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**HARRIS COUNTY HOUSING AUTHORITY**

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**REPORT ON FINANCIAL STATEMENTS**  
*(With Supplemental Material)*

**FOR THE YEAR ENDED MARCH 31, 2009**

**BREEDLOVE & CO., P.C.**  
***CERTIFIED PUBLIC ACCOUNTANTS***

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President

## INDEPENDENT AUDITORS' REPORT

June 16, 2009

The Board of Commissioners  
Harris County Housing Authority  
Houston, Texas

We have audited the accompanying financial statements of the business-type activities of the Harris County Housing Authority, as of and for the year ended March 31, 2009, which collectively comprise the PHA's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the PHA's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not audit the financial statements of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. The financial statements of Cornerstone Village Apartments, L.P., Louetta Village Apartments 45, L.P., Baybrook Park Retirement Center, Ltd., TX Bammel Housing, L.P., Waterside Court, Ltd., and Olive Grove Manor, Ltd., which are included in the discretely presented component unit, were audited in accordance with generally accepted standards, but were not audited in accordance with *Government Auditing Standards*. 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 PHA'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 financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the component units of Harris County Housing Authority, as of March 31, 2009, and the respective changes in financial position (and respective cash flows, where applicable) for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and Budget Comparison are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion thereon.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2009, on our consideration of the Harris County Housing Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Harris County Housing Authority taken as a whole. The accompanying financial data schedule and the other supplemental information, as well as the accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis or as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Breaklove & Co., P.C.*

**Harris County Housing Authority**  
**Management’s Discussion and Analysis (MD&A)**  
**March 31, 2009**

As management of the Harris County Housing Authority (the “Authority”), we offer the readers of the Authority’s financial statements this narrative overview and analysis of our financial activities for the year ended March 31, 2009. We encourage readers to consider the information presented here in conjunction with the Authority’s financial statements.

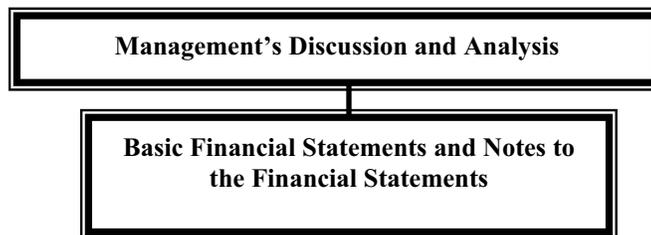
The Authority is a special purpose government operating in Harris County, Texas, (the “County”). The Authority administers federal Department of Housing and Urban Development (HUD) Section 8 housing assistance grants. The Authority was authorized to operate by the County through adoption of an order and resolution of the County Commissioners Court (the “Court”) on March 20, 1975. Texas statute provides for the creation and operation of the Authority under Local Government Code (LGC) Chapter 392 - *HOUSING AUTHORITIES ESTABLISHED BY MUNICIPALITIES AND COUNTIES*. Under LGC Chapter 392, the Authority is a unit of government and its functions are essential for the wellbeing of the community.

The Authority operates under an Interlocal Agreement between the Authority and the County, providing for the staffing of the Authority with County employees and continuing reimbursement to the County of all associated costs. The Interlocal Agreement additionally provides for the provision of office space and telecommunications services by the County. The Interlocal Agreement is reviewed and updated annually.

Based on criteria prescribed by accounting principles generally accepted in the United States of America, the Authority is considered a component unit of the County. The County presents the Authority as a discretely presented component unit under the provisions of Government Accounting Standards Board (GASB) Statement No. 14. The Authority’s financial statements and significant disclosures are also included in the County’s annual financial report. The primary criterion that provides for the Authority’s inclusion in the County’s financial statements as a discretely presented component unit is that the Court appoints all Authority commissioners and may remove commissioners under LGC Chapter 392. Appointment and removal options related to the Authority’s commissioners give the Court the ability to impose its will on the Authority’s operations.

The Authority presents this discussion and analysis of its financial performance during the fiscal year (FY) ended March 31, 2009, to assist the reader in focusing on significant issues and concerns.

The Authority’s FY2009 annual financial report consists of two parts – the management’s discussion and analysis, and the basic financial statements (which include notes to those financial statements).



The primary focus of the Authority’s financial statements is on the financial statements of a single business-type activity that combines all programs administered by the Authority. A separate column in the financial statements shows the combined transactions of the Authority’s real estate limited partnership component units.

The financial results of the discretely presented component units are not addressed in this discussion and analysis.

**Harris County Housing Authority**  
**Management's Discussion and Analysis (MD&A)**  
**March 31, 2009**

**Financial Highlights for FY2009**

- The Authority's assets exceeded its liabilities as of March 31, 2009 by \$27,792,831 (net assets).
- Unrestricted Cash and Investments as of March 31, 2009 were \$35,328,950
- The Authority had \$111,024,501 in HUD grant revenue for the year ended March 31, 2009.
- The Authority had total expenses of \$118,986,416 for the year ended March 31, 2009, of which \$75,037,869 was for Housing Assistance Payments (HAP).
- The Authority's total net assets increased by \$6,343,739 during the year primarily due to the Disaster Housing Assistance Program (DHAP).

**Overview of the Financial Statements**

This MD&A is intended to serve as an introduction to the Authority's basic financial statements. The basic financial statements included in this report are those of a special purpose government engaged only in business-type activities and includes two enterprise funds. The Authority's funds record transactions related to HUD Section 8 housing assistance grants and the investment in affordable housing projects. The basic financial statements are briefly described below.

- **Statement of Net Assets** – reports the Authority's current financial assets and liabilities (short term spendable resources), along with restricted assets, fixed assets and long-term obligations.
- **Statement of Revenues, Expenses and Changes in Net Assets** – reports the Authority's operating revenues, by major source along with operating expenses.
- **Statement of Cash Flows** – reports the Authority's cash flows from operating, investing, capital and non-capital activities.
- **Notes to the financial statements** - The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

**Authority Financial Analysis**

Over time, significant changes in the net assets are an indicator of whether the Authority's financial health is improving or deteriorating. Assets exceed liabilities by \$27,792,831 at the close of the fiscal year ended March 31, 2009, an overall improvement in the Authority's financial health from the prior year.

**Harris County Housing Authority**  
**Management's Discussion and Analysis (MD&A)**  
**March 31, 2009**  
**Net Assets**

Description	March 31, 2009	March 31, 2008	Increase (decrease)
Current assets	\$ 44,997,874	\$ 32,455,546	\$ 12,542,328
Restricted assets	2,564,426	1,190,861	1,373,565
Investment in partnerships	343,940	-	343,940
Notes receivable	4,496,420	4,444,121	52,299
Fixed assets	<u>13,909,551</u>	<u>7,507,035</u>	<u>6,402,516</u>
<b>Total assets</b>	<b><u>66,312,211</u></b>	<b><u>45,597,563</u></b>	<b><u>20,714,648</u></b>
Noncurrent liabilities	3,372,952	117,802	3,255,150
Current liabilities	<u>35,146,428</u>	<u>24,030,669</u>	<u>11,115,759</u>
<b>Total liabilities</b>	<b><u>38,519,380</u></b>	<b><u>24,148,471</u></b>	<b><u>14,370,909</u></b>
<b>Net assets</b>	<b><u>\$ 27,792,831</u></b>	<b><u>\$ 21,449,092</u></b>	<b><u>\$ 6,343,739</u></b>

**Net Asset Categories**

Description	March 31, 2009	March 31, 2008	Increase (Decrease)
Invested in capital assets	\$ 13,909,551	\$ 7,507,035	\$ 6,402,516
Restricted for program costs	2,460,764	1,087,200	1,373,564
Unrestricted	<u>11,422,516</u>	<u>12,854,857</u>	<u>(1,432,341)</u>
<b>Total net assets</b>	<b><u>\$ 27,792,831</u></b>	<b><u>\$ 21,449,092</u></b>	<b><u>\$ 6,343,739</u></b>

The Authority's Affordable Housing Division was created to facilitate the expansion of its mission to promote innovative housing communities and encourage clients to achieve self-sufficiency. The Affordable Housing Division is committed to the development and operation of safe and affordable housing communities with enhanced access to social services, job training and transportation.

The Authority is committed to building new affordable housing using the Low Income Housing Tax Credit Program with HOME dollars provided by the Harris County Community and Economic Development Department. This unique public/public partnership is well positioned to meet the needs of affordable housing in the unincorporated areas of Harris County. This has enabled the Authority to develop six (6) senior Low Income Housing Tax Credit developments.

The Authority's increases in net assets were primarily due to the addition of the Disaster Housing Assistance Programs. This program (DHAP) began on September 1, 2007 to provide funds for housing assistance and case management services for eligible families to help rebuild their lives and return to self-sufficiency.

The Authority's fixed assets consist of leasehold improvements, automobiles and business equipment which are being depreciated over three to ten years depending on asset type. The Authority has no debt related to these fixed assets.

**Harris County Housing Authority**  
**Management's Discussion and Analysis (MD&A)**  
**March 31, 2009**  
**Change in Net Assets**  
**(000's)**

Description	March 31, 2009	March 31, 2008	Increase (Decrease)
<b><i>Revenues – Operating</i></b>			
HUD PHA Grants	\$ 111,024	\$ 23,333	\$ 87,691
HOME Grants	-	-	-
Other Government Grants	520	31,853	(31,333)
Ground lease revenue	72	70	2
Other Revenue	14,200	977	13,223
<b>Total Operating Revenues</b>	<b>125,816</b>	<b>56,233</b>	<b>69,583</b>
<b><i>Expenses</i></b>			
Housing assistance payments	75,038	33,240	41,798
Salaries and benefits	2,172	1,837	335
Office expense	34,257	9,702	24,555
Tenant services	6,454	2,319	4,135
Maintenance	-	1	(1)
Interest expense-notes payable	27	-	27
General	290	40	250
Depreciation	749	200	549
<b>Total expenses</b>	<b>118,987</b>	<b>47,339</b>	<b>71,648</b>
<b>Net Income (Loss) from Operations</b>	<b>6,829</b>	<b>8,894</b>	<b>(2,065)</b>
<b>Non-operating revenues (expenses)</b>			
Interest income-unrestricted	504	766	(262)
Interest income-unrestricted Components Units	252	-	252
Interest income-restricted	3	-	3
Gain (loss) on sale of net assets	(1,245)	-	(1,245)
<b>Total Non-operating revenues</b>	<b>(486)</b>	<b>766</b>	<b>(1,252)</b>
<b>Change in Net Assets</b>	<b>6,343</b>	<b>9,660</b>	<b>(3,317)</b>
<b>Net Assets April 1</b>	<b>21,449</b>	<b>11,789</b>	<b>9,660</b>
<b>Net Assets March 31</b>	<b>\$ 27,793</b>	<b>\$ 21,449</b>	<b>\$ 6,343</b>

**Harris County Housing Authority**  
**Management's Discussion and Analysis (MD&A)**  
**March 31, 2009**

**Budgets**

The Authority adopts an annual operating budget for all programs. Program budgets for the HUD programs that the Authority administers are approved annually by the Board of Commissioners and HUD; on a basis consistent with the grant applications covering HAP programs. The Authority's budget is based on the HUD awarded units.

Section 8 Occupancy Report Information	March, 2009	March, 2008
<b><i>HUD Awarded Units</i></b>		
Housing Choice Voucher Program (HCVP)		
Unit Months Available	26,916	22,578
Moderate rehabilitation-Unit Months Available	96	96
<b>Total awarded/budgeted</b>	<b>27,012</b>	<b>22,674</b>
<b><i>Leased Units</i></b>		
HCVP Unit Months Leased		
Moderate rehabilitation Unit Months Leased	96	96
<b>Total actual</b>	<b>25,955</b>	<b>22,988</b>
Year to date average percentage leased	96%	101%
Difference - awarded/budgeted vs. leased	1,057	314

**Fixed Assets**

The Authority's fixed assets consist of land for affordable housing projects, leasehold improvements, automobiles and business equipment used in administering the HUD grants and affordable housing projects. The leasehold improvements and equipment used in administering the HUD grants and affordable housing projects are being depreciated over three to ten years depending on asset type. The Authority's increase in fixed assets during the year was primarily due to the purchase of land related to the affordable housing program.

**Fixed Assets**

Description	March 31, 2008	Net Additions/(Deletions)	March 31, 2009
Land	\$ 5,180,778	\$ 6,568,399	\$ 11,749,177
Leasehold Improvements	1,960,997	(71,199)	1,889,798
Furniture and Equipment	693,819	269,204	963,023
Accumulated Depreciation	(328,559)	(363,888)	(692,447)
<b>Total</b>	<b>\$ 7,507,035</b>	<b>\$ 6,402,516</b>	<b>\$ 13,909,551</b>

Additional information on the Authority's fixed assets can be found in the notes to the authority's basic financial statements for the year ended March 31, 2009.

**Economic Factors and Next Year's Budget**

Significant economic factors affecting the Authority are as follows:

- Federal funding of the U.S. Department of Housing and Urban Development
- Disaster Housing Assistance Program (DHAP)

**Harris County Housing Authority**  
**Management's Discussion and Analysis (MD&A)**  
**March 31, 2009**

**Economic Factors and Next Year's Budget-continued**

- Local labor supply and demand, which can affect salary and wages rates
- Local inflationary, recession, and employment trends, which can affect resident incomes and therefore the amount of Housing Assistance Payments
- Inflationary pressure on utility rates, supplies, and other costs.

<b>Section 8 Occupancy Report Information</b>	<b>Apr – June 2009</b>
<i><b>HUD Awarded Units</b></i>	
HCVP Unit Months Available	8,238
Moderate rehabilitation-Unit Months Available	24
<b>Total awarded/budgeted</b>	<b>8,262</b>
<i><b>Leased Units</b></i>	
HCVP Unit Months Leased	7,345
Moderate rehabilitation Unit Months Leased	24
<b>Total actual</b>	<b>7,369</b>
Year to date average percentage leased	89%
Difference - awarded/budgeted vs. leased	893

The Section 8 Management Assessment Program (SEMAP) is HUD's assessment program to annually and remotely measure the performance of all public housing authorities that administer the HCVP. SEMAP enables HUD to better manage the Section 8 housing assistance programs administered by the Authority by identifying capabilities and deficiencies in program operations. The SEMAP score is based on 15 specific operations indicators. The Authority has had the highest rating under SEMAP for the past six (6) years.

**Contacting the Authority's Financial Management**

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Chief Financial Officer, Harris County Housing Authority, 8933 Interchange Dr., Houston, TX 77054, (713) 669-4510.

# HARRIS COUNTY HOUSING AUTHORITY

## STATEMENT OF NET ASSETS MARCH 31, 2009

ASSETS	Housing Enterprise Fund	Component Units
	Fund	Units
<b>Current Assets</b>		
Cash and cash equivalents	\$ 21 323 200	\$ 1 070 557
Investments	14 005 750	-
Accounts receivable	-	60 033
Accounts receivable -other government	37 950	-
Accounts receivable - HUD	359 768	-
Accounts receivable - misc	8 534 923	8 073
Allowance for doubtful accounts	( 10 163)	-
Accrued interest receivable from Component Units	697 741	-
Accrued interest receivable-other	48 705	-
Prepaid assets	-	2 050 622
Other assets	-	541 402
Total current assets	44 997 874	3 730 687
<b>Restricted assets</b>		
Cash and cash equivalents - restricted	2 564 426	1 393 048
Total restricted assets	2 564 426	1 393 048
<b>Noncurrent assets</b>		
Investment in Partnerships	343 940	-
Notes receivable - Component Units	4 496 420	-
Intangible assets net of accumulated amortization	-	2 424 622
Fixed assets net of accumulated depreciation	13 841 151	68 944 997
Construction in progress	68 400	-
Total noncurrent assets	18 749 911	71 369 619
<b>Total Assets</b>	\$ 66 312 211	\$ 76 493 354
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 10 656 252	\$ 1 331 943
Due to Harris County, primary government, for accrued personnel costs including benefits	217 124	-
Housing assistance payable	415 677	-
Accrued interest payable to HCHA	-	637 018
Current portion of Long term debt	-	100 000
Deferred revenue	23 857 375	-
Total current liabilities	35 146 428	2 068 961
<b>Noncurrent liabilities</b>		
Family self sufficiency liabilities	103 662	-
Due to Harris County, primary government, for accrued compensated absences	19 290	-
Note Payable	3 250 000	-
Mortgage notes payable-HCHA	-	4 496 420
Mortgage notes payable	-	47 047 132
Total noncurrent liabilities	3 372 952	51 543 552
<b>Total Liabilities</b>	38 519 380	53 612 513
<b>Net Assets</b>		
Invested in capital assets, net of related debt	13 909 551	19 826 067
Restricted	2 460 764	-
Unrestricted	11 422 516	3 054 774
<b>Total Net Assets</b>	27 792 831	22 880 841
<b>Total Liabilities and Net Assets</b>	\$ 66 312 211	\$ 76 493 354

See the Accompanying Notes to Financial Statements

**HARRIS COUNTY HOUSING AUTHORITY**

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

	Housing Enterprise <u>Fund</u>	Component <u>Units</u>
<b>Operating Revenues</b>		
Rental income	\$ -	\$ 5 417 277
HUD PHA grants	111 024 501	-
Ground lease revenues	72 000	-
Other government grants	520 000	-
Other revenues	<u>14 199 680</u>	<u>185 617</u>
<b>Total Operating Revenues</b>	<u>125 816 181</u>	<u>5 602 894</u>
 <b>Operating Expenses</b>		
Housing assistance payments	75 037 869	-
Salaries and benefits	2 172 488	999 969
Office expense	34 256 475	-
Tenant services	6 453 640	-
Maintenance	-	543 448
General	290 476	2 589 374
Interest expense-mortgages	-	1 462 330
Interest expense-notes payable	26 632	-
Depreciation	<u>748 836</u>	<u>2 831 564</u>
<b>Total Operating Expenses</b>	<u>118 986 416</u>	<u>8 426 685</u>
 <b>Net Income (Loss) from Operations</b>	<u>6 829 765</u>	<u>(2 823 791)</u>
 <b>Non-operating revenues (expenses)</b>		
Interest income-unrestricted	498 851	22 874
Interest income-unrestricted from Component Units	251 860	-
Interest income-restricted	8 098	-
Gain (loss) on sale of net assets	<u>(1 244 835)</u>	<u>-</u>
<b>Total Non-operating revenues (expenses)</b>	<u>( 486 026)</u>	<u>22 874</u>
 <b>Change in Net Assets</b>	6 343 739	(2 800 917)
 Total Net Assets-Beginning of Period	21 449 092	21 730 288
Capital Contributions	<u>-</u>	<u>3 951 470</u>
<b>Total Net Assets - End of Period</b>	<u>\$ 27 792 831</u>	<u>\$ 22 880 841</u>

See the Accompanying Notes to Financial Statements

# HARRIS COUNTY HOUSING AUTHORITY

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2009

	<u>Housing Enterprise Fund</u>
Cash Flows from Operating Activities:	
Cash Received:	
Receipts from HUD - grants	\$ 111 024 501
Other government grants	520 000
Ground lease revenue	72 000
Other revenue	14 199 680
Deferred Revenue	(1 503 915)
Cash paid:	
Administrative and general	(32 123 721)
Salaries and benefits	(2 167 338)
Housing assistance payments	<u>(75 037 869)</u>
Net cash provided by operating activities	<u>14 983 338</u>
Cash Flow from Capital and Related Financing Activities:	
Cash received for Notes, loans and mortgages payable	3 250 000
Cash received for sale of fixed assets	179 387
Cash paid for net fixed asset additions	<u>(8 575 574)</u>
Net cash used for capital and related financing activities	<u>(5 146 187)</u>
Cash Flow from Investing Activities	
Cash received for interest income-unrestricted	490 710
Cash received for interest income-restricted	8 098
Cash paid as loans to Partnerships	( 396 239)
Cash paid for investments	<u>(14 005 750)</u>
Net cash used by investing activities	<u>(13 903 181)</u>
Net Increase (Decrease) In Cash and Cash Equivalents	(4 066 030)
Cash and Cash Equivalents At Beginning of Year	<u>27 953 656</u>
Cash and Cash Equivalents At End of Year	<u>\$ 23 887 626</u>

See the Accompanying Notes to Financial Statements

# HARRIS COUNTY HOUSING AUTHORITY

## STATEMENT OF CASH FLOWS – CONTINUED FOR THE YEAR ENDED MARCH 31, 2009

	Housing Enterprise Fund <u>(memo only)</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Net Income (Loss) from Operations	\$ 6 829 765
Noncash Changes to Income:	
Depreciation	748 836
Changes in Assets and Liabilities:	
Net (Increase) Decrease in Assets:	
Accounts receivable-net	(3 716 172)
Other assets	-
Net Increase (Decrease) in Liabilities:	
Accounts payable	4 512 675
Accrued personnel costs, including benefits	5 150
Deferred revenue	2 212 257
Other current liabilities	<u>4 390 827</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 14 983 338</u>
Interest Expense-Notes Payable	<u>\$ 26 632</u>

See the Accompanying Notes to Financial Statements

# HARRIS COUNTY HOUSING AUTHORITY

## NOTES TO FINANCIAL STATEMENTS MARCH 31, 2009

### NOTE (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Organization** - The Harris County Housing Authority (the “PHA”) was authorized to transact business and exercise all powers conferred under Texas statute by Harris County, Texas, (the “County”) through adoption of an order and resolution of the County Commissioners Court (the “Court”) on March 20, 1975.

Texas statute provides for the creation and operation of the PHA under Local Government Code (LGC) Chapter 392 - *HOUSING AUTHORITIES ESTABLISHED BY MUNICIPALITIES AND COUNTIES*. Under LGC Chapter 392, the PHA is a unit of government and its functions are essential for the wellbeing of the community.

The March 20, 1975 Court order and resolution activated the PHA in accordance with LGC Chapter 392 by declaring the following:

- (1) There is unsanitary or unsafe inhabited housing in the County;
- (2) There is a shortage of safe or sanitary housing in the County available to persons of low income at rentals that they can afford; and
- (3) There is need for a public housing authority to function in the County.

The Court’s March 20, 1975 order and resolution also appointed commissioners of the PHA in accordance with LGC Chapter 392. There are five commissioners governing the PHA serving staggered two year terms. The staggered two year terms apply to two and three of the PHA’s five commissioners, respectively, every other year. The Court appoints all PHA commissioners when terms expire.

On March 29, 1994, the Court merged the PHA with the County’s Community Development Department (CDD). The PHA’s grant contracts with the federal Department of Housing and Urban Development (HUD) were subsequently assumed by CDD and the PHA’s commissioners were not reappointed by the Court.

On July 2, 2002, the Court approved a plan whereby the PHA would be reestablished and returned to its previous status as an independent entity. On March 1, 2003, the separation was completed and the Court appointed five new commissioners to govern the PHA.

On March 4, 2003, an Interlocal Agreement between the PHA and the County was approved by the Court, providing for the staffing of the PHA and continuing reimbursement to the County of all associated costs.

**HARRIS COUNTY HOUSING AUTHORITY**

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2009  
(Continued)

**NOTE (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization (continued)** - The agreement additionally provided for the provision of office space and telecommunications services by the County. The Interlocal Agreement has been extended through February 28, 2009, with updates and modifications.

See **Note 5** following for additional disclosure related to the Interlocal Agreement.

**Reporting Entity** - The PHA's financial statements include all of its accounts and activities. Under LGC Chapter 392, the PHA is a separate unit of government. Based on criteria prescribed by accounting principles generally accepted in the United States of America, the PHA is considered a component unit of the County. The County issues its own financial statements for all the County's activities that include the PHA. The County presents the PHA as a discretely presented component unit under the provisions of Government Accounting Standards Board (GASB) Statement No. 14. The primary criterion that provides for the PHA's inclusion in the County's financial statements as a discretely presented component unit is that the Court appoints all PHA commissioners and may remove commissioners under LGC Chapter 392. Appointment and removal options related to the PHA's commissioners gives the Court the ability to impose its will on the PHA's operations.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the financial reporting entity are based on criteria prescribed by accounting principles generally accepted in the United States of America. These same criteria are evaluated in considering whether the PHA is a part of any other governmental or other type of reporting entity. As noted above, the PHA is considered a component unit of the County.

The PHA's operations are fully funded from the following federal grant sources through HUD:

- Section 8 Housing Choice Voucher Program –  
CFDA No. 14.871 - Grant number - TX441V00043053
- Lower Income Housing Assistance Program  
Section 8 Moderate Rehabilitation –  
CFDA No. 14.856 – Grant number - TX441MR0003
- Section 8 Moderate Rehabilitation  
Single Room Occupancy (SRO) Program –  
CFDA No. 14.182 – Grant number – TX441SR0001
- HOME Investment Partnerships Program (passed through the County) –  
CFDA No. 14.239 – Grant number – C0517CF120  
Grant number – C0558CF010  
Grant number – C0558CFH01

All programs are accounted for in the Housing Enterprise Fund. See **Note 6** following for additional disclosure related to compliance with these HUD grants.

# HARRIS COUNTY HOUSING AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2009

(Continued)

### NOTE (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Reporting Entity (continued) –

For the fiscal year ending March 31, 2009, the PHA also received additional funding under the Disaster Voucher Program, and various Disaster Housing Assistance Programs. These are also accounted for in the Housing Enterprise Fund.

The criteria for including organizations as component units within the PHA's reporting entity, as set forth in Section 2100 of the Governmental Accounting Standards Board's (GASB) *Codification of Government Accounting and Financial Reporting Standards*, include whether:

- a. The organization is legally separate (can be sued in their own name).
- b. The PHA holds the corporate powers of the organization.
- c. The PHA appoints a voting majority of the organization's board.
- d. The organization has the potential to impose a financial benefit/burden on the PHA.
- e. There is fiscal dependency by the organization on the PHA.

Harris County Housing Authority has formed Limited Liability Companies (LLC's) that participate in Limited Partnerships for the development and construction of affordable housing. Each of the LLC's formed by the PHA is the General Partner of the Limited Partnership. The financial statements of the limited partnerships are combined and reported as a discretely presented component unit based on these considerations.

Discretely Presented Component Units. – The component unit column in the basic financial statements includes the financial data of the PHA's discrete component units. These units are reported in a separate column to emphasize that they are legally separate from the PHA and are governed by separate Boards. See Note 11 for additional details relating to the PHA's relationship with the component units.

The Partnerships' included in the component units column include: Cornerstone Village Apartments, L.P, Louetta Village Apartments 45, L.P, Baybrook Park Retirement Center, Ltd., TX Bammel Housing L.P., Waterside Court, Ltd., and Olive Grove Manor, Ltd. Each partnership has developed apartment complexes and has set aside a predetermined number of units specifically for low to moderate income housing. The fiscal year-end for the discretely presented component units is December 31, 2008. As the general partner of the partnerships, the PHA receives the audited financial statements for the partnerships. Therefore, complete financial statements for each of the Limited Partnerships can be obtained from Chief Financial Officer, Harris County Housing Authority, 8933 Interchange Drive, Houston, TX 77054.

# HARRIS COUNTY HOUSING AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2009

(Continued)

### NOTE (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Basis of Presentation** – Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The PHA's activities are business-type in nature and the PHA does not engage in any governmental-type activities. As a result, government-wide financial statements which distinguish between governmental and business-type activities are not required. Accordingly, the basic financial statements and required supplementary information (RSI) of the PHA consist of Management's Discussion and Analysis (MD&A), Statement of Net Assets, Statement of Revenues, Expenses and Change in Net Assets, Statement of Cash Flows, Notes to the Financial Statements and Budget Comparison.

**Measurement Focus and Basis of Accounting** – The PHA uses the Proprietary fund method of accounting as prescribed by GASB. The Proprietary fund method uses the economic resources measurement focus. The accounting objectives are the determination of operating income, changes in net assets, financial position, and cash flows. All assets and liabilities associated with the proprietary fund's activities are included on the Statement of Net Assets. Proprietary net assets are segregated into Invested in Capital Assets Net of Related Debt, Restricted Net Assets, and Unrestricted Net Assets.

The accrual basis of accounting is used in proprietary fund types. The accrual basis of accounting recognizes revenues when earned. Expenses are recognized in the period incurred. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's ongoing operations. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal operating revenues of the PHA are the moneys provided by the U.S. Department of Housing and Urban Development (HUD) and other government grants. The PHA's operating expenses consist primarily of Housing Assistance Payments (HAP) and related administrative costs for the HUD Section 8 and Disaster Housing Assistance Programs, including depreciation and allocations of overhead costs to the affordable housing operation.

The PHA applies all applicable GASB pronouncements. The new GASB pronouncements applicable to the current fiscal year are as follows:

GASB 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* identifies the circumstances under which a governmental entity would be required to report a liability related to pollution remediation. The PHA has no liability related to pollution remediation at this time.

GASB 50, *Pension Disclosures – an amendment of GASB statements No. 25 and No. 27* more closely aligns current pension disclosure requirements for governments with those that governments are beginning to implement for retiree health insurance and other post-employment benefits. The PHA leases their employees from Harris County. Any disclosures related to pensions and other post employment benefits are reported by Harris County.

The PHA has no long-term debt.

## HARRIS COUNTY HOUSING AUTHORITY

### NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2009

(Continued)

#### NOTE (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Cash and Investments** – Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date of 90 days or less from date of purchase. All investments are recorded at fair value based upon quoted market prices as of the PHA's fiscal year end, with the difference between the purchase price and market price being recorded as interest income.

**Restricted Assets** – Certain assets of the PHA are required to be segregated based on HUD Section 8 grant requirements. These assets are legally restricted for certain purposes, including HUD Family Self-Sufficiency program deposits and certain HAP payments currently pending the outcome of an outreach program to identify the holders of old outstanding checks. The PHA will be performing the outreach program in the subsequent fiscal period and will gain the approval of HUD prior to using the HAP payments currently pending for program operations.

In the financial statements, restricted net assets are reported for amounts that are externally restricted by: 1) creditors (e.g. bond covenants), grantors, contributors, or laws and regulations of other governments; or, 2) law through constitutional provision or enabling legislation. These assets are generally unavailable to pay current liabilities of the PHA's HUD Section 8 grant programs.

**Fixed Assets** – Fixed assets include leasehold improvements made to the County owned building that the PHA uses and equipment used in the PHA's operations that benefit more than a single fiscal year. It also includes leasehold improvements made on the Disaster Housing Assistance facility in Houston. Infrastructure assets are long-lived assets that are generally stationary in nature and can typically be preserved for a significantly greater number of years than other fixed assets. The PHA has no infrastructure assets.

Fixed assets of the PHA are defined as assets with individual costs of \$1,000 or more and estimated useful lives in excess of one year. All fixed assets are stated at historical cost or estimated fair market value at the date of purchase. Donated fixed assets are stated at their estimated fair market value on the date donated. Depreciation is computed using the straight-line method over the estimated useful life of the asset ranging from 3 to 10 years. Leasehold improvements are depreciated over a 10-year useful life. Equipment is depreciated over 3 to 5 years, depending on the type. The PHA has no property within any fixed asset category that includes capitalized interest.

**Impairment of Long-Lived Assets** – In accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, the PHA reviews its assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. No asset impairment losses have been recognized during the year ended March 31, 2009.

# HARRIS COUNTY HOUSING AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2009

(Continued)

### NOTE (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Budgets** – The PHA’s Finance Policies and Procedures provide for budget preparation annually primarily to satisfy HUD compliance requirements. The HUD Section 8 housing programs and the Department of Homeland Security’s Disaster Housing Assistance Programs generate income through administrative fees paid by HUD to cover the PHA’s costs to administer these programs. The affordable housing program generates ground lease revenue and developer fee revenue available for other housing programs. The annual administrative operating budget for the HUD Section 8, Disaster Housing Assistance Programs and affordable housing programs are incorporated into the PHA’s overall annual operating budget that includes HAP and costs related to providing affordable housing to senior citizens. The annual budget process starts prior to the subsequent fiscal year. The PHA’s Finance department projects the subsequent fiscal year’s housing assistance payment obligations and the related income from administrative fees for the HUD Section 8, Disaster Housing Assistance Programs and affordable housing programs. The administrative budget is used to track actual expenses against those budgeted throughout the fiscal year. Annual budgets for administrative costs and HAP are approved by the PHA’s Board of Commissioners and by HUD. Necessary changes to the budget are also approved by the PHA’s Board of Commissioners and by HUD throughout the year. The PHA’s Finance department presents detailed administrative budget reports along with financial information on HAP affordable housing and other program costs to the PHA’s Board of Commissioners for review at each board meeting.

**Risk Management** - The PHA’s risk-of-loss exposure includes exposure to liability and accidental loss of real and personal property. The PHA insures for vehicle and property insurance, professional liability insurance and crime and fidelity policies through the Housing Authority Insurance Group.

All employees of the PHA are covered by workers’ compensation program insurance through American International Companies. Premiums on workers’ compensation are determined by position class code, at actuarially determined rates.

Through the County, the PHA provides medical, dental, vision and basic life and disability insurance to eligible employees and retirees. The PHA pays the full cost of employee and retiree coverage and 50% of the cost of dependent premiums. The disability insurance will pay up to 50% of an employee’s salary for two years with an employee option to extend the benefits period to age 65 and increase the percentage to 60%.

The PHA’s group insurance premiums, as well as employee payroll deductions for premiums for dependents and optional coverages, are paid into the County’s Risk Management Internal Service Fund, which in turn makes disbursements to contracted insurance providers based upon monthly enrollment and premium calculations.

## HARRIS COUNTY HOUSING AUTHORITY

### NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2009

(Continued)

#### NOTE (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Compensated Absences** - Accumulated compensatory leave, vacation and sick leave are recorded as an expense and liability as the benefit accrues for the employee. The amounts recorded are based on amounts billed by the County on a periodic basis. Employees accrue 9.75 days of sick leave per year. Sick leave benefits are recognized as they are used by the employees. Employees may accumulate up to 480 sick leave hours. Unused sick leave benefits are not paid at termination. Employees with more than one year of service accrue from two to four weeks of vacation per year, depending on years of service. Unused vacation benefits lapse at calendar year end and upon termination except for exempt employees who may convert such benefits to compensatory time, subject to a 240-hour maximum. A liability for vacation earned, but not taken, has been recorded.

Nonexempt employees earn compensatory time at one-and-a-half times their full pay times the excess of 40 hours worked. The compensatory time balance for nonexempt employees may not exceed 240 hours. Hours in excess of the 240-hour maximum must be paid to the nonexempt employee at the rate of one-and-a-half times the regular rate. Upon termination, compensatory time is calculated at the current rate of pay.

Exempt employees earn compensatory time at one times their full pay times the excess of 40 hours worked. Exempt employees can accumulate up to 240 hours of compensatory time. Upon termination, exempt employees are paid one-half of the compensatory time earned at the current wage rate. Compensatory time is carried forward indefinitely. Accordingly, a liability for compensatory time earned has been recorded.

**Statements of Cash Flows** - All highly liquid investments (including restricted assets) with a maturity of three months or less when purchased are considered to be cash equivalents.

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

**Significant Concentrations – Economic Dependency** – Most of the PHA's revenues are provided by HUD grants and related revenues. The PHA is economically dependent on these HUD grant funds for their normal operations, including costs associated with administering these HUD grant programs. A significant decrease in HUD grant funding would negatively impact the PHA's ability to meet its operating and related administrative expenses under its current operating structure.

# HARRIS COUNTY HOUSING AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2009

(Continued)

### NOTE (2) DEPOSITS AND INVESTMENTS

#### Deposits:

Chapter 2257 of the Texas Government Code is known as the Public Funds Collateral Act. This act provides guidelines for the amount of collateral that is required to secure the deposit of public funds. Federal Depository Insurance (FDIC) is available for funds deposited at any one financial institution up to a maximum of \$100,000 until October 2008 and \$250,000 from October 2008 to current each for demand deposits, time and savings deposits, and deposits pursuant to indenture. The Public Funds Collateral Act requires that the deposit of public funds be collateralized in an amount not less than the total deposit, reduced by the amount of FDIC insurance available. In accordance with the Sweep Agreement with Amegy Bank all funds are transferred to a Money Market Mutual Fund account on a daily basis

#### Investments:

Chapter 2256 of the Texas Government Code is known as the Public Funds Investment Act. This act authorizes the PHA to invest excess funds in fully collateralized or insured time deposits, direct debt securities of the United States or its Agencies, investment grade commercial paper, money market mutual funds and fully collateralized repurchase agreements pursuant to a written investment policy which primarily emphasizes the safety of principal and liquidity, addresses investment diversification, yield, and maturity.

The PHA's Investment policy is reviewed and approved annually by the Board of Commissioners. The Investment Policy includes a list of authorized investment instruments. In accordance with the Money Market Mutual Fund agreement with Amegy bank, the PHA's daily balance is used to purchase shares of Fidelity Government Money Market Fund (SPAXX). Fidelity Government Money Market Fund is ranked by Lipper as #5 out of 110 U.S. Government Money Market Funds for its one year performance, #4 out of 95 funds for its five year performance and #3 out of 69 funds for its 10 year performance.

#### AUTHORIZED INVESTMENTS:

The PHA's funds may be invested in the following investment instruments provided that such instruments meet the guidelines of the investment policy:

1. Direct obligations of the Federal Government which are backed by the full faith and credit of the United States.
2. Obligations of Federal Government Agencies.
3. Securities of Federal Government sponsored Agencies.
4. Demand and savings deposits at commercial banks, mutual savings banks, savings and loan associations and credit unions if deposits are insured by either the Federal Insurance Fund (NCUSIF).
5. Municipal depository fund or local government investment pool established by the State of Texas or other State chartered municipality as long as the securities purchased.
6. Money market deposit accounts not to exceed 30 percent of invested funds at depository institutions that may not be insured fully by the FDIC or NCUSIF.

**HARRIS COUNTY HOUSING AUTHORITY**

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2009

(Continued)

**NOTE (2) DEPOSITS AND INVESTMENTS (continued)**

AUTHORIZED INVESTMENTS-(continued):

7. Super NOW accounts as long as they meet the insurance and collateral requirements.
8. Certificates of deposit issued by institutions that are insured by an agency of the Federal Government.
9. Repurchase agreements for a term not to exceed 30 days when issued by a federally insured depositories for securities insured by the U.S Government and provided that the seller meets the additional requirements of HUD Notice PIH 96-33.
10. Commercial paper with a stated maturity of 270 days or fewer from the date of issuance as authorized by the Public Funds Investment Act.
11. Sweep accounts provided that the agreements include all the requirements applicable to any of the above.

Cash and Investments:

The PHA had cash and investments which are also considered cash equivalents of \$23,887,626 as of March 31, 2009. The cash equivalents consist of certificate of deposits in the amount of \$5,000,000 and bank balances that are part of the sweep investment account. In accordance with the Money Market Mutual Fund Agreement with Amegy Bank, the entire amount in the sweep investment account purchases shares in the Fidelity Government Fund. This portfolio invests at least 80% of assets in U.S. Government securities and repurchase agreements for those securities, issued by entities that are chartered or sponsored by Congress but whose securities are neither issued nor guaranteed by the U.S. Treasury. Amegy bank has provided assurance that the funds are invested in accordance with the PHA's investment policy.

The PHA had \$14,005,750 of investments that are not considered cash equivalents as of March 31, 2009. These investments are as follows:

**Bonds**

Institution name	Symbol	Interest rate	Maturity date	Principal
Federal Home Loan Mortgage Corp	FHLMC	2.00%	03/16/2011	\$ 2 006 000
Federal Home Loan Mortgage Corp	FHLMC	3.25%	06/10/2010	3 000 000
Federal National Mortgage Association	FNMA	2.50%	12/23/2011	3 000 000
Federal Home Loan Bank	FHLB	1.00%	06/30/2010	999 750
Federal Home Loan Bank	FHLB	1.25%	09/30/2010	1 000 000
Federal Home Loan Bank	FHLB	2.15%	08/18/2011	2 000 000
Federal Farm Credit	FFCB	1.62%	01/20/2011	<u>2 000 000</u>
				<u>\$ 14 005 750</u>

**HARRIS COUNTY HOUSING AUTHORITY**

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2009

(Continued)

**NOTE (2) DEPOSITS AND INVESTMENTS (continued)**

Restricted Cash:

The PHA had \$2,564,426 in restricted cash at March 31, 2009. The balance consists of \$2,460,764 restricted for future Housing Assistance Payments (see NOTE 10) and \$103,662 restricted for payment of the liability for Family Self-sufficiency.

**RISK DISCLOSURES**

Interest Rate Risk: All investments carry the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the PHA manages its exposure to interest rate risk is by investing in overnight instruments.

**NOTE (3) FIXED ASSETS**

Fixed asset activity, for the year ended March 31, 2009, was as follows:

Harris County Housing Authority

	Balances April 1, 2008	Additions (Dispositions)	Depreciation	Balances March 31, 2009
Land	\$ 5 180 778	\$ 6 499 999	\$ -	\$ 11 680 777
Leasehold Improvements	1 960 997	( 71 199)	-	1 889 798
Furniture and Equipment	693 819	269 204	-	963 023
Construction in progress	-	68 400	-	68 400
Accumulated Depreciation	<u>( 328 559)</u>	<u>384 948</u>	<u>( 748 836)</u>	<u>( 692 447)</u>
Totals	<u>\$ 7 507 035</u>	<u>\$ 7 151 352</u>	<u>\$ ( 748 836)</u>	<u>\$ 13 909 551</u>
Housing Vouchers				\$ 187 792
Disaster Housing Assistance Program				1 937 680
Disaster Voucher Program				10 488
Affordable Housing				<u>11 773 591</u>
				<u>\$ 13 909 551</u>

Depreciation expense, for the year ended March 31, 2009, totaled \$748,836.

**HARRIS COUNTY HOUSING AUTHORITY**

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2009

(Continued)

**NOTE (3) FIXED ASSETS (continued)**

Component Units

	Balances January 1, 2008	Additions (Dispositions)	Depreciation	Balances December 31, 2008
Land	\$ 170 305	\$ -	\$ -	\$ 170 305
Land & Site Improvements	8 790 609	2 219 928	-	11 010 537
Buildings	48 297 441	11 421 021	-	59 718 462
Furniture and Equipment	3 630 585	(1 592 758)	-	2 037 827
Personal Property	-	2 170 024	-	2 170 024
Commercial Space	-	74 031	-	74 031
Construction in progress	12 080 869	(12 080 869)	-	-
Intangible Assets Net of Amortization	2 610 156	( 185 534)	-	2 424 622
Accumulated Depreciation	<u>(3 564 269)</u>	<u>-</u>	<u>(2 671 920)</u>	<u>(6 236 189)</u>
Totals	<u>\$ 72 015 696</u>	<u>\$ 2 025 843</u>	<u>\$ (2 671 920)</u>	<u>\$ 71 369 619</u>

**NOTE (4) COMPENSATED ABSENCES PAYABLE**

The total of accrued compensated absences increased for the year ended March 31, 2009 by \$25,752 to a total of \$96,452. \$77,162 of the total is considered due within one year.

**NOTE (5) INTERLOCAL AGREEMENT WITH HARRIS COUNTY TEXAS**

On March 4, 2003, pursuant to the Interlocal Cooperation Act, Chapter 791 Texas Government Code, an Interlocal Agreement between the PHA and the County was approved by the Court pertaining to the basic operations of the PHA. This Interlocal Agreement has subsequently been extended through February 28, 2010.

Significant provisions of the extended agreement are described below.

**PHA's Board to Hire Personnel** – The PHA's Board of Commissioners may delegate a power or duty to an agent or employee as it considers proper. The Board may employ a secretary, who shall serve as executive director, and may employ technical experts and other officers, agents and employees, permanent or temporary, that the Board considers necessary. The Board shall determine the qualifications, duties and compensation of the persons employed.

**Personnel** – The parties will agree on staffing at the time of execution of the Interlocal Agreement and any extensions. Any additional staffing will require the prior approval of both the PHA and the County. The staff, as agreed on by the PHA and the County will administer all aspects of the PHA's daily operations. It is expressly understood and agreed that the individuals who fill such positions are nominally Housing PHA Employees employed through the County.

## HARRIS COUNTY HOUSING AUTHORITY

### NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2009

(Continued)

#### NOTE (5) INTERLOCAL AGREEMENT WITH HARRIS COUNTY TEXAS (continued)

**Personnel**—(continued) The PHA shall reimburse the County for the time that the staff spends on PHA business only. Within the first 10 days of each month, the Harris County Auditor shall prepare a statement and proper backup showing the actual staff salary and benefits expenses incurred by the County for staffing the PHA's operations during the previous calendar month. The PHA shall promptly pay the total due to the County upon receipt of a correct and verified statement.

The PHA shall also reimburse the County for other incurred staffing charges of County personnel as may be applicable for the conduct of the PHA's operations. These incurred overhead charges include by way of example, but not limited to, information systems and payroll services. Within the first ten (10) days of each month, the Harris County Auditor shall prepare a statement showing the incurred staffing overhead charges for the PHA's operations during the previous calendar month.

The County will report incurred overhead staffing charges using an accounting and/or auditing basis that is reasonably acceptable and reliable in government grant accounting practices and applications. The PHA shall promptly pay the total due to the County upon receipt of a correct and verified statement.

PHA personnel that supervise and conduct the PHA's daily operations will follow County personnel rules and regulations. The County is not obligated to provide personnel and other incurred overhead charges in excess of the amount that the PHA is willing reimburse to the County.

**Legal services**— The PHA will retain its own legal counsel. It is understood that the Harris County Attorney's Office (HCAO) represents Harris County, Texas. If and to the extent HCAO may have purportedly represented the PHA in the past, the PHA does not disqualify, and consents to, HCAO representing the County against the PHA. Future representation of the PHA by HCAO does not constitute a waiver of any matters privileged prior to HCAO's representation of the PHA.

**Insurance**—The PHA will obtain and maintain in effect insurance on its vehicles as required by the motor vehicle insurance laws of the State of Texas.

**Sublease agreement**— The PHA rents its administrative offices from the County through a sublease at 8410 Lantern Point Drive in Houston, Texas. The PHA pays \$1 per month as rent for the facilities, including utilities that have been provided by the County and telecommunications services. The PHA shall pay for any special modifications or alterations that it desires in the rented space. The PHA has capitalized leasehold improvements to this space in the amount of \$30,478 and is depreciating these improvements over a 10 year period. The PHA has obtained, and maintains in effect, insurance coverage required by the County's landlord at 8410 Lantern Point Drive in Houston, Texas.

**HARRIS COUNTY HOUSING AUTHORITY**

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2009

(Continued)

**NOTE (6) HOUSING AND URBAN DEVELOPMENT PROGRAMS**

**SECTION 8 HOUSING CHOICE VOUCHER PROGRAM**

A majority of the PHA's operations are funded from HUD Section 8 Housing Choice Voucher Program (HCVP) grant funds. For the fiscal year ended March 31, 2009, the PHA had total HUD Section 8 grant revenues of \$19,582,950 of which \$19,261,424 was for HCVP including revenues related to the Disaster Voucher Program (DVP). The PHA's total HAP payments for the fiscal year ended March 31, 2009 were \$19,675,798 of which \$19,354,272 was for HCVP including HAP payments related to the Disaster Voucher Program (DVP). For the current year, the PHA has \$38,890 in unclaimed HAP checks to qualified recipients. The PHA also has a liability for \$103,662 for the Family Self Sufficiency program of HCVP that was discontinued in the fiscal year ending March 31, 2005.

Compliance with HCVP grant requirements is a significant part of the PHA's administrative activities. OMB Circular A-133 provides detail of the compliance requirements.

**AFFORDABLE HOUSING AND HOME GRANT FUNDS**

The County's Community and Economic Development Department has awarded the PHA over \$2.5 million from the HUD HOME Investment Partnerships Program for the purpose of acquiring and co-developing affordable housing for seniors and families using the federal Low Income Housing Tax Credit program. The PHA anticipates participating with for-profit developers to create more than 178 units of affordable Intergenerational Housing in the unincorporated areas of the County over the next 24 months or by December 2010. The objectives of the PHA in participating in this program are to facilitate affordable housing and provide additional revenue to support housing programs from ground lease revenue and rental on the facilities after an initial development recovery period.

The general objectives of the HUD HOME Investment Partnerships Program are: (1) To expand the supply of affordable housing, particularly rental housing, for low and very low income Americans; (2) to strengthen the abilities of state and local governments to design and implement strategies for achieving adequate supplies of decent, affordable housing; (3) to provide both financial and technical assistance to participating jurisdictions, including the development of model programs for developing affordable low income housing; and (4) to extend and strengthen partnerships among all levels of government and the private sector, including for-profit and nonprofit organizations, in the production and operation of affordable housing. The HOME regulations, guidelines, and literature are found in 24 CFR Part 92.

The federal tax credit program is a means of directing private capital toward the creation of affordable rental housing. Owners and investors in qualified affordable multifamily residential developments can use the tax credits as a dollar-for-dollar reduction of federal income tax liability. The value associated with the tax credits allows residences to be leased to qualified families at below market rate rents. The Texas Department of Housing and Community Affairs administers this program in Texas. To qualify for tax credits, the proposed development must involve new construction or undergo substantial rehabilitation of residential units (at least \$6,000/unit). The credit amount a development may receive depends on the total amount of depreciable capital improvements and the funding sources available to finance the total development cost.

## HARRIS COUNTY HOUSING AUTHORITY

### NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2009

(Continued)

#### **NOTE (6) HOUSING AND URBAN DEVELOPMENT PROGRAMS-(continued)**

##### **DISASTER HOUSING ASSISTANCE PROGRAMS (DHAP)**

In late 2007, the Department of Housing and Urban Development (HUD) took over disaster housing assistance from the Federal Emergency Management Agency (FEMA). HUD contracted with Harris County Housing Authority to administer 6,667 of these vouchers in the Houston area. The PHA identifies this program as DHAP-HCHA. The agreement allows the PHA to receive \$1,000 (One-thousand dollars) per voucher for placement fees in addition to case management fees, administrative fees and reimbursement for housing assistance payments. In the fiscal year ending March 31, 2009, the PHA has recognized income of \$5,477,175 in administrative fees and \$193,000 of placement fees. There is \$1,433,000 of placement fees included in deferred revenue that will be recognized as the PHA locates and completes processing of eligible tenants. The PHA has also recognized income of \$24,409,979 for reimbursement of housing assistance payments and \$4,980,175 of case management reimbursements. A total of \$5,017,294 of payments received from HUD for the operation of the Disaster Housing Assistance Program has not yet been earned by the PHA and is included in deferred revenue.

In addition to the vouchers issued by HUD for disaster assistance in the Houston area, the PHA also agreed to administer approximately 994 disaster vouchers for victims that have relocated to other parts of the United States. The PHA identifies this program as DHAP-USA. The agreement with HUD for administration of this program is the same as the agreement for administering the Houston area program. In the fiscal year ending March 31, 2009, the PHA has recognized income of \$1,362,556 in administrative fees and \$902,000 of placement fees. There is \$890,000 of placement fees included in deferred revenue that will be recognized as the PHA locates and completes processing of eligible tenants. The PHA has also recognized income of \$5,343,001 for reimbursement of housing assistance payments reimbursements and \$1,192,617 of case management reimbursements. A total of \$2,769,500 of payments received from HUD for the operation of the DHAP-USA has not yet been earned by the PHA and is included in deferred revenue.

The PHA entered into an agreement with the Housing Authority of New Orleans to administer their Disaster Housing Assistance Vouchers. The PHA identifies this program as DHAP-HANO. Under the terms of the agreement, the PHA receives Housing Assistance Payment (HAP) administrative fees at 90%, 95% of case management fees, 95% of placement fees and 90% of any other fees provided for operation of the DHAP program. In the fiscal year ending March 31, 2009, the PHA has recognized \$12,965,326 in revenue from this agreement and expended \$1,048,527 in costs to administer the program. The agreement with the Housing Authority of New Orleans was completed in December 2008 and the Housing Authority of New Orleans took over the administration of their DHAP program. As this agreement is with the Housing Authority of New Orleans and not HUD, the PHA records the revenue and expenses in their affordable housing program.

**HARRIS COUNTY HOUSING AUTHORITY**

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2009

(Continued)

**NOTE (6) HOUSING AND URBAN DEVELOPMENT PROGRAMS-(continued)**

**DISASTER HOUSING ASSISTANCE PROGRAMS (DHAP)-(continued)**

At March 31, 2008, HUD contracted with the PHA to administer the Disaster Housing Assistance Program Housing for the Housing Authority's of Slidell, Jefferson Parish, and St. Bernard Parish. In the fiscal year ending March 31, 2009 the PHA has recognized income of \$901,297, \$2,013,290 and \$1,087,615, respectively, in administrative fees and \$583,000, \$1,025,000, and \$701,000, respectively, of placement fees. There is \$77,000, \$365,000 and \$54,000, respectively, of placement fees included in deferred revenue that will be recognized as the PHA locates and completes processing of eligible tenants. The PHA has also recognized income of \$3,419,754, \$6,718,809 and \$4,171,474, respectively, for reimbursement of housing assistance payments reimbursements and \$537,341, \$1,053,016 and \$586,050, respectively, of case management reimbursements. A total of \$2,525,390 of payments received from HUD for the operation of the DHAP-Slidell, DHAP-Jefferson Parish and DHAP-St. Bernard Parish has not yet been earned by the PHA and is included in deferred revenue.

On September 13, 2008, Hurricane Ike hit the greater Houston-Galveston area and caused much destruction. To respond to the increased need for housing, HUD developed a disaster housing assistance program known as DHAP-Ike. The program is very similar to the original Disaster Housing Assistance Program. The funds received under DHAP-Ike are reported as Department of Homeland Security funds under program 97.109.

HUD contracted with Harris County Housing Authority to administer 4,966 of these vouchers in the Houston area. The PHA identifies this program as DHAP-Ike. The agreement allows the PHA to receive \$1,000 (One-thousand dollars) per voucher for placement fees in addition to case management fees, administrative fees and reimbursement for housing assistance payments. In the fiscal year ending March 31, 2009, the PHA has recognized income of \$1,653,678 in administrative fees and \$1,886,000 of placement fees. There is \$3,080,000 of placement fees included in deferred revenue that will be recognized as the PHA locates and completes processing of eligible tenants. The PHA has also recognized income of \$3,380,903 for reimbursement of housing assistance payments and \$1,704,600 of case management reimbursements. A total of \$11,989,947 of payments received from HUD for the operation of the Disaster Housing Assistance Program has not yet been earned by the PHA and is included in deferred revenue.

**HARRIS COUNTY HOUSING AUTHORITY**

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2009

(Continued)

**NOTE (6) HOUSING AND URBAN DEVELOPMENT PROGRAMS-(continued)**

**DISASTER HOUSING ASSISTANCE PROGRAMS (DHAP)-(continued)**

In addition to the vouchers issued by HUD for Hurricane Ike disaster assistance in the Houston area, the PHA also agreed to administer approximately 1,085 disaster vouchers for victims that have relocated to other parts of Texas. The PHA identifies this program as DHAP-Ike TX. The agreement with HUD for administration of this program is the same as the agreement for administering the Houston area program. In the fiscal year ending March 31, 2009, the PHA has recognized income of \$361,305 in administrative fees and \$197,000 of placement fees. There is \$888,000 of placement fees included in deferred revenue that will be recognized as the PHA locates and completes processing of eligible tenants. The PHA has also recognized income of \$226,290 for reimbursement of housing assistance payments reimbursements and \$345,000 of case management reimbursements. A total of \$2,459,973 of payments received from HUD for the operation of the DHAP-USA has not yet been earned by the PHA and is included in deferred revenue.

**NOTE (7) DISASTER HOUSING ASSISTANCE PROGRAM ADMINISTRATION AGREEMENT**

The PHA entered into an agreement with Mir, Fox & Rodriguez, P.C., for project management of the DHAP programs for the PHA. Under the agreement, Mir, Fox & Rodriguez implemented project management components including, planning and designing the social service and case management core processes, coordinating education, communication and training, monitoring and control of the program among other things. The PHA has advanced Housing Assistance Payments of \$2,908,244 to Mir Fox Rodriguez at March 31, 2009.

In September 2008, the PHA contracted with McConnell, Jones, Lanier & Murphy, P.C., for quality control functions for all the DHAP programs. As of March 31, 2009 the PHA has advances outstanding of \$356,489 for administrative fees.

Advances are included in Accounts Receivable-Miscellaneous in the Housing Enterprise Fund.

**NOTE (8) SALE OF ASSETS**

The DHAP administrative agreement with the Housing Authority of New Orleans was completed in December 2008 and the Housing Authority of New Orleans took over the administration of their DHAP program. In order to ensure a smooth transition, the PHA agreed to sell the furniture and equipment in place at 3600 MacArthur Blvd. to the Housing Authority of the City of New Orleans at net book value of \$154,387. The PHA also owned leasehold improvements in the net amount of \$1,245,701 made to the facility in New Orleans and does not expect to recover any of these assets. As a result, at March 31, 2009 the PHA has written these assets off.

# HARRIS COUNTY HOUSING AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2009

(Continued)

### NOTE (9) LEASES

Effective September 1, 2007, the PHA entered into a lease for office space at 8933 Interchange Dr., Houston, TX to operate the Disaster Housing Assistance Program. The lease term is sixty (60) months and expires August 31, 2012. The PHA moved their administrative offices to this site in March 2009. Mir, Fox & Rodriguez, P.C. made the payments on the lease in accordance with the administrative contract as described in Note 7 through March 2010. For the year ending March 31, 2009 the base rent was \$20,940 per month.

Future minimum lease payments not including increases for basic building operating costs are as follows:

<u>Year ending March 30,</u>	
2010	\$ 268 522
2011	298 084
2012	327 645
2013	<u>141 651</u>
Total	<u>\$ 1 035 902</u>

Effective March 1, 2008, the PHA entered into a lease for office space at 3600 MacArthur Blvd., New Orleans, LA to operate the Disaster Housing Assistance Program in Louisiana as per their agreement with the Housing Authority of New Orleans. The lease term is twenty-four (24) months and expires February 28, 2010. The contract with the Housing Authority of New Orleans was completed in December 2008. The PHA and the Housing Authority of New Orleans reached an agreement to transfer the lease agreement to the Housing Authority of New Orleans in April 2009.

Effective November 7, 2008, the PHA entered into a lease for office space at 8950 Kirby Drive, Houston, TX to operate the Disaster Housing Assistance Program for Hurricane Ike. The lease term commences January 1, 2009 and expires December 31, 2010. For the year ending March 31, 2009 the base rent was \$13,931 per month.

Future minimum lease payments not including increases for basic building operating costs are as follows:

<u>Year ending March 31,</u>	
2010	\$ 167 175
2011	<u>125 381</u>
Total	<u>\$ 292 556</u>

## HARRIS COUNTY HOUSING AUTHORITY

### NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2009

(Continued)

#### **NOTE (10) HURRICANE IKE DAMAGE ASSESSMENT**

Hurricane Ike hit the greater Houston-Galveston area on September 13, 2008. To assist Harris County and FEMA with disaster recovery operations the PHA agreed to contribute knowledge and funds. The funds were contributed from administrative fees earned from other Disaster Housing Assistance programs the PHA administers. The PHA paid \$6,169,225 for damage assessments of the greater Houston-Galveston area. This amount paid for field inspectors and other personnel and included the development of a software program to more efficiently direct inspectors to all areas of Harris County and to uniformly assess damages caused by the hurricane. The damage assessment was done at the behest of several organizations which enabled these organizations to receive additional federal funding for damages. The PHA may be able to recover part of the expended funds from these other agencies. At the present time there is no agreement to that effect. In addition, it is expected that the PHA will be able to re-coup a portion of the costs if other areas affected by disasters in the future wish to use the software program. Since the potential earnings are unknown, the PHA has not capitalized the software.

The PHA also paid \$673,856 for Point of Distribution (POD) site operations. The POD's were directed to all areas of the greater Houston-Galveston area to provide ice and water for citizens that were without electricity or running water. Finally, the PHA paid \$167,098 for Housing Recovery Centers that provided FEMA Disaster registration for affected residents, on-site social services for referrals, and short term housing information.

#### **NOTE (11) DONATIONS**

To address transportation needs relating to Hurricane Ike disaster relief activities, the PHA donated five (5) vehicles with a purchase price of \$192,036 to Harris County. Three (3) vehicles were donated to the Harris County Sheriff's office, and two (2) were donated to the Harris County Office of Emergency Management. A single family manufactured home with a purchase price of \$37,853 was donated to a victim of Hurricane Ike. The PHA will be able to better assess the time, cost and procedures of providing this type of housing in the event of a future disaster.

#### **NOTE (12) NOTES RECEIVABLE AND ACCRUED INTEREST RECEIVABLE**

The PHA has Subordinate Promissory Notes with the Partnerships that were funded with pass through funds from HOME Grants. The loans accrue interest on the outstanding balances at the applicable federal interest rate (AFR) in effect at the time of the loan and mature on varying dates between the years of 2027 and 2038. As of March 31, 2009, total outstanding principal and accrued interest on these loans were \$4,496,420 and \$697,741, respectively.

## HARRIS COUNTY HOUSING AUTHORITY

### NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2009

(Continued)

#### **NOTE (13) RESTRICTED NET ASSETS**

The PHA has recorded \$2,460,764 in restricted net assets for the year ending March 31, 2009. This amount reflects the difference in Housing Assistance Payment revenue received from HUD and the amount of Housing Assistance Payments made for eligible vouchers. These funds are restricted for future payments of eligible vouchers.

#### **NOTE (14) PURCHASE OF PROPERTY**

The PHA purchased 91.9 acres of property for \$6,509,202 on Lake Houston for a new development to be known as Patriots on the Lake. A loan from Amegy Bank in the amount of \$3,250,000 was used to help finance the purchase. (see Note 15) The vision for Patriots on the Lake is to create a model community that embodies the American patriotic spirit in a tangible form that all could experience, celebrate and honor the sacrifice of men and women who fought to protect America's freedom. The development is expected to consist of a VA services and healthcare campus, senior housing community, civic and recreational venues and an array of for-sale housing opportunities.

#### **NOTE (15) NOTE PAYABLE**

The PHA entered into an agreement with Amegy Bank for a loan of \$3,250,000 on February 6, 2009 which was used to help finance the purchase of 91.9 acres of land on Lake Houston. The promissory note calls for payments of interest only beginning one month after the date of execution for twenty-four (24) months with a balloon payment of the entire unpaid principal and any accrued interest at that time.

Interest is at a variable rate of 1.75% above the rate published in *The Wall Street Journal's* "Money Rates" table (the 'Index rate') as its prime rate with adjustments in such varying rate to be made on the same day as any change in the Index rate. At March 31, 2009 the interest rate was 5%. Interest expense of \$26,632 was paid in fiscal year 2009 on this note.

#### **NOTE (16) COMPONENT UNITS**

HCHA Cornerstone, LLC is a partner in Cornerstone Village Apartments, L.P.; HCHA Bammel, LLC is a partner in TX Bammel Housing, L.P.; HCHA Louetta, LLC, is a partner in Louetta Village Apartments 45, L.P.; HCHA Baybrook Park, LLC is a partner in Baybrook Park Retirement Center, Ltd.; HCHA Olive Grove, LLC is a partner in Olive Grove Manor, Ltd.; and HCHA Waterside, LLC is a partner in Waterside Court, Ltd. Harris County Housing Authority is the sole member of each of the HCHA LLCs and each HCHA LLC is a .01% partner and the general partner of the partnership.

## HARRIS COUNTY HOUSING AUTHORITY

### NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2009

(Continued)

#### **NOTE (16) COMPONENT UNITS (continued)**

HCHA Cornerstone, LLC has contributed capital of \$336 in Cornerstone Village Apartments, L.P. Harris County Housing Authority and Cornerstone Village Apartments, L.P. has a sixty-five (65) year land lease agreement signed August 12, 2004. Cornerstone Village Apartments, L.P. prepaid twelve years of rent in 2005 which is being amortized at a rate of Sixty-Five thousand (\$65,000) per year. Harris County Housing Authority (HCHA) and JV Developers, LLC have a developer fee sharing agreement wherein JV Developers, LLC will pay a total of \$700,000 to HCHA in exchange for services. The payment of the development fees are predicated on the receipt of development fees paid from, or on behalf of Cornerstone Village Apartments, L.P. The PHA is owed \$160,000 of developer fees related to the development agreement as of March 31, 2009. Harris County Housing Authority has a Note Receivable from Cornerstone Village Apartments, L.P. in the amount of \$1,390,000. The funds for the loan were a HOME Grant from Harris County.

HCHA Bammel, LLC has contributed capital of \$522 in TX Bammel Housing, L.P. Harris County Housing Authority and TX Bammel Housing, L.P. have a sixty-five (65) year land lease agreement signed January 1, 2005. Under the terms of the lease, the annual lease amount for TX Bammel Housing, L.P. is Sixty-five thousand (\$65,000) with all but One thousand (\$1,000) of that waived, provided that the Project is leased to tenants in accordance with all applicable Low Income Housing requirements. Harris County Housing Authority (HCHA) and Southwest Housing Development Company, Inc. have a developer fee sharing agreement wherein Southwest Housing Development Company, Inc. will pay a total of \$600,000 to HCHA in exchange for services. The payment of the development fees are predicated on the receipt of development fees paid from, or on behalf of TX Bammel Housing, L.P. The PHA is owed \$100,000 of developer fees related to the developer agreement as of March 31, 2009. Harris County Housing Authority has a Note Receivable from TX Bammel Housing, L.P. in the amount of \$731,420. The funds for the loan were a HOME Grant from Harris County.

HCHA Louetta, LLC has contributed capital of \$100 in Louetta Village Apartments 45, L.P. Harris County Housing Authority and Louetta Village Apartments 45, L.P. have a sixty-five (65) year land lease agreement signed January 12, 2005. Under the terms of the lease, the annual lease amount for Louetta Village Apartments 45, L.P. is Sixty-five thousand (\$65,000) with all but One thousand (\$1,000) of that waived, provided that the Project is leased to tenants in accordance with all applicable Low Income Housing requirements. Harris County Housing Authority (HCHA) and JV Developers, LLC have a developer fee sharing agreement wherein JV Developers, LLC will pay a total of \$403,000 to HCHA in exchange for services. The payment of the development fees are predicated on the receipt of development fees paid from, or on behalf of Louetta Village Apartments 45, L.P. The PHA has received \$53,000 of the funds related to the development agreement in the current fiscal year and is owed \$176,190 of developer fees as of March 31, 2009. Harris County Housing Authority has a Note Receivable from Louetta Village Apartments 45, L.P. in the amount of \$550,000. The funds for the loan were a HOME Grant from Harris County.

## HARRIS COUNTY HOUSING AUTHORITY

### NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2009

(Continued)

#### **NOTE (16) COMPONENT UNITS** (continued)

HCHA Baybrook Park Retirement Center, Ltd. has contributed capital of \$10 in Baybrook Park Retirement Center, Ltd. Harris County Housing Authority and Baybrook Park Retirement Center, Ltd. have a sixty-five (65) year land lease agreement signed June 21, 2005. Under the terms of the lease, the annual lease amount for Baybrook Park Retirement Center, Ltd. is Sixty-five thousand (\$65,000) with all but One thousand (\$1,000) of that waived, provided that the Project is leased to tenants in accordance with all applicable Low Income Housing requirements. Harris County Housing Authority (HCHA) and Hettig Development Group XI, Ltd. have a developer fee sharing agreement wherein Hettig Development Group XI, Ltd. will pay a total of \$406,000 to HCHA in exchange for services. The payment of the development fees are predicated on the receipt of development fees paid from, or on behalf of Baybrook Park Retirement Center, Ltd. The PHA is owed \$10,000 of developer fees related to the developer agreement as of March 31, 2009. Harris County Housing Authority has a Note Receivable from Baybrook Park Retirement Center, Ltd. in the amount of \$625,000. The funds for the loan were a HOME Grant from Harris County.

HCHA Olive Grove, LLC has contributed capital of \$273,410 in Olive Grove Manor, Ltd. Harris County Housing Authority and Olive Grove Manor, Ltd. have an amended forty-five (45) year land lease agreement signed December 21, 2006. Under the terms of the lease, the annual lease amount for Olive Grove Manor, Ltd. is Sixty-five thousand (\$65,000) with all but One thousand (\$1,000) of that waived, provided that the Project is leased to tenants in accordance with all applicable Low Income Housing requirements. Harris County Housing Authority (HCHA) and Artisan/American Corp. have a developer fee sharing agreement wherein Artisan/American Corp. will pay a total of \$840,000 to HCHA in exchange for services. The balance of the payments of the development fees are predicated on the receipt of development fees paid from, or on the behalf of Olive Grove Manor, Ltd. The PHA is owed \$48,759 of developer fees related to the developer agreement as of March 31, 2009. Harris County Housing Authority has a Note Receivable from Olive Grove Manor, Ltd. in the amount of \$700,000. The funds for the loan were a HOME Grant from Harris County.

At December 31, 2008, Olive Grove Manor, Ltd. was involved in two lawsuits with subcontractors who claim nonpayment for services performed during construction of the Project. The first lawsuit is in the discovery stage and the second has been stayed pending arbitration between other parties involved. The Partnership has denied liability for both claims as the contracts for services are between the subcontractors and the general contractor. The Partnership had demanded indemnity for the general contractor with respect to these claims. The outcome is undeterminable and the financial statements of Harris County Housing Authority or the Component Units do not include any adjustments related to these uncertainties.

## HARRIS COUNTY HOUSING AUTHORITY

### NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2009

(Continued)

#### **NOTE (16) COMPONENT UNITS (continued)**

HCHA Waterside, LLC has contributed capital of \$10 in Waterside Court, Ltd. Harris County Housing Authority and Waterside Court, Ltd. have a forty-five (45) year land lease agreement signed June 22, 2006. Under the terms of the lease, the annual lease amount for Waterside Court, Ltd. is Sixty-five thousand (\$65,000) with all but One thousand (\$1,000) of that waived, provided that the Project is leased to tenants in accordance with all applicable Low Income Housing requirements. Harris County Housing Authority (HCHA) and Hettig Development Group X, Ltd. have a developer fee sharing agreement wherein Hettig Development Group X, Ltd. will pay a total of \$980,110 to HCHA in exchange for services. The balance of the payments of the development fees are predicated on the receipt of development fees paid from, or on the behalf of Waterside Court, Ltd. The PHA is not owed any developer fees related to the developer agreement as of March 31, 2009. Harris County Housing Authority has a Note Receivable from Waterside Court, Ltd. in the amount of \$500,000. The funds for the loan were a HOME Grant from Harris County.

#### **NOTE (17) SUBSEQUENT EVENT**

On May 28, 2009, the PHA purchased 9.973 acres of land Kuykendahl Road and Bammelwood Drive for development of the property to be known as 'Cypresswood Estates'. The PHA received Neighborhood Stabilization Program funds provided by the Harris County Community Services Department in the amount of \$728,888 to finance the purchase.

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RICHARD W. BREEDLOVE, CPA  
President

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

June 16, 2009

Board of Commissioners  
Harris County Housing Authority  
Houston, Texas

We have audited the general purpose financial statements of the Harris County Housing Authority as of and for the year ended March 31, 2009, and have issued our report thereon dated June 16, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the PHA's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the PHA's financial statements that is more than inconsequential will not be prevented or detected by the PHA's internal control.

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

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Harris County Housing 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*.

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

*Brechner & Co., P.C.*

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President

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

June 16, 2009

Board of Commissioners  
Harris County Housing Authority  
Houston, Texas

### Compliance

We have audited the compliance of the Harris County Housing 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 March 31, 2009. The Harris County Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Harris County Housing Authority's management. Our responsibility is to express an opinion of their compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Harris County Housing 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 Harris County Housing Authority's compliance with those requirements.

In our opinion, the Harris County Housing 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 March 31, 2009.

### Internal Control over Compliance

The management of the Harris County Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Harris County Housing Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Harris County Housing Authority's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

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

*Breallone & Co., P.C.*

**REQUIRED SUPPLEMENTARY INFORMATION**

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**HARRIS COUNTY HOUSING AUTHORITY**

**REQUIRED SUPPLEMENTARY INFORMATION-BUDGET COMPARISON  
MARCH 31, 2009**

	<b>All Programs</b>			
	Original	Revised		Variance
	Budget	Budget	Actual	Positive
	<u>Budget</u>	<u>as of 3/31/09</u>	<u>Actual</u>	<u>(Negative)</u>
<b>Operating Revenues</b>				
HUD PHA Grants-Administrative Fees Earned	\$ 22 962 961	\$21 610 417	\$ 26 716 812	\$ 5 106 395
HUD PHA Grants-Placement Fees Earned	5 250 000	9 250 000	10 043 822	793 822
HUD PHA Grants-Case Management Fees	13 800 000	14 800 000	12 284 173	(2 515 827)
Co-Developer Fee	500 000	500 000	1 205 449	705 449
Other Revenues	-	-	622 776	622 776
Interest Income	731 000	731 000	757 804	26 804
<b>Total Operating Revenues</b>	<u>43 243 961</u>	<u>46 891 417</u>	<u>51 630 836</u>	<u>4 739 419</u>
<b>Operating Expenses</b>				
Salaries	1 829 691	2 029 691	1 864 052	165 639
Employee Benefit Contributions	555 978	585 978	308 436	277 542
Consulting & Professional Services	33 481 000	27 481 000	32 962 614	(5 481 614)
Auditing Fees	118 000	118 000	104 828	13 172
Sundry Items	6 000	6 000		6 000
Bank Service charges	10 000	10 000	11 166	( 1 166)
Insurance	57 000	57 000	52 583	4 417
Case Management Fees	-	6 500 000	6 433 349	66 651
Membership Dues & Subscriptions	24 000	24 000	7 700	16 300
Printing & Reproduction	42 200	72 200	62 940	9 260
Postage	33 000	33 000	44 028	( 11 028)
Telephone	12 000	12 000	4 056	7 944
Temporary Personnel	182 000	182 000	113 062	68 938
Vehicle Gas, Oil and Maintenance	12 000	16 000	15 575	425
Legal	448 000	448 000	374 000	74 000
Staff Travel & Training	205 000	205 000	226 158	( 21 158)
Board of Commissioners Travel & Training	50 000	50 000	20 571	29 429
Office Supplies	100 000	170 000	256 813	( 86 813)
Other General Expenses-Port Out Admin Fees	12 000	12 000	7 398	4 602
Donations	-	230 000	229 889	111
Computer Equipment & Software Maintenance	35 000	35 000	53 570	( 18 570)
Security Deposit & Utility Deposit	-	-	20 291	( 20 291)
Interest on Note Payable	-	-	26 632	( 26 632)
<b>Total Administrative Expenses</b>	<u>37 212 869</u>	<u>38 276 869</u>	<u>43 199 711</u>	<u>(4 922 842)</u>
<b>Non-Routine Expenses:</b>				
Additions to Buildings	-	-	-	-
Additions to Vehicles	-	157 000	156 028	972
<b>Total Non-Routine Expenses</b>	<u>-</u>	<u>157 000</u>	<u>156 028</u>	<u>972</u>
<b>Total Operating Expenses</b>	<u>37 212 869</u>	<u>38 433 869</u>	<u>43 355 739</u>	<u>(4 921 870)</u>
<b>Residual Receipts (Deficit)</b>	<u>\$ 6 031 092</u>	<u>\$ 8 457 548</u>	<u>\$ 8 275 097</u>	<u>\$ ( 182 451)</u>

See the accompanying Independent Auditors' Report

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***SUPPLEMENTAL SCHEDULES***

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**HARRIS COUNTY HOUSING AUTHORITY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**MARCH 31, 2009**

**SUMMARY OF AUDITORS RESULTS**

1. We issued an unqualified opinion on the financial statements for the fiscal year ended March 31, 2009.
2. There are no significant deficiencies in internal control that are disclosed by our audit of the financial statements that are considered material weaknesses.
3. Our audit did not disclose any noncompliance that is material to the financial statements.
4. There are no significant deficiencies in internal control over major programs disclosed by our audit that are considered material weaknesses.
5. Our report on compliance for major programs was unqualified.
6. Our audit disclosed no findings required to be reported by Section 510(a) of OMB Circular A-133.
7. The Housing Choice Vouchers Program and the Disaster Housing Assistance Program were identified as major programs.
8. The dollar threshold used to distinguish between Type A and Type B programs was \$3,000,000.
9. The auditee qualified as a low-risk auditee.

**STATUS OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**

The prior audit report did not contain any findings or questioned costs.

**CURRENT AUDIT FINDINGS AND QUESTIONED COSTS**

There were no findings or questioned costs in the current audit.

**HARRIS COUNTY HOUSING AUTHORITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**MARCH 31, 2009**

	CFDA #	IDENTIFYING NUMBER	FEDERAL EXPENDITURES
U.S. Department of Housing and Urban Development:			
DIRECT	Lower Income Housing Assistance		
	14.856	TX441MR0003	\$ 54 461
	14.182	TX441SRO001	312 866
DIRECT	Section 8 - Housing Choice Vouchers		
	14.871	TX 441VO0043053	18 806 064
DIRECT	Housing Choice Vouchers-Disaster Voucher Program		
	14.871	TX441DH	2 229 147
			<u>21 402 538</u>
Department of Homeland Security			
DIRECT	Disaster Housing Assistance Program		
	97.109		89 621 963
Passed through Harris County, Texas:			
	HOME Investment Partnership Program		
	14.239	C0517CF120	50 000
		C0558CF010	277 105
		C0558CFH01	<u>192 895</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 111 544 501</u></u>

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

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Harris County Housing Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Harris County Housing Authority  
Financial Data Schedule-Balance Sheet  
March 31, 2009

Line Item #	Account Description	N/C S/R Section 8 Programs 14.182	Section 8 MOD Rehab. 14.856	Housing Choice Vouchers 14.871	Disaster Housing Assistance Program Grant 97.109	DVP 14.DVP	Business Activities	Component Units	TOTAL
	<b>ASSETS:</b>								
	<b>CURRENT ASSETS:</b>								
	<b>Cash:</b>								
111	Cash - unrestricted	67,134	7,509	885,986	16,347,017	1,227,695	2,787,859	1,070,557	22,393,757
112	Cash - restricted - modernization and development	-	-	-	-	-	-	-	-
113	Cash - other restricted	-	-	2,564,426	-	-	-	1,393,048	3,957,474
114	Cash - tenant security deposits	-	-	-	-	-	-	-	-
115	Cash - restricted for payment of current liability	-	-	-	-	-	-	-	-
<b>100</b>	<b>Total cash</b>	<b>67,134</b>	<b>7,509</b>	<b>3,450,412</b>	<b>16,347,017</b>	<b>1,227,695</b>	<b>2,787,859</b>	<b>2,463,605</b>	<b>26,351,231</b>
	<b>Accounts and notes receivables:</b>								
121	Accounts receivable - PHA projects	-	-	-	359,768	-	-	-	359,768
122	Accounts receivable - HUD other projects	-	-	-	-	-	-	-	-
124	Accounts receivable - other government	-	-	37,950	-	-	-	-	37,950
125	Accounts receivable - miscellaneous	-	-	877,124	3,307,002	577,066	3,773,731	8,073	8,542,996
126	Accounts receivable - tenants - dwelling rents	-	-	-	-	-	-	60,033	60,033
126.1	Allowance for doubtful accounts - dwelling rents	-	-	-	-	-	-	-	-
126.2	Allowance for doubtful accounts - other	-	-	(10,163)	-	-	-	-	(10,163)
127	Notes, loans & mortgages receivable - current	-	-	-	-	-	-	-	-
128	Fraud recovery	-	-	-	-	-	-	-	-
128.1	Allowance for doubtful accounts - fraud	-	-	-	-	-	-	-	-
129	Accrued interest receivable	-	-	-	48,705	-	697,741	-	746,446
<b>120</b>	<b>Total receivables, net of allowances for doubtful accounts</b>	<b>-</b>	<b>-</b>	<b>904,911</b>	<b>3,715,475</b>	<b>577,066</b>	<b>4,471,472</b>	<b>68,106</b>	<b>9,737,030</b>
	<b>Current investments</b>								
131	Investments - unrestricted	-	-	-	12,005,750	-	2,000,000	-	14,005,750
132	Investments - restricted	-	-	-	-	-	-	-	-
135	Investments - restricted for payment of current liability	-	-	-	-	-	-	-	-
142	Prepaid expenses and other assets	-	-	-	-	-	2,050,622	-	2,050,622
143	Inventories	-	-	-	-	-	-	-	-
143.1	Allowance for obsolete inventories	-	-	-	-	-	-	-	-
144	Interprogram - due from	-	-	-	-	-	-	-	-
145	Assets held for sale	-	-	-	-	-	-	-	-
<b>150</b>	<b>TOTAL CURRENT ASSETS</b>	<b>67,134</b>	<b>7,509</b>	<b>4,355,323</b>	<b>32,068,242</b>	<b>1,804,761</b>	<b>9,259,331</b>	<b>4,582,333</b>	<b>52,144,633</b>
	<b>NONCURRENT ASSETS:</b>								
	<b>Fixed assets:</b>								
161	Land	-	-	-	-	-	11,680,777	-	11,680,777
162	Buildings	-	-	-	-	-	-	75,181,186	75,181,186
163	Furniture, equipment & machinery - dwellings	-	-	-	-	-	-	-	-
164	Furniture, equipment & machinery - administration	-	-	350,151	552,553	22,209	38,110	-	963,023
165	Leasehold improvements	-	-	30,479	1,859,319	-	-	-	1,889,798
168	Infrastructure	-	-	-	-	-	-	-	-
166	Accumulated depreciation	-	-	(192,838)	(474,192)	(11,721)	(13,696)	(6,236,189)	(6,928,636)
167	Construction in progress	-	-	-	-	-	68,400	-	68,400
<b>160</b>	<b>Total fixed assets, net of accumulated depreciation</b>	<b>-</b>	<b>-</b>	<b>187,792</b>	<b>1,937,680</b>	<b>10,488</b>	<b>11,773,591</b>	<b>68,944,997</b>	<b>82,854,548</b>
	<b>Other Non Current Assets</b>								
171	Notes, loans & mortgages receivable - non current	-	-	-	-	-	4,496,420	-	4,496,420
172	Notes, loans & mortgages receivable - non current - past due	-	-	-	-	-	-	-	-
173	Grants Receivable - non current	-	-	-	-	-	-	2,966,024	2,966,024
174	Other assets	-	-	-	-	-	-	-	-
176	Investment in joint ventures	-	-	-	-	-	343,940	-	343,940
<b>180</b>	<b>TOTAL NONCURRENT ASSETS</b>	<b>-</b>	<b>-</b>	<b>187,792</b>	<b>1,937,680</b>	<b>10,488</b>	<b>16,613,951</b>	<b>71,911,021</b>	<b>90,660,932</b>
<b>190</b>	<b>TOTAL ASSETS</b>	<b>67,134</b>	<b>7,509</b>	<b>4,543,115</b>	<b>34,005,922</b>	<b>1,815,249</b>	<b>25,873,282</b>	<b>76,493,354</b>	<b>142,805,565</b>

Harris County Housing Authority  
Financial Data Schedule-Balance Sheet  
March 31, 2009

	Account Description	N/C S/R Section 8 Programs 14.182	Section 8 MOD Rehab. 14.856	Housing Choice Vouchers 14.871	Disaster Housing Assistance Program Grant 97.109	DVP 14, DVP	Business Activities	Component Units	TOTAL
	<b>LIABILITIES:</b>								
	<b>Current Liabilities</b>								
311	Bank overdraft	-	-	-	-	-	-	-	-
312	Accounts payable < 90 days	60,432	2,160	51,426	4,240,044	1,970	1,442,492	1,331,943	7,130,467
313	Accounts payable > 90 days past due	-	-	-	-	-	-	-	-
321	Accrued wage/payroll taxes payable	1,292	1,431	74,626	33,489	13,407	15,717	-	139,962
322	Accrued compensated absences - current portion	-	-	77,162	-	-	-	-	77,162
324	Accrued contingency liability	-	-	-	-	-	-	-	-
325	Accrued interest payable	-	-	-	-	-	-	637,018	637,018
331	Accounts payable - HUD PHA programs	-	-	415,677	-	-	-	-	415,677
332	Accounts payable - PHA Projects	-	-	-	-	-	-	-	-
333	Accounts payable - other government	-	-	-	-	-	-	-	-
341	Tenant security deposits	-	-	-	-	-	-	-	-
342	Deferred revenues	-	645	-	23,361,230	40,500	455,000	-	23,857,375
343	Current portion of Long-Term debt - capital projects/mortgage revenue bonds	-	-	-	-	-	-	-	-
344	Current portion of Long-Term debt - operating borrowings	-	-	-	-	-	-	-	-
345	Other current liabilities	-	-	-	-	-	-	-	-
346	Accrued liabilities - other	-	-	36,668	4,818,838	2,222	-	-	4,857,728
347	Inter-program - due to	-	-	-	-	-	-	-	-
348	Loan Liability - current	-	-	-	-	-	-	100,000	100,000
<b>310</b>	<b>TOTAL CURRENT LIABILITIES</b>	<b>61,724</b>	<b>4,236</b>	<b>655,559</b>	<b>32,453,601</b>	<b>58,099</b>	<b>1,913,209</b>	<b>2,068,961</b>	<b>37,215,389</b>
	<b>Non Current Liabilities</b>								
351	Long-term debt, net of current-capital projects/ mortgage revenue bonds	-	-	-	-	-	-	-	-
352	Long-term debt, net of current-operating borrowings	-	-	-	-	-	3,250,000	51,543,552	54,793,552
353	Noncurrent liabilities- other	-	-	103,662	-	-	-	-	103,662
354	Accrued Compensated Absences - non current	-	-	19,290	-	-	-	-	19,290
355	Loan Liability - non current	-	-	-	-	-	-	-	-
<b>350</b>	<b>TOTAL NONCURRENT LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>122,952</b>	<b>-</b>	<b>-</b>	<b>3,250,000</b>	<b>51,543,552</b>	<b>54,916,504</b>
<b>300</b>	<b>TOTAL LIABILITIES</b>	<b>61,724</b>	<b>4,236</b>	<b>778,511</b>	<b>32,453,601</b>	<b>58,099</b>	<b>5,163,209</b>	<b>53,612,513</b>	<b>92,131,893</b>
	<b>EQUITY:</b>								
<b>501</b>	Investment in general fixed assets	-	-	-	-	-	-	-	-
508.1	Invested in Capital Assets, Net of Related Debt	-	-	187,792	1,937,680	10,488	11,773,591	68,944,997	82,854,548
	<b>Reserved fund balance:</b>								
509	Reserved for operating activities	-	-	-	-	-	-	-	-
510	Reserved for capital activities	-	-	-	-	-	-	-	-
<b>511</b>	<b>Total reserved fund balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
511.1	Restricted Net Assets	-	-	2,564,426	-	-	-	2,050,622	4,615,048
512	Undesignated fund balance/retained earnings	-	-	-	-	-	-	-	-
512.1	Unrestricted Net Assets	5,410	3,273	1,012,386	(385,359)	1,746,662	8,936,482	(48,114,778)	(36,795,924)
<b>513</b>	<b>TOTAL EQUITY/NET ASSETS</b>	<b>5,410</b>	<b>3,273</b>	<b>3,764,604</b>	<b>1,552,321</b>	<b>1,757,150</b>	<b>20,710,073</b>	<b>22,880,841</b>	<b>50,673,672</b>
<b>600</b>	<b>TOTAL LIABILITIES and EQUITY/NET ASSETS</b>	<b>67,134</b>	<b>7,509</b>	<b>4,543,115</b>	<b>34,005,922</b>	<b>1,815,249</b>	<b>25,873,282</b>	<b>76,493,354</b>	<b>142,805,565</b>

Harris County Housing Authority  
Financial Data Schedule-Revenue and Expenses  
March 31, 2009

		N/C S/R Section 8 Programs 14-1 82	Section 8 MOD Rehab. 14-856	Housing Choice Vouchers 14-871	Disaster Housing Assistance Program Grant 97-109	DVP 14-DVP	Business Activities	Component Units	TOTAL
<b>Account Description</b>									
<b>REVENUE:</b>									
703	Net tenant rental revenue	-	-	-	-	-	-	5,417,277	5,417,277
704	Tenant revenue - other	-	-	-	-	-	-	-	-
<b>705</b>	<b>Total tenant revenue</b>	-	-	-	-	-	-	<b>5,417,277</b>	<b>5,417,277</b>
706	HUD PHA operating grants	312,866	54,461	18,806,064	89,341,446	2,229,147	280,517	-	111,024,501
706.1	Capital Grants	-	-	-	-	-	-	-	-
708	Other government grants	-	-	-	-	-	520,000	-	520,000
711	Investment income - unrestricted	825	178	21,006	440,860	29,763	258,079	22,874	773,585
712	Mortgage interest income	-	-	-	-	-	-	-	-
713	Proceeds from disposition of assets held for sale	-	-	-	-	-	-	-	-
713.1	Cost of sale of assets	-	-	-	-	-	-	-	-
714	Fraud recovery	-	-	-	-	-	-	-	-
715	Other revenue	-	-	28,154	-	-	14,243,526	185,617	14,457,297
716	Gain or loss on the sale of fixed assets	-	-	-	867	-	(1,245,702)	-	(1,244,835)
720	Investment income - restricted	-	-	5,398	2,700	-	-	-	8,098
<b>700</b>	<b>TOTAL REVENUE</b>	<b>313,691</b>	<b>54,639</b>	<b>18,860,622</b>	<b>89,785,873</b>	<b>2,258,910</b>	<b>14,056,420</b>	<b>5,625,768</b>	<b>130,955,923</b>
<b>EXPENSES:</b>									
<b>Administrative</b>									
911	Administrative salaries	29,986	4,633	745,232	604,302	134,231	337,983	956,509	2,812,876
912	Auditing fees	-	-	26,276	43,605	4,958	29,989	-	104,828
913	Outside management fees	-	-	-	-	-	-	285,500	285,500
914	Compensated absences	-	-	7,685	-	-	-	-	7,685
915	Employee benefit contributions- administrative	8,550	1,708	182,098	61,545	36,238	18,297	-	308,436
916	Other operating- administrative	469	-	657,893	30,432,527	29,190	3,031,568	43,460	34,195,107
	Subtotal	39,005	6,341	1,619,184	31,141,979	204,617	3,417,837	1,285,469	37,714,432
<b>Tenant services</b>									
921	Tenant services - salaries	-	-	-	-	-	-	-	-
922	Relocation costs	-	-	-	-	-	-	-	-
923	Employee benefit contributions- tenant services	-	-	-	-	-	-	-	-
924	Tenant services - other	-	-	-	6,433,349	20,291	-	-	6,453,640
	Subtotal	-	-	-	6,433,349	20,291	-	-	6,453,640
<b>Utilities</b>									
931	Water	-	-	-	-	-	-	-	-
932	Electricity	-	-	-	-	-	-	-	-
933	Gas	-	-	-	-	-	-	-	-
934	Fuel	-	-	-	-	-	-	-	-
935	Labor	-	-	-	-	-	-	-	-
937	Employee benefit contributions- utilities	-	-	-	-	-	-	-	-
938	Other utilities expense	-	-	-	-	-	-	-	-
	Subtotal	-	-	-	-	-	-	494,053	494,053
<b>Ordinary maintenance &amp; operation</b>									
941	Ordinary maintenance and operations - labor	-	-	-	-	-	-	-	-
942	Ordinary maintenance and operations - materials & other	-	-	-	-	-	-	543,448	543,448
943	Ordinary maintenance and operations - contract costs	-	-	-	-	-	-	-	-
945	Employee benefit contributions- ordinary maintenance	-	-	-	-	-	-	-	-
	Subtotal	-	-	-	-	-	-	543,448	543,448
<b>Protective services</b>									

Harris County Housing Authority  
Financial Data Schedule-Revenue and Expenses  
March 31, 2009

Account Description	N/C S/R Section 8 Programs 14.182	Section 8 MOD Rehab. 14.856	Housing Choice Vouchers 14.871	Disaster Housing Assistance Program Grant 97.109	DVP 14-DVP	Business Activities	Component Units	TOTAL
<b>General expenses</b>								
961 Insurance premiums	-	-	31,058	21,525	-	-	281,749	334,332
962 Other General Expenses	-	-	8,004	229,889	-	-	1,528,072	1,765,965
963 Payments in lieu of taxes	-	-	-	-	-	-	-	-
964 Bad debt- tenant rents	-	-	-	-	-	-	-	-
965 Bad debt- mortgages	-	-	-	-	-	-	-	-
966 Bad debt - other	-	-	-	-	-	-	-	-
967 Interest expense	-	-	-	-	-	26,632	1,462,330	1,488,962
968 Severance expense	-	-	-	-	-	-	-	-
Subtotal	-	-	39,062	251,414	-	26,632	3,272,151	3,589,259
<b>TOTAL OPERATING EXPENSES</b>	39,005	6,341	1,658,246	37,826,742	224,908	3,444,469	5,593,121	48,794,832
<b>EXCESS OPERATING REVENUE OVER OPERATING EXPENSES</b>	274,686	48,298	17,202,376	51,959,131	2,034,002	10,611,951	30,647	82,161,091
971 Extraordinary maintenance	-	-	-	-	-	-	-	-
972 Casualty losses - non-capitalized	-	-	-	-	-	-	-	-
973 Housing assistance payments	273,267	48,259	17,328,908	55,362,071	2,025,364	-	-	75,037,869
974 Depreciation expense	-	-	32,487	362,222	7,403	346,724	2,831,564	3,580,400
975 Fraud losses	-	-	-	-	-	-	-	-
976 Capital outlays- governmental funds	-	-	-	-	-	-	-	-
977 Debt principal payment- governmental funds	-	-	-	-	-	-	-	-
978 Dwelling units rent expense	-	-	-	-	-	-	-	-
<b>TOTAL EXPENSES</b>	312,272	54,600	19,019,641	93,551,035	2,257,675	3,791,193	8,426,685	127,413,101
<b>OTHER FINANCING SOURCES (USES)</b>								
1001 Operating transfers in	-	-	1,287,935	-	-	(1,287,935)	-	-
1002 Operating transfers out	-	-	-	-	-	-	-	-
1003 Operating transfers from/to primary government	-	-	-	-	-	-	-	-
1004 Prior Period Adjustments, Equity/Net Assets	-	-	-	-	-	-	-	-
1005 Proceeds from notes, loans and bonds	-	-	-	-	-	-	-	-
1006 Proceeds from property sales	-	-	-	-	-	-	-	-
1007 Extraordinary Items (net gain/loss)	-	-	-	-	-	-	-	-
1008 Special Items (net gain/loss)	-	-	-	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	-	-	1,287,935	-	-	(1,287,935)	-	-
<b>EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPE</b>	1,419	39	1,128,916	(3,765,162)	1,235	8,977,292	(2,800,917)	3,542,822
<b>MEMO account information</b>								
1101 Capital contributions	-	-	-	-	-	-	3,951,470	3,951,470
1102 Debt principal payments- enterprise funds	-	-	-	-	-	-	-	-
1103 Beginning equity	3,991	3,234	2,635,688	7,015,264	1,755,915	10,035,000	21,730,288	43,179,380
1104 Prior period adjustments, equity transfers and correction of errors	-	-	-	(1,697,781)	-	1,697,781	0	-
1105 Changes in compensated absence liability balance (in the GLTDAG)	-	-	-	-	-	-	-	-
1106 Changes in contingent liability balance (in the GLTDAG)	-	-	-	-	-	-	-	-
1107 Changes in unrecognized pension transition liability (in the GLTDAG)	-	-	-	-	-	-	-	-
1108 Changes in special term/severance benefits liability (in the GLTDAG)	-	-	-	-	-	-	-	-
1109 Changes in allowance for doubtful accounts - dwelling rents	-	-	-	-	-	-	-	-
1110 Changes in allowance for doubtful accounts - other	-	-	-	-	-	-	-	-
1112 Depreciation "add back"	-	-	-	-	-	-	-	-
1117 Administrative Fee Equity	-	-	1,303,840	-	-	-	-	-
1118 HAP Equity	-	-	2,460,764	-	-	-	-	-
1120 Unit months available	864	96	26,916	116,136	3,166	-	-	147,178
1121 Number of unit months leased	860	96	25,859	63,258	3,166	-	-	93,239