commissioners. The budget includes anticipated amounts for current year revenues and expenses as well as new capital projects.

The Authority maintains budgetary control by not permitting total operating expenses and expenditures for individual programs to exceed their respective budget amounts without the appropriate approvals.

- m. *Reclassifications*—Certain amounts reported in the previous year have been reclassified to conform to the current year presentation.

3. DEPOSITS AND INVESTMENTS

Legal Requirement—The deposit and investment of the Authority’s monies are governed by the provisions of the Ohio Revised Code. The Authority is permitted to invest its monies in certificates of deposit, savings accounts, money market accounts, state and local government investment pools, direct obligations of the federal government, obligations of federal government agencies and securities of federal government agencies. These investments must mature within three years of their purchase. The Authority may also enter into repurchase agreements with any eligible depository or any eligible dealer for a period not exceeding 30 days.

Under Ohio law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in excess of amounts insured by the Federal Deposit Insurance Corporation (“FDIC”), or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific qualifying securities upon which the repurchase agreements are based. These securities must mature or be redeemable within five years of the date of the related repurchase agreement. The market value of the securities subject to a repurchase agreement must exceed the value of the principal by 2% and be marked to market daily. State law does not require security for public deposits and investments to be maintained in the Authority’s name.

The Authority is prohibited from investing in any financial instrument, contract or obligation whose value or return is based upon or linked to another asset or index, or both, separate from the financial instrument, contract or obligation itself (commonly known as a “derivative”). The Authority is also prohibited from investing in reverse purchase agreements.

Deposits—Custodial credit risk is the risk that in the event of a bank failure, the Authority’s deposits may not be returned to it. The Authority does have a deposit policy that addresses custodial credit risk. At year-end, the carrying amount of the Authority’s deposits was \$18,105,310 and the bank balance was \$19,397,845, the difference representing outstanding checks and other in-transit items. Of the bank balance, \$490,700 was covered by federal depository insurance, \$18,071,773 was collateralized with securities held at the Federal Reserve Bank, \$835,372 was covered by pooled collateral held by the financial institution.

Investments—Investments held by the Authority at December 31, 2005 are presented below, categorized by investment type and credit quality rating. Credit ratings provide information about the investments’ credit risk, which is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. All investments mature within one year.

Description	Total Fair Value/ Carrying Value	Credit Quality Rating
Federal National Mortgage Association discount notes	\$ 1,555,314	AAA
Federal Home Loan Mortgage Corp. securities	2,715,488	AAA
Federal Home Loan Bank securities	1,142,168	AAA
Federal Farm Credit Bank discount notes	<u>2,629,771</u>	AAA
Subtotal	8,042,741	
Money market fund	<u>3,388,503</u>	Not Rated
Total primary government investments	<u><u>\$ 11,431,244</u></u>	

A reconciliation of cash and investments as shown on the statement of net assets at December 31, 2005 and 2004 to the deposits and investments included in this note is as follows:

	2005	2004
Cash and cash equivalents	\$ 16,423,486	\$ 19,426,745
Investments	4,408,901	4,813,663
Cash and investments—restricted:		
Current asset	5,267,829	5,276,028
Non-current asset	<u>3,436,338</u>	<u>3,240,654</u>
 Total	 <u>\$ 29,536,554</u>	 <u>\$ 32,757,090</u>
 Carrying amount of deposits	 \$ 18,105,310	 \$ 21,726,498
Carrying amount of investments	<u>11,431,244</u>	<u>11,030,592</u>
 Total	 <u>\$ 29,536,554</u>	 <u>\$ 32,757,090</u>

4. RESTRICTED CASH AND INVESTMENTS

At December 31, 2005 and 2004, the Authority had the following cash and investments, the use of which was restricted under the terms of various grant programs, debt obligations, and other requirements:

	2005	2004
Conventional Program:		
Tenant security deposits	\$ 1,061,700	\$ 1,064,230
Industrial Commission of Ohio escrow fund	3,709,533	3,535,463
 CMHA Charities Fund, Inc.	 173,326	 132,729
 Western Reserve	 94,025	
Homeownership Program:		
Earned home payment account and nonroutine maintenance reserves	163,560	163,957
Ambleside:		
Tenant security deposits	37,302	35,306
Nonroutine maintenance reserves	717,970	653,691
Debt amortization funds	1,152,398	1,074,701
Severance:		
Tenant security deposits	78,423	76,469
Nonroutine maintenance reserves	1,402,411	1,348,305
Quarrytown:		
Tenant security deposits	37,424	36,292
Nonroutine maintenance reserves	<u>76,095</u>	<u>395,539</u>
 Total	 <u>\$ 8,704,167</u>	 <u>\$ 8,516,682</u>

5. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2005 was as follows:

	January 1, 2005	Additions	Deletions	December 31, 2005
Capital assets not being depreciated:				
Land	\$ 23,554,223	\$ 3,760,900	\$ (5,990)	\$ 27,309,133
Construction in progress (net change)	<u>12,437,778</u>	<u> </u>	<u>(1,506,939)</u>	<u>10,930,839</u>
Total capital assets not being depreciated	<u>35,992,001</u>	<u>3,760,900</u>	<u>(1,512,929)</u>	<u>38,239,972</u>
Capital assets being depreciated:				
Property and equipment	557,550,021	18,170,990	(1,625,589)	574,095,422
Less accumulated depreciation	<u>377,229,544</u>	<u>25,238,494</u>	<u>(1,547,998)</u>	<u>400,920,040</u>
Total capital assets being depreciated—net	<u>180,320,477</u>	<u>(7,067,504)</u>	<u>(77,591)</u>	<u>173,175,382</u>
Capital assets—net	<u>\$216,312,478</u>	<u>\$ (3,306,604)</u>	<u>\$ (1,590,520)</u>	<u>\$211,415,354</u>

Capital asset activity for the year ended December 31, 2004 was as follows:

	January 1, 2004	Additions	Deletions	December 31, 2004
Capital assets not being depreciated:				
Land	\$ 23,562,784	\$ -	\$ (8,561)	\$ 23,554,223
Construction in progress (net change)	<u>18,291,692</u>	<u> </u>	<u>(5,853,914)</u>	<u>12,437,778</u>
Total capital assets not being depreciated	<u>41,854,476</u>	<u>-</u>	<u>(5,862,475)</u>	<u>35,992,001</u>
Capital assets being depreciated:				
Property and equipment	587,503,744	32,274,656	(62,228,379)	557,550,021
Less accumulated depreciation	<u>399,264,301</u>	<u>26,611,044</u>	<u>(48,645,801)</u>	<u>377,229,544</u>
Total capital assets being depreciated—net	<u>188,239,443</u>	<u>5,663,612</u>	<u>(13,582,578)</u>	<u>180,320,477</u>
Capital assets—net	<u>\$ 230,093,919</u>	<u>\$ 5,663,612</u>	<u>\$ (19,445,053)</u>	<u>\$ 216,312,478</u>

During 2004, the Authority completed demolition of older estates with a net book value of \$13.5 million in preparation for the construction of new units and accordingly, recorded a loss on demolition of capital assets.

The Authority maintains detailed records that track fixed assets by category. The following schedules list fixed asset balances for individual programs at December 31, 2005 and 2004:

Programs	2005				
	Land	Property	Equipment	Accumulated Depreciation	Net
Conventional Low-Rent Housing Program	\$26,879,163	\$554,961,373	\$17,539,696	\$(392,507,332)	\$206,872,900
Homeownership Program	92,130	1,294,406	29,460	(910,991)	505,005
Housing Choice Voucher and Moderate Rehabilitation Programs		39,609	1,169,768	(742,450)	466,927
Title V	278,000	558,000	28,894	(586,894)	278,000
Section 8 New Construction Housing Assistance Payment Programs:					
Ambleside	59,840	6,018,050	369,122	(4,458,060)	1,988,952
Severance		368,002	282,485	(365,491)	284,996
Quarrytown		456,633	321,425	(278,746)	499,312
Other		959,927	629,411	(1,070,076)	519,262
Total	<u>\$27,309,133</u>	<u>\$564,656,000</u>	<u>\$20,370,261</u>	<u>\$(400,920,040)</u>	<u>\$211,415,354</u>

Programs	2004				
	Land	Property	Equipment	Accumulated Depreciation	Net
Conventional Low-Rent Housing Program	\$23,118,263	\$539,935,301	\$17,679,399	\$(369,448,729)	\$211,284,234
Homeownership Program	98,120	1,348,316	30,824	(899,822)	577,438
Housing Choice Voucher and Moderate Rehabilitation Programs		39,609	1,077,422	(556,080)	560,951
Title V	278,000	558,000	30,734	(588,734)	278,000
Section 8 New Construction Housing Assistance Payment Programs:					
Ambleside	59,840	6,018,050	363,503	(4,263,928)	2,177,465
Severance		368,002	255,095	(318,060)	305,037
Quarrytown		335,500	337,556	(256,977)	416,079
Other		959,927	650,561	(897,214)	713,274
Total	<u>\$23,554,223</u>	<u>\$549,562,705</u>	<u>\$20,425,094</u>	<u>\$(377,229,544)</u>	<u>\$216,312,478</u>

6. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses at December 31, 2005 and 2004 consist of the following items:

	2005	2004
Payroll and related accruals	\$ 5,690,837	\$5,435,924
Workers' compensation—current portion	1,000,000	1,000,000
Other litigation reserves	754,011	518,653
Other	<u>2,506,171</u>	<u>1,533,357</u>
Total	<u>\$ 9,951,019</u>	<u>\$8,487,934</u>

7. DEBT AND LEASE OBLIGATIONS

Ambleside Bonds—In December 1994, the Authority, through the Cleveland-Rock Glen Housing Assistance Corporation, issued \$8.3 million in Multifamily Housing Revenue and Revenue Refunding bonds (composed of \$2.4 million of serial bonds and a \$5.9 million term bond) to retire the mortgage obligation on the Ambleside Section 8 New Construction project and provide funds for the construction of housing for low income elderly, handicapped and disabled individuals.

The bonds are secured by a pledge of all revenues generated by the Ambleside project, including the housing assistance payments from HUD, and by a mortgage on the Ambleside property. The serial bonds are payable in June and December of each year through December 2005 and bear interest at rates ranging from 6.55% to 6.75%. The term bond matures on June 1, 2018 and bears interest at a rate of 7.00%.

The following is a summary of Ambleside's future debt service requirements for bonds payable as of December 31, 2005, is as follows:

Year	Principal	Interest	Total
2006	\$ -	\$ 411,600	\$ 411,600
2007		411,600	411,600
2008		411,600	411,600
2009		411,600	411,600
2010		411,600	411,600
2011–2015		2,058,000	2,058,000
2016–2018	<u>5,955,000</u>	<u>1,058,256</u>	<u>7,013,256</u>
Total payments	5,955,000	5,174,256	11,129,256
Less—unamortized bond discount	<u>(234,169)</u>		<u>(234,169)</u>
Total	<u>\$5,720,831</u>	<u>\$5,174,256</u>	<u>\$10,895,087</u>

At the Authority's option, the bonds are subject to redemption after June 1, 2006, in whole or in part, at a specified premium plus accrued interest through the redemption date.

Capital Lease—In 1997, the Authority entered into a tax exempt capital lease to acquire equipment to upgrade the heating and energy efficiency of several properties. The agreement expires in September 2010. At December 31, 2005 and 2004, the net book value of equipment under capital lease was \$3,517,898 and \$3,978,795, respectively.

Payments under the agreement are as follows:

2006	\$ 785,969
2007	785,969
2008	785,969
2009	785,969
2010	<u>583,473</u>
	3,727,349
Less amount representing interest	<u>(447,055)</u>
Principal amount	<u>\$3,280,294</u>

Bond Anticipation Note, Series 2005—In December 2005, the Authority entered into a Bond Anticipation Note for the purchase and initial project related expenses necessary to acquire approximately 25 acres of land to be used as the site of a consolidated administrative and operations facility. The Bond Anticipation Note was issued in anticipation of the issuance of permanent financing bonds, the proceeds of which will be used to pay off the Bond Anticipation Note and complete

development of the property. The maturity date of the Note is December 1, 2006. On July 31, 2006, the Authority received a commitment from its underwriter to refund the Bond Anticipation Note on a current basis within 90 days of the December 1, 2006 maturity date and to replace it with a similar instrument with a maturity date not to exceed 18 months. It is the Authority's intent to ultimately replace this financing with long-term bonded debt. As such, the Bond Anticipation Note is classified in the statement of net assets at December 31, 2005 as a non-current liability.

A roll-forward of the Authority's long-term debt and capital lease in 2005 follows:

	January 1, 2005	Increase	Decrease	December 31, 2005	Due Within One Year
Ambleside Bonds	\$ 5,998,837	\$ -	\$ (278,006)	\$ 5,720,831	\$ -
Bond Anticipation Note		5,000,000		5,000,000	5,000,000
Capital Lease	<u>3,871,860</u>	<u> </u>	<u>(591,566)</u>	<u>3,280,294</u>	<u>623,786</u>
Total	<u>\$ 9,870,697</u>	<u>\$ 5,000,000</u>	<u>\$ (869,572)</u>	<u>\$ 14,001,125</u>	<u>\$ 5,623,786</u>

Other Lease Obligations—The Authority has entered into long-term operating lease agreements with private developers for the Severance and Quarrytown buildings and administers the Section 8 New Construction Housing Assistance Payments Programs for these facilities. The Authority manages these properties and prepares all the necessary reports for HUD. The annual contributions contracts between Severance and Quarrytown are between HUD and the Authority. For 2005 and 2004, the total expense recognized under these operating leases was \$2,186,848 and \$1,757,506, respectively.

The Authority entered into agreements to lease three separate facilities to house warehouse, office space and centralized maintenance operations. Total expense recognized under these operating leases was \$421,230 and \$399,063 in 2005 and 2004, respectively. The Authority also leases office equipment under various operating leases. Total expense recognized under these operating leases was \$509,120 in 2005 and \$383,139 in 2004.

Future minimum lease payments are as follows:

Year	Severance	Quarrytown	Warehouses	Office Equipment	Total
2006	\$ 1,077,504	\$ 878,252	\$ 469,950	\$ 235,255	\$ 2,660,961
2007	1,077,504	622,095	474,207	108,219	2,282,025
2008	942,816		470,345	21,986	1,435,147
2009				458	458
Total	<u>\$ 3,097,824</u>	<u>\$ 1,500,347</u>	<u>\$ 1,414,502</u>	<u>\$ 365,918</u>	<u>\$ 6,378,591</u>

In addition to minimum lease payments, the Authority is obligated to deposit approximately \$83,000 annually in nonroutine maintenance reserves.

8. RETIREMENT BENEFITS

Employees and Plan—Employees of the Authority belong to the Ohio Public Employees Retirement System of Ohio (“OPERS”), a state-wide and state-administered defined benefit, cost-sharing multi-governmental employer pension plan, as required by the Ohio Revised Code. The authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS

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 the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-7377.

OPERS administers three separate pension plans as described below:

The Traditional Pension Plan (“TP”)—a cost-sharing multiple-employer defined benefit pension plan.

The Member-Directed Plan (“MD”)—a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the MD plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon.

The Combined Plan (“CO”)—a cost-sharing multiple-employer defined benefit pension plan. Under the CO plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the TP benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the MD plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the TP and CO plans. Members of the MD plan do not qualify for ancillary benefits.

The Ohio Revised Code provides statutory authority for employee and employer contributions. Employees other than law enforcement personnel are required to contribute 8.5% of their annual covered salary to OPERS. The 2005 employer contribution rate for local government employer units is 13.55% of covered payroll including 4% that was used to fund postretirement health care benefits. The Authority’s total contributions to OPERS for pension benefits (excluding the amount relating to postretirement benefits) for the years ended December 31, 2005, 2004 and 2003 were \$3,631,475, \$3,810,845 and \$3,305,498, respectively, which were equal to the required contributions for each year.

Other Postretirement Benefits—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 also available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (“OPEB”) as described in GASB Statement No. 12.

A portion of each employer’s contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS. The portion of the employer contribution rate used to fund health care for both 2005 and 2004 was 4% of covered payroll. During 2005 and 2004, \$1,521,037 and \$1,596,166, respectively, of the Authority’s total contribution to OPERS was used for postretirement benefits.

OPERS’ latest actuarial review was performed as of December 31, 2004. An entry-age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the 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 to reflect 25% of unrealized market appreciation or depreciation on investment assets annually. The investment return assumption for 2004 was 8%. Active employee payroll is assumed to increase 4%, compounded annually, and 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 1% to 6% for the next eight years. In subsequent years (nine and beyond) health care costs were assumed to increase at 4% (the projected wage inflation rate).

OPEB provided through OPERS are advance-funded on an actuarially determined basis. The total number of active contributing participants in the TP and CO Plans was 376,109 at December 31, 2005 and 355,287 at December 31, 2004. The actuarial value of OPERS' net assets available for OPEB at December 31, 2004 was \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan ("HCPP") with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs. Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

In addition to the HCPP, OPERS has taken additional action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. As an additional component of the HCPP, member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

9. INSURANCE COVERAGE AND RISK RETENTION

The Authority is exposed to various risks of loss during the normal course of its operations including, but not limited to, loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees.

As described in Note 1, the Authority is a member of HARRG, which is a comprehensive general liability insurance group operated as a joint venture by its 762 public housing authority members. Through HARRG, the Authority carries \$5,000,000 of general liability coverage, with a \$25,000 deductible, as well as \$1,000,000 of law enforcement liability, with a \$25,000 deductible, and \$2,000,000 of public officials' errors and omissions coverage, with a \$25,000 deductible.

The Authority is also a member of HAPI, which is a property insurance group operated as a joint venture by its 856 public housing authority members. Through HAPI, the Authority carries building and contents coverage aggregating \$822,183,760 with a \$25,000 deductible.

The Authority's commercial automobile fleet and garage keepers coverage includes liability insurance with a combined single limit of \$1,000,000 per accident with a \$1,000 deductible.

The Authority is self-insured for the following risks:

Workers' Compensation Benefits—The Authority is self-insured for workers' compensation benefits provided to its employees. An excess liability policy provides coverage for individual claims that are greater than \$350,000 per individual occurrence and \$10,000,000 in the aggregate. The Authority has recorded a \$3,110,000 liability for self-insured workers' compensation claims in its Conventional Program and is fully funded at December 31, 2005.

Employee Termination and Other Third-Party Liability Matters—The Authority is self-insured for certain employee termination and miscellaneous third-party claims that are not covered by HARRG.

The changes in the Authority's liabilities for self-insured risks for the years ended December 31, 2005 and 2004 were as follows:

	Workers' Compensation Benefits	Employee Termination and Other
Balance—January 1, 2004	\$ 2,850,000	\$ 696,100
Incurred claims—net of changes in estimates	1,345,665	74,053
Payments	<u>(1,045,665)</u>	<u>(251,500)</u>
Balance—December 31, 2004	3,150,000	518,653
Incurred claims—net of changes in estimates	1,136,243	238,358
Payments	<u>(1,176,243)</u>	<u>(3,000)</u>
Balance—December 31, 2005	<u>\$ 3,110,000</u>	<u>\$ 754,011</u>

The liabilities above represent the Authority's best estimates based upon available information and include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic factors.

The Authority strictly adheres to a Risk Control Work Plan policy that incorporates nine standards for risk management. The policy, passed by resolution of the Board of Commissioners and supported by HARRG, seeks to implement risk management activities that include the assignment of a full time risk control administrator, establishment of an active risk control committee, together with a formal self inspection and preventive maintenance program. Other standards include conducting on-site risk control training and education, the development of emergency action plans and property conservation programs, and the establishment of an accident and incident investigation program. During 2005 and 2004, there were no significant reductions in the Authority's insurance coverage.

The Authority paid \$566,724 and \$500,092 in premiums to HARRG and \$1,046,749 and \$892,738 in premiums to HAPI for the years ended December 31, 2005 and 2004, respectively. Settled claims have not exceeded the Authority's insurance coverage in any of the past three years.

10. CONTINGENCIES

Certain unresolved compliance findings and questioned costs approximating \$9.0 million exist that arose from audits of the Authority's financial statements and grant programs for fiscal 2003 and prior years. The ultimate resolution of the compliance findings and questioned costs is not presently determinable. No provision has been made in the financial statements for the effect, if any, of such contingencies.

The Authority is a defendant in several lawsuits, including construction claims. Where possible, estimates have been made and reflected in the financial statements for the effect, if any, of such contingencies. The ultimate outcome of these matters is not presently determinable.

11. DEFICITS IN INDIVIDUAL FUNDS

The Ambleside Fund has an overall net asset deficit of \$2,280,504 as of December 31, 2005 resulting from accumulated depreciation on the building and other fixed assets. Management believes that operating revenues will be adequate to cover its debt service and operating expenses in the future.

12. NEW ACCOUNTING STANDARDS

During May 2002, the GASB issued Statement No. 39, *Determining Whether Certain Organizations are Component Units, an Amendment of GASB Statement 14*, which clarifies existing accounting guidance and provides greater consistency in accounting for organizations that are closely related to a primary government. The standard, which is effective in 2004 for the Authority, provides criteria for determining whether certain organizations should be reported as component units based on the nature and significance of their relationship with a state or local government. The adoption of this statement in 2004 was not material to the financial statements of the Authority.

During March 2003, the GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures, an amendment of GASB Statement No. 3*. This statement amends GASB No. 3 and addresses additional cash and investment risks to which governments are exposed. Generally, this statement requires that state and local governments communicate key information about such risks in four principle areas: investment credit risks, including credit quality information issued by rating agencies; interest rate disclosures that include investment maturity information; interest rate sensitivity for investments that are highly sensitive to changes in interest rates; and foreign exchange exposures that would indicate the foreign investment's denomination. The provisions of this statement were adopted by the Authority in 2005.

During November 2003, the GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This GASB establishes accounting and financial reporting standards for impairment of capital assets. Under provisions of this Statement, a capital asset is considered impaired when its service has declined significantly and unexpectedly. This Statement also clarifies and establishes accounting requirements for insurance recoveries. The adoption of this Statement in 2005 was not material to the financial statements of the Authority.

During August 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, which addresses how state and local governments should account and report their costs and obligations related to postemployment health care and other non-pension benefits. Collectively, these benefits are commonly referred to as other postemployment benefits, or OPEB. GASB No. 45 also establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and, for certain employers, the extent to which the plan has been funded over time. GASB No. 45 will not be effective for the Authority until 2008 and, as such, the Authority has not determined the impact, if any, that this statement will have on its financial statements.

In December 2004, the GASB issued Statement No. 46, *Net Assets Restricted by Legislation, an amendment of GASB Statement No. 34*, which clarifies that a legally enforceable enabling legislation restriction for purposes of determining the existence of restricted net assets is one that a party external to a government—such as citizens, public interest groups, or the judiciary—can compel a government to honor. Limitations on the use of net assets imposed by enabling legislation must be reported as restricted net assets under GASB Statement No. 34. Under GASB No. 46, the legal enforceability of an enabling legislation restriction should be reevaluated if any of the resources raised by the enabling legislation are used for a purpose not specified by the enabling legislation or if a government has other cause for reconsideration. In addition, this statement specifies the accounting and financial reporting requirements if new enabling legislation replaces existing enabling legislation, or if legal enforceability is reevaluated, and requires governments to disclose the portion of total net assets that is restricted by enabling legislation. The requirements of this statement are effective for the Authority in 2006 and the impact, if any, this statement will have on the Authority’s financial statements has not been determined.

During July 2005, the GASB issued GASB Statement No. 47, *Accounting for Termination Benefits*. GASB Statement 47 provides accounting and reporting guidance for state and local governments that offer either voluntary termination benefits (e.g., early retirement incentives) or involuntary termination benefits (i.e., severance). The significant requirements of GASB Statement 47 include the recognition in accrual basis financials as a liability and expense for involuntary termination benefits when (1) a termination plan has been approved by those with the authority to commit the government to the plan, (2) the plan has been communicated to the employees, and (3) the amount can be estimated. A liability and expense for voluntary termination benefits should be recognized when the offer is accepted and the amount can be estimated. GASB Statement 47 also requires employers to disclose a description of the termination benefit arrangements, the cost of the termination benefits, and the significant methods and assumptions used to determine termination benefit liabilities. GASB Statement 47 is effective for the Authority in 2006; as such, the Authority has not determined the impact, if any, this statement will have on its financial statements.

13. SUBSEQUENT EVENTS

In April 2006, the Authority’s Board of Commissioners approved a resolution granting approval for the Authority to execute an Energy Savings Contract with Siemens Building Technologies, Inc. in an amount to be further negotiated, but not to exceed \$36.5 million, subject to the approval of HUD.

Energy Performance Contract is a HUD incentive program whereby energy related modernization projects resulting in guaranteed energy savings are funded by those savings over a period up to 12 years. HUD guidelines allow housing authorities to use the energy cost savings to repay the cost of physical improvements.

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CUYAHOGA METROPOLITAN HOUSING AUTHORITY

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

Federal Grantor/Program Title	CFDA Number	Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (DIRECT PROGRAMS)		
Conventional Low-Income Housing Programs—Subsidy	14.850	\$ <u>53,982,125</u>
Section 8 New Construction and Moderate Rehabilitation Programs:		
New Construction—Ambleside	14.182	1,795,429
New Construction—Severance	14.182	1,303,883
New Construction—Quarrytown	14.182	<u>883,044</u>
Subtotal CFDA #14.182		3,982,356
Moderate Rehabilitation	14.856	<u>4,007,873</u>
Subtotal CFDA #14.182/14.856 (Section 8 Project-Based Cluster)		7,990,229
Housing Choice Voucher	14.871	<u>101,076,609</u>
Subtotal CFDA #14.182/14.856/14.871		<u>109,066,838</u>
Capital Fund Program:		
Capital Fund Program—2002	14.872	619,684
Capital Fund Program—2003	14.872	12,471,741
Capital Fund Program—2004	14.872	5,692,135
Capital Fund Program—2005	14.872	<u>9,399,765</u>
Subtotal CFDA #14.872		28,183,325
Urban Revitalization Development Grant	14.866	18,735,755
Homeownership Program	14.851	272,083
Supportive Housing Program	14.235	1,198,552
Resident Opportunities and Supportive Services	14.870	110,847
Multifamily Property Disposition	14.199	<u>3,035,999</u>
Total U.S. Department of Housing and Urban Development		<u>\$ 214,585,524</u>

See notes to Supplemental Schedule of Expenditures of Federal Awards.

CUYAHOGA METROPOLITAN HOUSING AUTHORITY

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

1. BASIS OF PRESENTATION

The accompanying Supplemental Schedule of Expenditures of Federal Awards (the "Schedule") presents the activity of all federal financial assistance programs of the Cuyahoga Metropolitan Housing Authority (the "Authority"). The Authority's reporting entity is defined in Note 1 to the Authority's financial statements. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies is required to be included on the Schedule.

The information presented in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Catalog of Federal Domestic Assistance ("CFDA") Numbers are presented for each federal grant.

Revenue and expenses are presented on an accrual basis of accounting with the exception of fixed assets and depreciation. For purposes of the Schedule, depreciation expense is not recorded and the cost of fixed asset additions is included as an expenditure.

2. SUBRECIPIENTS

Of the federal expenditures presented in the Schedule, the Authority provided federal awards to subrecipients as follows:

Program Title	Subrecipient	Federal CFDA No.	2005 Grant Expenditures
Section 8 Moderate Rehabilitation	Amesbury Rosalind	14.856	\$ 577,689
Section 8 Moderate Rehabilitation	Puritas Place	14.856	692,151
Conventional Low-Rent	Progressive Action Council	14.850	310,858
Multifamily Property Disposition	Western Reserve Revitalization and Management Company	14.199	3,025,208

3. MORTGAGE REVENUE BONDS

As shown in the table below, the Authority had subordinate multifamily housing mortgage revenue bonds (the “bonds”) outstanding at December 31, 2004 under the Multifamily Property Disposition Grant. The provisions of the grant agreement pertaining to the bonds impose continuing compliance requirements.

Program Title	Federal CFDA No.	Bonds Outstanding at December 31, 2005
Multifamily Property Disposition	14.199	\$4,000,000

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CUYAHOGA METROPOLITAN HOUSING AUTHORITY

**SUPPLEMENTAL FINANCIAL DATA SCHEDULE
YEAR ENDED DECEMBER 31, 2005**

Line Item #	Account Description	Business Activities	N/C S/R Section 8 Programs	Multifamily Property Disposition	Supportive Housing Program	Low Rent Public Housing	Development	Public Housing Comprehensive Improvement Assistance Program
111	Cash—Unrestricted	\$ 3,851,756	\$ -	\$ 653,392	\$ -	\$ 6,162,868	\$ -	\$ -
113	Cash—Other Restricted							
114	Cash—Tenant Security Deposits		153,150			1,061,700		
100	Total Cash	3,851,756	153,150	653,392		7,224,568		
122	Accounts Receivable—HUD Other Projects		967,997	382,483	704,349			
124	Accounts Receivable—Other Government							
125	Accounts Receivable—Miscellaneous	19,592		116,708		8,699		
126	Accounts Receivable—Tenants—Dwelling Rents		21,862	22,946		1,206,067		
126.1	Allowance for Doubtful Accounts—Dwelling Rents		(6,362)	(1,114)		(841,366)		
126.2	Allowance for Doubtful Accounts—Other							
128	Fraud Recovery							
128.1	Allowance for Doubtful Accounts—Fraud							
129	Accrued Interest Receivable					17,676		
120	Total Receivables, net of allowances for doubtful accounts	19,592	983,497	521,023	704,349	391,076		
135	Investments—Restricted for Payment of Current Liabilities							
132	Investments Restricted		3,348,873			2,835,381		
142	Prepaid Expenses and Other Assets	14,832	55,697			2,174,090		
143	Inventories					1,099,196		
143.1	Allowance for Obsolete Inventories					(232,700)		
144	Interprogram Due From					11,976,020		
150	Total Current Assets	3,886,180	4,541,217	1,174,415	704,349	25,467,631		
161	Land	278,000	59,840			26,814,263		
162	Buildings	558,000	6,842,684	959,927		190,896,605		116,247,689
163	Furniture, Equipment & Machinery—Dwellings	28,894	973,033			3,578,799		
164	Furniture, Equipment & Machinery—Administration					7,609,482		
165	Leasehold Improvements							
166	Accumulated Depreciation	(586,894)	(5,102,297)	(569,958)		(170,032,960)		(101,306,669)
167	Construction In Progress					14,501		
160	Total Fixed Assets, Net of Accumulated Depreciation	278,000	2,773,260	389,969		58,880,690		14,941,020
174	Other Assets		152,699			727,898		
180	Total Non-Current Assets	278,000	2,925,959	389,969		59,608,588		14,941,020
190	Total Assets	\$ 4,164,180	\$ 7,467,176	\$ 1,564,384	\$ 704,349	\$ 85,076,219	\$ -	\$ 14,941,020

See notes to the Financial Data Schedule and the Reconciliation of the Combined Financial Statements to the Financial Data Schedule.

CUYAHOGA METROPOLITAN HOUSING AUTHORITY

**SUPPLEMENTAL FINANCIAL DATA SCHEDULE
YEAR ENDED DECEMBER 31, 2005**

Line Item #	Account Description	Tenant Opportunity Technical Assistance	Public and Indian Housing Drug Elimination Program	Section 8 Rental Voucher Program	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitate OH003MR0001	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitate OH003MR0002	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitate OH003MR0003	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitate OH003MR0004	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitate OH003MR0005
111	Cash—Unrestricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
113	Cash—Other Restricted								
114	Cash—Tenant Security Deposits								
100	Total Cash								
122	Accounts Receivable—HUD Other Projects		10,250						
124	Accounts Receivable—Other Government								
125	Accounts Receivable—Miscellaneous								
126	Accounts Receivable—Tenants—Dwelling Rents								
126.1	Allowance for Doubtful Accounts—Dwelling Rents								
126.2	Allowance for Doubtful Accounts—Other								
128	Fraud Recovery								
128.1	Allowance for Doubtful Accounts—Fraud								
129	Accrued Interest Receivable								
120	Total Receivables, net of allowances for doubtful accounts		10,250						
135	Investments—Restricted for Payment of Current Liabilities								
132	Investments Restricted								
142	Prepaid Expenses and Other Assets								
143	Inventories								
143.1	Allowance for Obsolete Inventories								
144	Interprogram Due From				1,225,937	82,986		117,963	21,490
150	Total Current Assets		10,250		1,225,937	82,986		117,963	21,490
161	Land								
162	Buildings								
163	Furniture, Equipment & Machinery—Dwellings								
164	Furniture, Equipment & Machinery—Administration	18,829	467,333						
165	Leasehold Improvements								
166	Accumulated Depreciation	(17,665)	(382,028)						
167	Construction In Progress								
160	Total Fixed Assets, Net of Accumulated Depreciation	1,164	85,305						
174	Other Assets								
180	Total Non-Current Assets	<u>1,164</u>	<u>85,305</u>						
190	Total Assets	<u>\$ 1,164</u>	<u>\$ 95,555</u>	<u>\$ -</u>	<u>\$ 1,225,937</u>	<u>\$ 82,986</u>	<u>\$ -</u>	<u>\$ 117,963</u>	<u>\$ 21,490</u>

See notes to the Financial Data Schedule and the Reconciliation of the Combined Financial Statements to the Financial Data Schedule.

CUYAHOGA METROPOLITAN HOUSING AUTHORITY

**SUPPLEMENTAL FINANCIAL DATA SCHEDULE
YEAR ENDED DECEMBER 31, 2005**

Line Item #	Account Description	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitate OH003MR0006	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitate OH003MR0007	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitate OH003MR0008	Section 8 Rental Certificate Program	Public Housing Comprehensive Grant Program	Economic Development and Supportive Services Program	Revitalization of Severely Distressed Public Housing	Resident Opportunity and Supportive Services
111	Cash—Unrestricted	\$ -	\$ -	\$ -	\$ -	\$ 2,553,933	\$ -	\$ -	\$ -
113	Cash—Other Restricted								
114	Cash—Tenant Security Deposits								
100	Total Cash					2,553,933			
122	Accounts Receivable—HUD Other Projects							2,741,890	10,862
124	Accounts Receivable—Other Government								
125	Accounts Receivable—Miscellaneous								
126	Accounts Receivable—Tenants—Dwelling Rents								
126.1	Allowance for Doubtful Accounts—Dwelling Rents								
126.2	Allowance for Doubtful Accounts—Other								
128	Fraud Recovery								
128.1	Allowance for Doubtful Accounts—Fraud								
129	Accrued Interest Receivable								
120	Total Receivables, net of allowances for doubtful accounts							2,741,890	10,862
135	Investments—Restricted for Payment of Current Liabilities								
132	Investments Restricted								
142	Prepaid Expenses and Other Assets								
143	Inventories								
143.1	Allowance for Obsolete Inventories								
144	Interprogram Due From	11,955	130,464		3,371,776				
150	Total Current Assets	11,955	130,464		3,371,776	2,553,933		2,741,890	10,862
161	Land								
162	Buildings					141,460,714		50,588,469	
163	Furniture, Equipment & Machinery—Dwellings					1,719,442		189,903	
164	Furniture, Equipment & Machinery—Administration								1,728
165	Leasehold Improvements								
166	Accumulated Depreciation					(89,809,764)		(26,037,012)	(1,325)
167	Construction In Progress							6,241,285	
160	Total Fixed Assets, Net of Accumulated Depreciation					53,370,392		30,982,645	403
174	Other Assets								
180	Total Non-Current Assets					53,370,392		30,982,645	403
190	Total Assets	\$ 11,955	\$ 130,464	\$ -	\$ 3,371,776	\$ 55,924,325	\$ -	\$ 33,724,535	\$ 11,265

See notes to the Financial Data Schedule and the Reconciliation of the Combined Financial Statements to the Financial Data Schedule.

CUYAHOGA METROPOLITAN HOUSING AUTHORITY

**SUPPLEMENTAL FINANCIAL DATA SCHEDULE
YEAR ENDED DECEMBER 31, 2005**

Line Item #	Account Description	Housing Choice Vouchers	Public Housing Capital Fund Program	Public Safety Partnership and Community Policing Grants	State/Local	Component Units	Other Federal Program 1	Other Federal Program 2	Total
111	Cash—Unrestricted	\$ 5,694,028	\$ -	\$ -	\$ 109,713	\$ -	\$ 2,680,852	\$ -	\$ 21,706,542
113	Cash—Other Restricted					267,351			267,351
114	Cash—Tenant Security Deposits								1,214,850
100	Total Cash	5,694,028			109,713	267,351	2,680,852		23,188,743
122	Accounts Receivable—HUD Other Projects		7,888,899						12,706,730
124	Accounts Receivable—Other Government				126,548				126,548
125	Accounts Receivable—Miscellaneous	971,970			36,249	251,080	173,796		1,578,094
126	Accounts Receivable—Tenants—Dwelling Rents						27,383		1,278,258
126.1	Allowance for Doubtful Accounts—Dwelling Rents						(38,284)		(887,126)
126.2	Allowance for Doubtful Accounts—Other	(228,278)							(228,278)
128	Fraud Recovery	425,145							425,145
128.1	Allowance for Doubtful Accounts—Fraud	(340,811)							(340,811)
129	Accrued Interest Receivable								17,676
120	Total Receivables, net of allowances for doubtful accounts	828,026	7,888,899		162,797	251,080	162,895		14,676,236
135	Investments—Restricted for Payment of Current Liabilities						163,560		163,560
132	Investments Restricted								6,184,254
142	Prepaid Expenses and Other Assets	122,854							2,367,473
143	Inventories								1,099,196
143.1	Allowance for Obsolete Inventories								(232,700)
144	Interprogram Due From								16,938,591
150	Total Current Assets	6,644,908	7,888,899		272,510	518,431	3,007,307		64,385,353
161	Land		64,900				92,130		27,309,133
162	Buildings	39,609	44,837,056				1,294,406		553,725,159
163	Furniture, Equipment & Machinery—Dwellings		4,442,071				15,632		10,947,774
164	Furniture, Equipment & Machinery—Administration	1,169,768		139,731	1,790		13,828		9,422,489
165	Leasehold Improvements								
166	Accumulated Depreciation	(742,450)	(5,320,927)	(97,906)	(1,194)		(910,991)		(400,920,040)
167	Construction In Progress		4,675,053						10,930,839
160	Total Fixed Assets, Net of Accumulated Depreciation	466,927	48,698,153	41,825	596		505,005		211,415,354
174	Other Assets								880,597
180	Total Non-Current Assets	466,927	48,698,153	41,825	596		505,005		212,295,951
190	Total Assets	<u>\$ 7,111,835</u>	<u>\$ 56,587,052</u>	<u>\$ 41,825</u>	<u>\$ 273,106</u>	<u>\$ 518,431</u>	<u>\$ 3,512,312</u>	<u>\$ -</u>	<u>\$ 276,681,304</u>

See notes to the Financial Data Schedule and the Reconciliation of the Combined Financial Statements to the Financial Data Schedule.

CUYAHOGA METROPOLITAN HOUSING AUTHORITY

**SUPPLEMENTAL FINANCIAL DATA SCHEDULE
YEAR ENDED DECEMBER 31, 2005**

Line Item #	Account Description	Business Activities	N/C S/R Section 8 Programs	Multifamily Property Disposition	Supportive Housing Program	Low Rent Public Housing	Development	Public Housing Comprehensive Improvement Assistance Program
312	Accounts Payable <= 90 Days	\$ 29,302	\$ 100,343	\$ 15,452	\$ 374,581	\$ 5,238,800	\$ -	\$ -
321	Accrued Wage/Payroll Taxes Payable		27,045	1,034		2,867,753		
322	Accrued Compensated Absences-Current Portion					2,137,308		
325	Accrued Interest Payable		34,738					
331	Accounts Payable—HUD PHA Programs			575,830				
333	Accounts Payable—Other Government							
341	Tenant Security Deposits		100,825	14,765		1,042,563		
342	Deferred Revenues			5,723				
	Current Portion of Long-term Debt—Capital Projects/							
343	Mortgage Revenue Bonds					623,786		
345	Other Current Liabilities	487,957						
346	Accrued Liabilities—Other		560,036			2,812,716		
347	Interprogram Due To	859,064	1,870,006	324,174	329,768			
310	Total Current Liabilities	1,376,323	2,692,993	936,978	704,349	14,722,926		
	Long-term Debt, Net of Current—Capital Projects/							
351	Mortgage Revenue Bonds		5,720,831			7,656,508		
353	Noncurrent Liabilities—Other					2,110,000		
350	Total Noncurrent Liabilities		5,720,831			9,766,508		
300	Total Liabilities	1,376,323	8,413,824	936,978	704,349	24,489,434		
508	Total Contributed Capital							
508.1	Invested in Capital Assets, Net of Related Debt	278,000	(2,947,571)	389,969		50,600,396		14,941,020
511	Total Reserved Fund Balance							
	Long-term Debt, Net of Current—Capital Projects/							
511	Total Reserved Fund Balance							
511.1	Restricted Net Assets		3,348,874					
512.1	Unrestricted Net Assets	2,509,857	(1,347,951)	237,437		9,986,389		
513	Total Equity/Net Assets	2,787,857	(946,648)	627,406		60,586,785		14,941,020
600	Total Liabilities and Equity/Net Assets	\$ 4,164,180	\$ 7,467,176	\$ 1,564,384	\$ 704,349	\$ 85,076,219	\$ -	\$ 14,941,020

See notes to the Financial Data Schedule and the Reconciliation of the Combined Financial Statements to the Financial Data Schedule.

CUYAHOGA METROPOLITAN HOUSING AUTHORITY

**SUPPLEMENTAL FINANCIAL DATA SCHEDULE
YEAR ENDED DECEMBER 31, 2005**

Line Item #	Account Description	Tenant Opportunity Technical Assistance	Public and Indian Housing Drug Elimination Program	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitate OH003MR0001	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitate OH003MR0002	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitate OH003MR0003	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitate OH003MR0004	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitate OH003MR0005	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitate OH003MR0006
312	Accounts Payable <= 90 Days	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
321	Accrued Wage/Payroll Taxes Payable								
322	Accrued Compensated Absences-Current Portion								
325	Accrued Interest Payable								
331	Accounts Payable—HUD PHA Programs								
333	Accounts Payable—Other Government								
341	Tenant Security Deposits								
342	Deferred Revenues								
	Current Portion of Long-term Debt—Capital Projects/								
343	Mortgage Revenue Bonds								
345	Other Current Liabilities								
346	Accrued Liabilities—Other								
347	Interprogram Due To		10,250			3,486			
310	Total Current Liabilities		10,250			3,486			
	Long-term Debt, Net of Current—Capital Projects/								
351	Mortgage Revenue Bonds								
353	Noncurrent Liabilities—Other								
350	Total Noncurrent Liabilities								
300	Total Liabilities		10,250			3,486			
508	Total Contributed Capital								
508.1	Invested in Capital Assets, Net of Related Debt	1,164	85,305						
511	Total Reserved Fund Balance								
511	Total Reserved Fund Balance								
511.1	Restricted Net Assets								
512.1	Unrestricted Net Assets			1,225,937	82,986	(3,486)	117,963	21,490	11,955
513	Total Equity/Net Assets	<u>1,164</u>	<u>85,305</u>	<u>1,225,937</u>	<u>82,986</u>	<u>(3,486)</u>	<u>117,963</u>	<u>21,490</u>	<u>11,955</u>
600	Total Liabilities and Equity/Net Assets	<u>\$ 1,164</u>	<u>\$ 95,555</u>	<u>\$ 1,225,937</u>	<u>\$ 82,986</u>	<u>\$ -</u>	<u>\$ 117,963</u>	<u>\$ 21,490</u>	<u>\$ 11,955</u>

See notes to the Financial Data Schedule and the Reconciliation of the Combined Financial Statements to the Financial Data Schedule.

CUYAHOGA METROPOLITAN HOUSING AUTHORITY

**SUPPLEMENTAL FINANCIAL DATA SCHEDULE
YEAR ENDED DECEMBER 31, 2005**

Line Item #	Account Description	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitate OH003MR0007	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitate OH003MR0008	Section 8 Rental Certificate Program	Public Housing Comprehensive Grant Program	Economic Development and Supportive Services Program	Revitalization of Severely Distressed Public Housing	Resident Opportunity and Supportive Services
312	Accounts Payable <= 90 Days	\$ -	\$ -	\$ -	\$ 29,700	\$ -	\$ 3,909,002	\$ 4,303
321	Accrued Wage/Payroll Taxes Payable						35,108	2,704
322	Accrued Compensated Absences-Current Portion							
325	Accrued Interest Payable							
331	Accounts Payable—HUD PHA Programs				2,353,365			
333	Accounts Payable—Other Government							
341	Tenant Security Deposits							
342	Deferred Revenues						74,929	
	Current Portion of Long-term Debt—Capital Projects/							
343	Mortgage Revenue Bonds							
345	Other Current Liabilities							
346	Accrued Liabilities—Other							
347	Interprogram Due To		146,092		200,568		1,653,317	3,855
310	Total Current Liabilities		146,092		2,583,633		5,672,356	10,862
	Long-term Debt, Net of Current—Capital Projects/							
351	Mortgage Revenue Bonds							
353	Noncurrent Liabilities—Other							
350	Total Noncurrent Liabilities							
300	Total Liabilities		146,092		2,583,633		5,672,356	10,862
508	Total Contributed Capital							
508.1	Invested in Capital Assets, Net of Related Debt				53,370,392		30,982,645	403
511	Total Reserved Fund Balance							
511	Total Reserved Fund Balance							
511.1	Restricted Net Assets							
512.1	Unrestricted Net Assets	130,464	(146,092)	3,371,776	(29,700)		(2,930,466)	
513	Total Equity/Net Assets	<u>130,464</u>	<u>(146,092)</u>	<u>3,371,776</u>	<u>53,340,692</u>		<u>28,052,179</u>	<u>403</u>
600	Total Liabilities and Equity/Net Assets	<u>\$ 130,464</u>	<u>\$ -</u>	<u>\$ 3,371,776</u>	<u>\$ 55,924,325</u>	<u>\$ -</u>	<u>\$ 33,724,535</u>	<u>\$ 11,265</u>

See notes to the Financial Data Schedule and the Reconciliation of the Combined Financial Statements to the Financial Data Schedule.

CUYAHOGA METROPOLITAN HOUSING AUTHORITY

**SUPPLEMENTAL FINANCIAL DATA SCHEDULE
YEAR ENDED DECEMBER 31, 2005**

Line Item #	Account Description	Housing Choice Vouchers	Public Housing Capital Fund Program	Public Safety Partnership and Community Policing Grants	State/Local	Component Units	Other Federal Program 1	Other Federal Program 2	Total
312	Accounts Payable <= 90 Days	\$ 661,370	\$ 3,078,902	\$ -	\$ 32,830	\$ -	\$ 20,209	\$ -	\$ 13,494,794
321	Accrued Wage/Payroll Taxes Payable	225,602	383,719		1,913		8,650		3,553,528
322	Accrued Compensated Absences-Current Portion								2,137,308
325	Accrued Interest Payable								34,738
331	Accounts Payable—HUD PHA Programs		89,114						3,018,309
333	Accounts Payable—Other Government				1,524				1,524
341	Tenant Security Deposits	475,457					168,169		1,801,779
342	Deferred Revenues	74,842			139,777				295,271
	Current Portion of Long-term Debt—Capital Projects/ Mortgage Revenue Bonds								623,786
343	Other Current Liabilities	29,963					7,964		525,884
346	Accrued Liabilities—Other	26,246	3,768						3,402,766
347	Interprogram Due To	5,472,004	5,969,543		96,466				16,938,593
310	Total Current Liabilities	6,965,484	9,525,046		272,510		204,992		45,828,280
	Long-term Debt, Net of Current—Capital Projects/ Mortgage Revenue Bonds								13,377,339
351	Noncurrent Liabilities—Other								2,110,000
350	Total Noncurrent Liabilities								15,487,339
300	Total Liabilities	6,965,484	9,525,046		272,510		204,992		61,315,619
508	Total Contributed Capital								
508.1	Invested in Capital Assets, Net of Related Debt	466,927	48,698,153	41,825	596		505,005		197,414,229
511	Total Reserved Fund Balance								
511	Total Reserved Fund Balance								
511.1	Restricted Net Assets								3,348,874
512.1	Unrestricted Net Assets	(320,576)	(1,636,147)			518,431	2,802,315		14,602,582
513	Total Equity/Net Assets	146,351	47,062,006	41,825	596	518,431	3,307,320		215,365,685
600	Total Liabilities and Equity/Net Assets	\$ 7,111,835	\$ 56,587,052	\$ 41,825	\$ 273,106	\$ 518,431	\$ 3,512,312	\$ -	\$ 276,681,304

See notes to the Financial Data Schedule and the Reconciliation of the Combined Financial Statements to the Financial Data Schedule.

CUYAHOGA METROPOLITAN HOUSING AUTHORITY

**SUPPLEMENTAL FINANCIAL DATA SCHEDULE
YEAR ENDED DECEMBER 31, 2005**

Line Item #	Account Description	Business Activities	N/C S/R Section 8 Programs	Multifamily Property Disposition	Supportive Housing Program	Low Rent Public Housing	Development	Public Housing Comprehensive Improvement Assistance Program	Tenant Opportunity Technical Assistance
703	Net Tenant Rental Revenue	\$ -	\$ 1,395,899	\$ 221,758	\$ -	\$ 11,028,102	\$ -	\$ -	\$ -
704	Tenant Revenue—Other					204,267			
705	Total Tenant Revenue		1,395,899	221,758		11,232,369			
706	HUD PHA Operating Grants		3,982,356	3,035,999	1,198,552	53,982,125			
706.1	Capital Grants								
708	Other Government Grants								
711	Investment Income—Unrestricted	24,313				229,025			
715	Other Revenue	12,270	49,652			897,351			
716	Gain/Loss on Sale of Fixed Assets		(294)			(29,822)			
720	Investment Income—Restricted		145,127			130,243			
700	Total Revenue	36,583	5,572,740	3,257,757	1,198,552	66,441,291			
911	Administrative Salaries		246,277	18,180	38,333	13,325,275			
912	Auditing Fees					113,443			
913	Outside Management Fees	9,000	14,365			225,931			
915	Employee Benefit Contributions—Administrative		76,143	5,071		4,558,419			
916	Other Operating—Administrative	73,198	607,688	63,106		2,085,023			
921	Tenant Services—Salaries					910,281			
923	Employee Benefit Contributions—Tenant Services					311,396			
924	Tenant Services—Other	1,394	1,556		1,160,219	880,720			
931	Water		82,455	26,928		5,621,845			
932	Electricity		163,119	41,686		6,015,553			
933	Gas		71,193	31,573		8,200,743			
934	Fuel					171,716			
941	Ordinary Maintenance and Operations—Labor		234,020	3,267		10,455,693			
942	Ordinary Maintenance and Operations—Materials and Other		58,898	3,962		1,801,011			
943	Ordinary Maintenance and Operations—Contract Costs		115,998	55,255		2,593,129			
945	Employee Benefit Contributions—Ordinary Maintenance		72,353			3,576,769			
951	Protective Services—Labor					423,273			
952	Protective Services—Other Contract Costs		1,986			250,732			
953	Protective Services—Other					178,388			
955	Employee Benefit Contributions—Protective Services					144,797			

See notes to the Financial Data Schedule and the Reconciliation of the Combined Financial Statements to the Financial Data Schedule.

CUYAHOGA METROPOLITAN HOUSING AUTHORITY

**SUPPLEMENTAL FINANCIAL DATA SCHEDULE
YEAR ENDED DECEMBER 31, 2005**

Line Item #	Account Description	Public and Indian Housing Drug Elimination Program	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitate OH003MR0001	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitate OH003MR0002	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitate OH003MR0003	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitate OH003MR0004	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitate OH003MR0005	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitate OH003MR0006
703	Net Tenant Rental Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
704	Tenant Revenue—Other							
705	Total Tenant Revenue							
706	HUD PHA Operating Grants		392,768	362,003	106,264	931,321	52,275	111,080
706.1	Capital Grants							
708	Other Government Grants							
711	Investment Income—Unrestricted							
715	Other Revenue							
716	Gain/Loss on Sale of Fixed Assets	(1,410)						
720	Investment Income—Restricted							
700	Total Revenue	(1,410)	392,768	362,003	106,264	931,321	52,275	111,080
911	Administrative Salaries							
912	Auditing Fees							
913	Outside Management Fees							
915	Employee Benefit Contributions—Administrative							
916	Other Operating—Administrative		28,204	25,995	7,631	66,878	3,753	7,977
921	Tenant Services—Salaries							
923	Employee Benefit Contributions—Tenant Services							
924	Tenant Services—Other							
931	Water							
932	Electricity							
933	Gas							
934	Fuel							
941	Ordinary Maintenance and Operations—Labor							
942	Ordinary Maintenance and Operations—Materials and Other							
943	Ordinary Maintenance and Operations—Contract Costs							
945	Employee Benefit Contributions—Ordinary Maintenance							
951	Protective Services—Labor							
952	Protective Services—Other Contract Costs							
953	Protective Services—Other							
955	Employee Benefit Contributions—Protective Services							

See notes to the Financial Data Schedule and the Reconciliation of the Combined Financial Statements to the Financial Data Schedule.

CUYAHOGA METROPOLITAN HOUSING AUTHORITY

**SUPPLEMENTAL FINANCIAL DATA SCHEDULE
YEAR ENDED DECEMBER 31, 2005**

Line Item #	Account Description	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitate OH003MR0007	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitate OH003MR0008	Section 8 Rental Certificate Program	Public Housing Comprehensive Grant Program	Economic Development and Supportive Services Program	Revitalization of Severely Distressed Public Housing	Resident Opportunity and Supportive Services
703	Net Tenant Rental Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
704	Tenant Revenue—Other							
705	Total Tenant Revenue							
706	HUD PHA Operating Grants	446,364	1,605,798				11,020,876	110,847
706.1	Capital Grants						7,714,879	
708	Other Government Grants							
711	Investment Income—Unrestricted							
715	Other Revenue							
716	Gain/Loss on Sale of Fixed Assets				(15)		(31,534)	
720	Investment Income—Restricted							
700	Total Revenue	446,364	1,605,798		(15)		18,704,221	110,847
911	Administrative Salaries							
912	Auditing Fees							
913	Outside Management Fees							
915	Employee Benefit Contributions—Administrative							
916	Other Operating—Administrative	32,053	115,311					9,996
921	Tenant Services—Salaries							79,760
923	Employee Benefit Contributions—Tenant Services							
924	Tenant Services—Other						150,154	21,090
931	Water							
932	Electricity							
933	Gas							
934	Fuel							
941	Ordinary Maintenance and Operations—Labor							
942	Ordinary Maintenance and Operations—Materials and Other							
943	Ordinary Maintenance and Operations—Contract Costs							
945	Employee Benefit Contributions—Ordinary Maintenance							
951	Protective Services—Labor							
952	Protective Services—Other Contract Costs							
953	Protective Services—Other							
955	Employee Benefit Contributions—Protective Services							

See notes to the Financial Data Schedule and the Reconciliation of the Combined Financial Statements to the Financial Data Schedule.

CUYAHOGA METROPOLITAN HOUSING AUTHORITY

**SUPPLEMENTAL FINANCIAL DATA SCHEDULE
YEAR ENDED DECEMBER 31, 2005**

Line Item #	Account Description	Housing Choice Vouchers	Public Housing Capital Fund Program	Public Safety Partnership and Community Policing Grants	State/Local	Component Units	Other Federal Program 1	Other Federal Program 2	Total
703	Net Tenant Rental Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41,415	\$ -	\$ 12,687,174
704	Tenant Revenue—Other								204,267
705	Total Tenant Revenue						41,415		12,891,441
706	HUD PHA Operating Grants	101,076,609	22,274,674				272,083		200,961,994
706.1	Capital Grants		5,908,651						13,623,530
708	Other Government Grants				273,893				273,893
711	Investment Income—Unrestricted	81,794					172,470		507,602
715	Other Revenue	723,383				40,854	813		1,724,323
716	Gain/Loss on Sale of Fixed Assets		(3,813)				36,623		(30,265)
720	Investment Income—Restricted								275,370
700	Total Revenue	101,881,786	28,179,512		273,893	40,854	523,404		230,227,888
911	Administrative Salaries	3,959,367					111,334		17,698,766
912	Auditing Fees	87,010							200,453
913	Outside Management Fees	59,084							308,380
915	Employee Benefit Contributions—Administrative	1,330,580					39,048		6,009,261
916	Other Operating—Administrative	2,205,203			45,479		245,690		5,623,185
921	Tenant Services—Salaries				51,282				1,041,323
923	Employee Benefit Contributions—Tenant Services								311,396
924	Tenant Services—Other	1,352			59,782				2,276,267
931	Water						14,942		5,746,170
932	Electricity						(4,153)		6,216,205
933	Gas						12,080		8,315,589
934	Fuel								171,716
941	Ordinary Maintenance and Operations—Labor	2,753					50,086		10,745,819
942	Ordinary Maintenance and Operations—Materials and Other	9,989					1,548		1,875,408
943	Ordinary Maintenance and Operations—Contract Costs	37,126					5,421		2,806,929
945	Employee Benefit Contributions—Ordinary Maintenance						17,567		3,666,689
951	Protective Services—Labor				(79,765)				343,508
952	Protective Services—Other Contract Costs	89			72,498				325,305
953	Protective Services—Other								178,388
955	Employee Benefit Contributions—Protective Services								144,797

See notes to the Financial Data Schedule and the Reconciliation of the Combined Financial Statements to the Financial Data Schedule.

CUYAHOGA METROPOLITAN HOUSING AUTHORITY

**SUPPLEMENTAL FINANCIAL DATA SCHEDULE
YEAR ENDED DECEMBER 31, 2005**

Line Item #	Account Description	Business Activities	N/C S/R Section 8 Programs	Multifamily Property Disposition	Supportive Housing Program	Low Rent Public Housing	Development	Public Housing Comprehensive Improvement Assistance Program	Tenant Opportunity Technical Assistance
961	Insurance Premiums	\$ -	\$ 36,384	\$ -	\$ -	\$ 3,264,529	\$ -	\$ -	\$ -
962	Other General Expenses		5,558			26,075			
963	Payments in Lieu of Taxes								
964	Bad Debt—Tenant Rents		8,636	870		735,131			
966	Bad Debt—Other								
967	Interest Expense		441,894			194,902			
969	Total Operating Expenses	83,592	2,238,523	249,898	1,198,552	66,064,774			
970	Excess Operating Revenue over Operating Expenses	(47,009)	3,334,217	3,007,859		376,517			
971	Extraordinary Maintenance	(2,015)	478,307			554,047			
972	Casualty Losses—Non-Capitalized					287,282			
973	Housing Assistance Payments								
974	Depreciation Expense		292,195	63,995		5,762,423		3,809,979	5,442
978	Dwelling Units Rent Expense		2,186,848						
900	Total Expenses	81,577	5,195,873	313,893	1,198,552	72,668,526		3,809,979	5,442
1001	Operating Transfers In								
1002	Operating Transfers Out								
1010	Total Other Financing Sources (Uses)								
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$ (44,994)	\$ 376,867	\$ 2,943,864	\$ -	\$ (6,227,235)	\$ -	\$ (3,809,979)	\$ (5,442)

See notes to the Financial Data Schedule and the Reconciliation of the Combined Financial Statements to the Financial Data Schedule.

CUYAHOGA METROPOLITAN HOUSING AUTHORITY

**SUPPLEMENTAL FINANCIAL DATA SCHEDULE
YEAR ENDED DECEMBER 31, 2005**

Line Item #	Account Description	Public and Indian Housing Drug Elimination Program	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitate OH003MR0001	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitate OH003MR0002	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitate OH003MR0003	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitate OH003MR0004	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitate OH003MR0005	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitate OH003MR0006
961	Insurance Premiums	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
962	Other General Expenses			1,202				
963	Payments in Lieu of Taxes							
964	Bad Debt—Tenant Rents							
966	Bad Debt—Other							
967	Interest Expense							
969	Total Operating Expenses		28,204	27,197	7,631	66,878	3,753	7,977
970	Excess Operating Revenue over Operating Expenses	(1,410)	364,564	334,806	98,633	864,443	48,522	103,103
971	Extraordinary Maintenance							
972	Casualty Losses—Non-Capitalized							
973	Housing Assistance Payments		360,472	333,295	97,549	856,988	48,687	100,827
974	Depreciation Expense	93,168						
978	Dwelling Units Rent Expense							
900	Total Expenses	93,168	388,676	360,492	105,180	923,866	52,440	108,804
1001	Operating Transfers In							
1002	Operating Transfers Out							
1010	Total Other Financing Sources (Uses)							
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	<u>\$ (94,578)</u>	<u>\$ 4,092</u>	<u>\$ 1,511</u>	<u>\$ 1,084</u>	<u>\$ 7,455</u>	<u>\$ (165)</u>	<u>\$ 2,276</u>

See notes to the Financial Data Schedule and the Reconciliation of the Combined Financial Statements to the Financial Data Schedule.

CUYAHOGA METROPOLITAN HOUSING AUTHORITY

**SUPPLEMENTAL FINANCIAL DATA SCHEDULE
YEAR ENDED DECEMBER 31, 2005**

Line Item #	Account Description	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitate OH003MR0007	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitate OH003MR0008	Section 8 Rental Certificate Program	Public Housing Comprehensive Grant Program	Economic Development and Supportive Services Program	Revitalization of Severely Distressed Public Housing	Resident Opportunity and Supportive Services
961	Insurance Premiums	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
962	Other General Expenses		7,981					
963	Payments in Lieu of Taxes							
964	Bad Debt—Tenant Rents							
966	Bad Debt—Other							
967	Interest Expense							
969	Total Operating Expenses	32,053	123,292				150,154	110,846
970	Excess Operating Revenue over Operating Expenses	414,311	1,482,506		(15)		18,554,067	1
971	Extraordinary Maintenance						10,870,722	
972	Casualty Losses—Non-Capitalized							
973	Housing Assistance Payments	393,562	1,517,315					
974	Depreciation Expense				9,522,909		3,032,363	346
978	Dwelling Units Rent Expense							
900	Total Expenses	425,615	1,640,607		9,522,909		14,053,239	111,192
1001	Operating Transfers In							
1002	Operating Transfers Out							
1010	Total Other Financing Sources (Uses)							
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	<u>\$ 20,749</u>	<u>\$ (34,809)</u>	<u>\$ -</u>	<u>\$ (9,522,924)</u>	<u>\$ -</u>	<u>\$ 4,650,982</u>	<u>\$ (345)</u>

See notes to the Financial Data Schedule and the Reconciliation of the Combined Financial Statements to the Financial Data Schedule.

CUYAHOGA METROPOLITAN HOUSING AUTHORITY

**SUPPLEMENTAL FINANCIAL DATA SCHEDULE
YEAR ENDED DECEMBER 31, 2005**

Line Item #	Account Description	Housing Choice Vouchers	Public Housing Capital Fund Program	Public Safety Partnership and Community Policing Grants	State/Local	Component Units	Other Federal Program 1	Other Federal Program 2	Total
961	Insurance Premiums	\$ 145,050	\$ -	\$ -	\$ -	\$ -	\$ 15,638	\$ -	\$ 3,461,601
962	Other General Expenses	343							41,159
963	Payments in Lieu of Taxes						6,649		6,649
964	Bad Debt—Tenant Rents						14,449		759,086
966	Bad Debt—Other	1,764							1,764
967	Interest Expense								636,796
969	Total Operating Expenses	7,839,710			149,276		530,299		78,912,609
970	Excess Operating Revenue over Operating Expenses	94,042,076	28,179,512		124,617	40,854	(6,895)		151,315,279
971	Extraordinary Maintenance		22,274,674		201,956	2,949,464	24,649		37,351,804
972	Casualty Losses—Non-Capitalized								287,282
973	Housing Assistance Payments	89,945,743							93,654,438
974	Depreciation Expense	195,970	2,373,786	29,294	358		56,266		25,238,494
978	Dwelling Units Rent Expense								2,186,848
900	Total Expenses	97,981,423	24,648,460	29,294	351,590	2,949,464	611,214		237,631,475
1001	Operating Transfers In								
1002	Operating Transfers Out								
1010	Total Other Financing Sources (Uses)								
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	<u>\$ 3,900,363</u>	<u>\$ 3,531,052</u>	<u>\$ (29,294)</u>	<u>\$ (77,697)</u>	<u>\$ (2,908,610)</u>	<u>\$ (87,810)</u>	<u>\$ -</u>	<u>\$ (7,403,587)</u>

See notes to the Financial Data Schedule and the Reconciliation of the Combined Financial Statements to the Financial Data Schedule.

CUYAHOGA METROPOLITAN HOUSING AUTHORITY

SUPPLEMENTAL FINANCIAL DATA SCHEDULE YEAR ENDED DECEMBER 31, 2005

Line Item #	Account Description	Business Activities	N/C S/R Section 8 Programs	Multifamily Property Disposition	Supportive Housing Program	Low Rent Public Housing	Development
1102	Debt Principal Payments—Enterprise Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1103	Beginning Equity	2,832,851	(1,323,515)	708,750		66,814,020	
1104	Prior Period Adjustments, Equity Transfers and Correction of errors			(3,025,208)			
1113	Maximum Annual Contributions Commitment (Per ACC)						
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months						
1115	Contingency Reserve, ACC Program Reserve						
1116	Total Annual Contributions Available						
1120	Unit Months Available	1	6,852	456		102,110	
1121	Number of Unit Months Leased	1	6,808	296		99,338	

CUYAHOGA METROPOLITAN HOUSING AUTHORITY

**SUPPLEMENTAL FINANCIAL DATA SCHEDULE
YEAR ENDED DECEMBER 31, 2005**

Line Item #	Account Description	Public Housing Comprehensive Improvement Assistance Program	Tenant Opportunity Technical Assistance	Public and Indian Housing Drug Elimination Program	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitate OH003MR0001	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitate OH003MR0002	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitate OH003MR0003
1102	Debt Principal Payments—Enterprise Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1103	Beginning Equity	18,750,999	6,606	179,883	1,221,845	81,475	(4,570)
1104	Prior Period Adjustments, Equity Transfers and Correction of errors						
1113	Maximum Annual Contributions Commitment (Per ACC)				426,728		104,329
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months						
1115	Contingency Reserve, ACC Program Reserve				45,520	446,607	233,628
1116	Total Annual Contributions Available				472,248	446,607	337,957
1120	Unit Months Available				756	744	204
1121	Number of Unit Months Leased				726	724	199

See notes to the Financial Data Schedule and the Reconciliation of the Combined Financial Statements to the Financial Data Schedule.

CUYAHOGA METROPOLITAN HOUSING AUTHORITY

**SUPPLEMENTAL FINANCIAL DATA SCHEDULE
YEAR ENDED DECEMBER 31, 2005**

Line Item #	Account Description	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitate OH003MR0004	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitate OH003MR0005	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitate OH003MR0006	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitate OH003MR0007	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitate OH003MR0008	Section 8 Rental Certificate Program
1102	Debt Principal Payments—Enterprise Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1103	Beginning Equity	110,508	21,655	9,679	109,715	(111,283)	3,371,776
1104	Prior Period Adjustments, Equity Transfers and Correction of errors						
1113	Maximum Annual Contributions Commitment (Per ACC)	984,625	48,499		402,555	725,440	
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months						
1115	Contingency Reserve, ACC Program Reserve	191,563	274,117	93,992	508,075	918,195	
1116	Total Annual Contributions Available	1,176,188	322,616	93,992	910,630	1,643,635	
1120	Unit Months Available	1,740	86	240	732	3,108	
1121	Number of Unit Months Leased	1,659	85	235	656	2,982	

See notes to the Financial Data Schedule and the Reconciliation of the Combined Financial Statements to the Financial Data Schedule.

CUYAHOGA METROPOLITAN HOUSING AUTHORITY

**SUPPLEMENTAL FINANCIAL DATA SCHEDULE
YEAR ENDED DECEMBER 31, 2005**

Line Item #	Account Description	Public Housing Comprehensive Grant Program	Economic Development and Supportive Services Program	Revitalization of Severely Distressed Public Housing	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program
1102	Debt Principal Payments—Enterprise Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1103	Beginning Equity	62,863,616		26,633,395	748	(3,754,012)	40,298,756
1104	Prior Period Adjustments, Equity Transfers and Correction of errors			(3,232,198)			3,232,198
1113	Maximum Annual Contributions Commitment (Per ACC)					92,759,714	
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months						
1115	Contingency Reserve, ACC Program Reserve					11,814,590	
1116	Total Annual Contributions Available					104,574,304	
1120	Unit Months Available					166,202	
1121	Number of Unit Months Leased					164,493	

See notes to the Financial Data Schedule and the Reconciliation of the Combined Financial Statements to the Financial Data Schedule.

CUYAHOGA METROPOLITAN HOUSING AUTHORITY

**SUPPLEMENTAL FINANCIAL DATA SCHEDULE
YEAR ENDED DECEMBER 31, 2005**

Line Item #	Account Description	Public Safety Partnership and Community Policing Grants	State/Local	Component Units	Other Federal Program 1	Other Federal Program 2	Total
1102	Debt Principal Payments—Enterprise Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1103	Beginning Equity	71,119	78,293	401,833	3,395,130	-	222,769,272
1104	Prior Period Adjustments, Equity Transfers and Correction of errors			3,025,208			
1113	Maximum Annual Contributions Commitment (Per ACC)						95,451,890
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months						
1115	Contingency Reserve, ACC Program Reserve						14,526,287
1116	Total Annual Contributions Available						109,978,177
1120	Unit Months Available				392		283,623
1121	Number of Unit Months Leased				260		278,462

CUYAHOGA METROPOLITAN HOUSING AUTHORITY

RECONCILIATION OF THE STATEMENT OF NET ASSETS TO THE FINANCIAL DATA SCHEDULE YEAR ENDED DECEMBER 31, 2005

	Combined Statement of Net Assets	Reconciling Amount		Financial Data Schedule
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 16,423,486	\$ 5,283,056	1	\$ 21,706,542
Cash—other restricted		267,351	1	267,351
Cash—tenant security deposits		1,214,850	1	1,214,850
Cash and investments—restricted	5,267,829	916,425	1	6,184,254
Investments—restricted for payment of current liabilities		163,560	1	163,560
Investments—unrestricted	4,408,901	(4,408,901)	1	
Accounts receivable tenant	391,132	887,126	2	1,278,258
Accounts receivable—HUD	12,706,730			12,706,730
Accounts receivable—other government	126,548			126,548
Accounts receivable—other	1,451,826	126,268	2/3	1,578,094
Accounts receivable—interfund		16,938,591	4	16,938,591
Allowance for doubtful accounts—tenant		(887,126)	2	(887,126)
Allowance for doubtful accounts—other		(228,278)	2	(228,278)
Fraud recovery		425,145	2	425,145
Allowance for doubtful accounts—fraud		(340,811)	2	(340,811)
Accrued interest receivable		17,676	2/3	17,676
Inventory	866,495	232,701	2	1,099,196
Allowance for obsolete inventory		(232,700)	2	(232,700)
Prepaid expenses and other current assets	<u>2,367,473</u>			<u>2,367,473</u>
Total current assets	<u>44,010,420</u>	<u>20,374,933</u>		<u>64,385,353</u>
NON-CURRENT ASSETS				
Land, property, and equipment:				
Land	27,309,133			27,309,133
Property and equipment—net	184,106,221	(184,106,221)	5	
Buildings		553,725,159	5	553,725,159
Furniture, equipment, and machinery—dwellings		10,947,774	5	10,947,774
Furniture, equipment, and machinery—administrative		9,422,489	5	9,422,489
Accumulated depreciation		(400,920,040)	5	(400,920,040)
Construction in progress		10,930,839	5	10,930,839
Land, property and equipment—net	<u>211,415,354</u>	<u>-</u>		<u>211,415,354</u>
Cash and investments—restricted	3,436,338	(3,436,338)	1	
Replacement reserves and surplus escrow				
Debt issuance costs	152,699	(152,699)	6	
Investment in joint venture	727,898	(727,898)	6	
Other assets		880,597	6	880,597
Total non-current assets	<u>215,732,289</u>	<u>(3,436,338)</u>		<u>212,295,951</u>
TOTAL ASSETS	<u>\$259,742,709</u>	<u>\$ 16,938,595</u>		<u>\$ 276,681,304</u>

See notes to the Financial Data Schedule and the Reconciliation of the Combined Financial Statements to the Financial Data Schedule.

CUYAHOGA METROPOLITAN HOUSING AUTHORITY

RECONCILIATION OF THE STATEMENT OF NET ASSETS TO THE FINANCIAL DATA SCHEDULE YEAR ENDED DECEMBER 31, 2005

	Combined Statement of Net Assets	Reconciling Amount		Financial Data Schedule
LIABILITIES AND EQUITY				
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 13,494,793	\$ 1	13	\$ 13,494,794
Accrued wage/payroll taxes payable		3,553,528	7	3,553,528
Accrued compensated absences-current portion		2,137,308	7	2,137,308
Accrued interest payable		34,738	7	34,738
Accounts payable—HUD	3,018,309			3,018,309
Accounts payable—other government		1,524	7	1,524
Payable to HUD—utility allowance			7	
Accounts payable—interfund		16,938,593	4	16,938,593
Current portion of capital leases	623,786	(623,786)	8	
Accrued expenses	9,951,019	(9,951,019)	7	
Security and other deposits	1,801,779			1,801,779
Deferred revenue		295,271	7	295,271
Contingent liabilities		3,402,766	7	3,402,766
Other current liabilities		525,884	7	525,884
Current portion of long term debt		623,786	8	623,786
	<u>28,889,686</u>	<u>16,938,594</u>		<u>45,828,280</u>
Total current liabilities				
Non-Current Liabilities:				
Long term debt—net of current portion	10,720,831	2,656,508	8	13,377,339
Capital leases—net of current	2,656,508	(2,656,508)	8	
Other long term liabilities	2,110,000			2,110,000
	<u>44,377,025</u>	<u>16,938,594</u>		<u>61,315,619</u>
Total liabilities				
INVESTED IN CAPITAL ASSETS—Net of related deb	197,414,229			197,414,229
RESTRICTED NET ASSETS	3,348,874			3,348,874
UNRESTRICTED NET ASSETS	<u>14,602,581</u>	<u>1</u>	13	<u>14,602,582</u>
TOTAL NET ASSETS	<u>\$215,365,684</u>	<u>\$ 1</u>		<u>\$ 215,365,685</u>

See notes to the Financial Data Schedule and the Reconciliation of the Combined Financial Statements to the Financial Data Schedule.

CUYAHOGA METROPOLITAN HOUSING AUTHORITY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENSES AND CHANGE CHANGE IN NET ASSETS TO THE FINANCIAL DATA SCHEDULE YEAR ENDED DECEMBER 31, 2005

	Combined Statement of Revenues, Expenses and Change in Net Assets	Reconciling Amount		Financial Data Schedule
OPERATING REVENUES				
Dwelling rent from tenants	\$ 12,891,441	\$ (204,267)	9	\$ 12,687,174
Tenant revenue—other		204,267	9	204,267
Subsidies and grants (HUD)		200,961,994	9	200,961,994
Grants—other		273,893	9	273,893
Capital grants		13,623,530	9	13,623,530
Investment income—unrestricted		507,602	10	507,602
Investment income—restricted		275,370	10	275,370
Gain on disposal of assets		(30,265)	9	(30,265)
Other revenues	<u>1,724,323</u>			<u>1,724,323</u>
Total Revenues	<u>14,615,764</u>	<u>215,612,124</u>		<u>230,227,888</u>
OPERATING EXPENSES				
Administrative	29,840,301			29,840,301
Tenant service	3,628,986			3,628,986
Utilities	20,449,680			20,449,680
Building maintenance	19,094,845			19,094,845
General	4,270,259			4,270,259
Nonroutine maintenance	37,351,548	(37,351,548)	12	
Protective services	991,998			991,998
Depreciation expense	25,238,494	(25,238,494)	11	
Housing assistance payments (HAP)	93,654,438	(93,654,438)	14	
Other	<u>2,504,395</u>	<u>(2,504,395)</u>	9	
Total operating expenses	<u>237,024,944</u>	<u>(158,748,875)</u>		<u>78,276,069</u>
OPERATING INCOME (LOSS)	<u>(222,409,180)</u>	<u>374,360,999</u>		<u>151,951,819</u>
OTHER INCOME (EXPENSE):				
HUD operating subsidies and grants	200,961,994	(200,961,994)	9	
HUD Capital Grants	13,623,530	(13,623,530)	9	
Grants—other	273,893	(273,893)	9	
Extraordinary maintenance		(37,351,548)	12	(37,351,548)
Casualty losses—non-capitalized		(287,282)	9	(287,282)
Depreciation expense		(25,238,494)	11	(25,238,494)
Interest expense	(636,796)			(636,796)
Dwelling units rent expense		(2,186,848)	9	(2,186,848)
Interest income	782,972	(782,972)	10	
Housing assistance payments (HAP)		(93,654,438)	14	(93,654,438)
Total other income (expense)	<u>215,005,593</u>	<u>(374,360,999)</u>		<u>(159,355,406)</u>
NET LOSS	(7,403,587)	-		(7,403,587)
PRIOR YEAR ADJUSTMENTS				
NET ASSETS—Beginning of year	<u>222,769,271</u>			<u>222,769,271</u>
NET ASSETS—End of year	<u>\$ 215,365,684</u>	<u>\$ -</u>		<u>\$ 215,365,684</u>

See notes to the Financial Data Schedule and the Reconciliation of the Combined Financial Statements to the Financial Data Schedule.

CUYAHOGA METROPOLITAN HOUSING AUTHORITY

NOTES TO THE FINANCIAL DATA SCHEDULE AND THE RECONCILIATION OF THE FINANCIAL STATEMENTS TO THE FINANCIAL DATA SCHEDULE FOR THE YEAR ENDED DECEMBER 31, 2005

1. BASIS OF PRESENTATION

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

2. RECONCILIATION

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

1. The FDS only requires that cash be broken down into restricted and non-restricted amounts and shown as a current asset. The financial statements reflect funds that are restricted and will not be used in the next 12 months as non-current.
2. The financial statements reflect accounts receivable and inventory, net of allowances, but the FDS has a separate line for the allowance.
3. Classification differences exist between accounts receivable-other and accrued interest receivable from the financial statements to the FDS.
4. Accounts receivable interfund and accounts payable interfund are eliminated on the financial statements, but are recorded on the FDS as both a current asset and current liability.
5. Property and Equipment is reflected as a net amount on the financial statements, but is recorded on separate line items on the FDS.
6. Debt issuance costs and the Authority’s investment in a joint venture are shown separately on the financial statements, but are recorded as other assets on the FDS.
7. Classification differences exist between the following financial statements and FDS captions: accounts payable—other government, accrued wage/payroll taxes payable, accrued interest payable, accrued expenses, contingent liabilities, accrued compensated absences—current portion, deferred revenue, and other current liabilities.
8. Debt and capital leases are separated between current and long term liabilities in the financial statements and combined on the FDS.

9. The difference represents classification differences between the financial statements and the FDS.
10. Interest income on investments is aggregated and recorded as other income on the financial statements and separated between unrestricted and restricted on the FDS.
11. Depreciation expense is classified as operating expense on the financial statements and non-operating on the FDS.
12. Nonroutine maintenance is classified as operating expense in the financial statements but as non-operating (extraordinary maintenance) on the FDS.
13. The difference between financial statements and FDS is due to rounding.
14. Housing assistance payments are classified as operating expenses in the financial statements and as non-operating on the FDS.

CUYAHOGA METROPOLITAN HOUSING AUTHORITY

SUPPLEMENTAL SCHEDULE OF ACTUAL MODERNIZATION COSTS INCURRED ON CERTAIN PROJECTS CLOSED THROUGH DECEMBER 31, 2005

Modernization Project Number	OH12P003 50102
Funds approved	\$29,069,290
Funds expended	<u>29,069,290</u>
Excess of funds approved	<u>\$ -</u>
Funds advanced	\$29,069,290
Funds expended	<u>29,069,290</u>
Excess of funds advanced	<u>\$ -</u>

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

Board of Commissioners
Cuyahoga Metropolitan Housing Authority

We have audited the financial statements of Cuyahoga Metropolitan Housing Authority (the "Authority") as of and for the year ended December 31, 2005, and have issued our report thereon dated August 28, 2006, which includes an explanatory paragraph regarding certain unresolved compliance findings and questioned costs resulting from audits of the Authority performed in accordance with the Single Audit Act Amendments of 1996 and audits performed by outside regulatory agencies. 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.

Compliance

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the Authority in a separate letter dated August 28, 2006.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of Authority, in a separate letter dated August 28, 2006.

This report is intended solely for the information and use of the Authority's audit committee, management, federal awarding agencies, state funding agencies, pass-through entities, 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

August 28, 2006

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE APPLICABLE TO EACH MAJOR FEDERAL AWARD PROGRAM

Board of Commissioners
Cuyahoga Metropolitan Housing Authority

Compliance

We have audited the compliance of Cuyahoga Metropolitan Housing Authority (the "Authority") with the types of compliance requirements described in the *U.S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2005. The Authority's major federal programs are identified in the summary of 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 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; 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 on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2005. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the Authority in a separate letter dated August 28, 2006.

Internal Control Over Compliance

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

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

This report is intended solely for the information and use of the Authority's audit committee, management, federal awarding agencies, state funding agencies, pass-through entities 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

August 28, 2006

CUYAHOGA METROPOLITAN HOUSING AUTHORITY

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

Part I—Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified		
Internal control over financial reporting:			
Material weaknesses identified?	_____ Yes	_____ <u>X</u> No	
Reportable conditions identified not considered to be material weaknesses?	_____ Yes	_____ <u>X</u> No	
Noncompliance material to financial statements noted?	_____ Yes	_____ <u>X</u> No	

Federal Awards

Internal control over major programs:			
Material weaknesses identified?	_____ Yes	_____ <u>X</u> No	
Reportable conditions identified not considered to be material weaknesses?	N/A (None Reported)		

Type of auditors' report issued on compliance for major reports:	Unqualified
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Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510(a))?	_____ Yes	_____ <u>X</u> No
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Identification of major programs:	
CFDA Number	Name of Federal Program or Cluster
14.182	Section 8 New Construction
14.199	Multifamily Property Disposition
14.850	Conventional Low-Income Housing
14.856	Section 8 Moderate Rehabilitation
14.866	Urban Revitalization Development Grant
14.872	Capital Fund Program

Dollar threshold used to distinguish between Type A and Type B programs	\$3,000,000
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CUYAHOGA METROPOLITAN HOUSING AUTHORITY

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

Part II—Financial Statement Findings Section

None

Part III—Federal Award Findings and Questioned Cost Section

None

CUYAHOGA METROPOLITAN HOUSING AUTHORITY

STATUS OF PRIOR YEAR FINDINGS FOR THE YEAR ENDED DECEMBER 31, 2005

	Finding	Still Applicable	Comments
99-5	Compliance With Memorandum of Agreement and Allowable Costs	No	See Schedule of Other Reports
03-1	Urban Revitalization Development Grant—HUD Review of Hope VI Program	Yes	See Schedule of Other Reports
03-2	Conventional Program—Procurement and Suspension	No	Management’s corrective action plan was completed in March 2004

CUYAHOGA METROPOLITAN HOUSING AUTHORITY

SCHEDULE OF OTHER REPORTS FOR THE YEAR ENDED DECEMBER 31, 2005

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT—INSPECTOR GENERAL'S AUDIT OF TITLE V

On March 31, 2000, the Department of Housing and Urban Development's ("HUD") Office of the Inspector General ("OIG") released its audit report of the Authority's Title V Fund.

The results of the audit indicated that the Authority did not follow HUD's requirements for the use of its Title V funds, Office of Management and Budget's Circular A-87, State of Ohio law, and the Authority's policies regarding the use of Title V funds during the period January 1, 1990 through July 31, 1998. The OIG report recommended that the Cleveland Area Office Director of Public Housing Hub ("HUB"), in conjunction with the Ohio State Office Director of Columbus Multifamily Hub, assure that the Authority address the seven recommendations noted in the report.

The recommendations fell in three categories: (1) implement controls, (2) take administrative action against the former Chief Executive Officer and Chief Operating Officer and (3) provide documentation to support \$10,735,243 drawn from Title V funds and reimburse the Title V account \$531,966 from non-federal funds for ineligible payments.

Status—The Authority has addressed six of the seven HUD recommendations. Specifically, the recommendation to implement controls has been completed and the recommendation to take corrective action against the prior administration has been pursued by HUD. For the Title V expenditures lacking proper support, the Authority has submitted documentation for \$8,196,730 of such expenditures to HUD. To date, HUD has accepted \$1,602,500 of the amount submitted. For the ineligible Title V expenditures, the Authority reimbursed the Title V account \$387,302 of non-federal funds in April 2003. In June 2003, HUD notified the Authority that the recommendation for reimbursement of ineligible payments is considered closed.

On June 23, 2003, based on notifications from HUD, the Authority transferred \$499,895 from non-Federal funds into the Title V account to continue towards resolving the remaining questioned costs. On August 7, 2003, HUD accepted the payment of \$499,895 and indicated the remaining unresolved balance was \$8,632,848 (\$10,735,243 - \$1,602,500 - \$499,895).

With regard to final closure on the balance of \$8,632,848, HUD issued a letter dated November 25, 2003 advising the Authority that OIG has temporarily suspended any repayment actions until such time as the Authority receives a final judgment on a related pending legal action by the Authority to recover alleged damages.

HUD and the Authority continue to have dialogue and on October 6, 2005, the Authority responded to a HUD request to provide information regarding other non-federal funding sources. In a letter dated May 22, 2006 HUD advised the Authority that a repayment agreement might be necessary to close this issue. The Authority has taken the position that an impartial review of previously submitted documentation is necessary and that HUD's request is invalid.

CUYAHOGA METROPOLITAN HOUSING AUTHORITY

SCHEDULE OF OTHER REPORTS FOR THE YEAR ENDED DECEMBER 31, 2005

AUDITOR OF THE STATE OF OHIO—SPECIAL AUDIT REPORT

The Auditor of the State of Ohio (“Auditor of State”) conducted a two phase Special Audit of the Authority covering the period January 1, 1990 through May 31, 1998 to determine if certain expenditures made by the Authority were in accordance with the terms of agreements entered into by the Authority, State and Federal law, and the Authority’s procedures. The Auditor of State Phase I report was issued on December 15, 1998 and the Phase II report was issued on November 8, 2001.

In both reports, the Auditor of State cited numerous instances where the Authority did not follow established procedures and/or lacked procedures and controls during the period under review. Additionally, the Auditor of State issued the following summary of financial findings.

	Findings for Recovery	Questioned Spending of Federal Grants
Phase I	\$ 323,502	\$ 638,390
Phase II	258,366	6,411,586

Substantially, all of the questioned costs noted above are included in the Inspector General’s report on the previous page. The Authority has responded to the Phase I and Phase II reports by implementing and enforcing improved internal control procedures which will assist in assuring future compliance. Additionally, the Authority has taken appropriate legal action against members of the prior administration and has notified HUD and all other related parties regarding the reports.

Status—The Auditor of State has notified HUD and has made the reports a matter of public record. The Auditor of State considers the matter closed and will not be pursuing any follow-up activity. In June 2003, the Authority was notified that HUD is reviewing the Auditor of State’s findings in combination with the OIG recommendations and that a repayment of \$499,895 in non-federal funds into the Title V account was required. In June of 2004, HUD issued a notice indicating that \$486,209 of the \$499,895 payment was applicable towards Auditor of State Findings for Recovery and Questioned Costs.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT—REVIEW OF THE HOPE VI PROGRAM FOR THE PERIOD FROM APRIL 1, 2003 THROUGH FEBRUARY 22, 2004

HUD performed a review of the Hope VI program for the period from April 1, 2003 through February 22, 2004 and rendered its report in June 2004. The report detailed nine findings. The status of the findings are summarized below:

CUYAHOGA METROPOLITAN HOUSING AUTHORITY

SCHEDULE OF OTHER REPORTS FOR THE YEAR ENDED DECEMBER 31, 2005

- Finding 2004-1—Compliance with Locked Checkpoints (Re-labeled 2005-6 by HUD)
- Finding 2004-2—Expenditure Support for Federal Funds Drawn Down Under the Program (Questioned Costs amounting to \$1,537,891)
- Finding 2004-3—Compliance with the Authority’s Internal Policies Regarding Expenditures
- Finding 2004-4—Support for the Disbursement of Hope VI Program Funds
- Finding 2004-5—Allocation of Costs to the Proper Grant
- Finding 2004-6—Allocation of Indirect salaries to the Hope VI Program
- Finding 2004-7—Timeliness of Relocation Notices
- Finding 2004-8—Independent Cost Estimates and Cost Analysis of Contractors’ Proposals
- Finding 2004-9—Timeliness of Issuance of Change Orders

The provisions of the Authority’s Hope VI Grant Agreement, Revitalization Plan, Community and Supportive Service Plan and Hope VI application require compliance with the requirements described in the findings summarized above.

Status—The Authority has provided documentation and responses to HUD and to date, HUD has accepted supporting documentation for \$1,149,287 of the original \$1,537,891 in questioned costs. Management is currently waiting for HUD to issue the results of the documentation submitted in February and June 2006. The following table represents the status of each finding:

Finding Number	Status
2004-1	Open—Re-labeled 2005-6 by HUD
2004-2	Open—Amount of questioned costs reduced to \$388,604
2004-3	Closed on April 13, 2005
2004-4	Closed on April 13, 2005
2004-5	Closed on April 13, 2005
2004-6	Open
2004-7	Closed on January 27, 2005
2004-8	Open
2004-9	Closed on February 9, 2005

CUYAHOGA METROPOLITAN HOUSING AUTHORITY

SCHEDULE OF OTHER REPORTS FOR THE YEAR ENDED DECEMBER 31, 2005

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT—REVIEW OF THE HOPE VI PROGRAM FOR THE PERIOD FROM FEBRUARY 2004 THROUGH FEBRUARY 2005

HUD performed a review of the Hope VI program for the period from February 2004 through February 2005 and rendered its report in October 2005. The report detailed six findings. The findings resulting from the review are summarized below:

- Finding 2005-1—The Housing Authority lacked adequate controls to safeguard program funds
- Finding 2005-2—The Housing Authority disbursed HOPE VI Program funds for items not approved by this office
- Finding 2005-3—The Housing Authority disbursed HOPE VI program funds in excess of the terms outlined in the contract between the Housing Authority and its vendor
- Finding 2005-4—The Housing Authority disbursed 1996 HOPE VI grant funds for relocation efforts not related to the revitalization efforts at Lakeview and Riverview Estates
- Finding 2005-5—The Housing Authority charged \$24,992.50 in salary and benefits charges to budget line item (BLI) 1430 Fees and Costs for one HOPE VI Project Manager
- Finding 2005-6—There were 10 occurrences noted where the Housing Authority has not met the established date to complete a critical milestone (aka “Locked Checkpoint”). Incorporated Finding 2004-1.

Status—The Authority provided documentation and responses to HUD in 2005 and 2006 resulting in the below results:

Finding Number	Status
2005-1	Open
2005-2	Closed—February 14, 2006
2005-3	Open
2005-4	Closed—February 14, 2006
2005-5	Closed—February 14, 2006
2005-6	Open

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**Auditor of State
Betty Montgomery**

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CUYAHOGA METROPOLITAN HOUSING AUTHORITY

CUYAHOGA 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
DECEMBER 12, 2006**