
HARRIS COUNTY HOUSING AUTHORITY

REPORT ON FINANCIAL STATEMENTS
(With Supplemental Material)

FOR THE YEAR ENDED MARCH 31, 2006

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

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RICHARD W. BREEDLOVE, CPA
President

INDEPENDENT AUDITORS' REPORT

July 24, 2006

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, 2006, 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 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Harris County Housing Authority, as of March 31, 2006, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 24, 2006, 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. 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 and state 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.

Breedlove & Co., P.C.

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**Harris County Housing Authority
Management's Discussion and Analysis
For the year ended 3/31/06**

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, 2006. 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.

Financial Highlights

- The Authority's assets exceeded its liabilities at the close of March 31, 2006 by \$8,890,267 (net assets).
- Unrestricted Cash and Investments as of March 31, 2006 were \$1,557,718.
- The Authority had \$17,960,045 in HUD grant revenue for the year ended March 31, 2006.
- The Authority had total expenses of \$17,371,301 for the year ended March 31, 2006, of which \$15,374,975 was for Housing Assistance Payments (HAP).
- The Authority had administrative expenses related to HUD programs of \$1,996,326.
- The Authority's total net assets increased by \$4,817,901 during the year primarily due to the HOME grant funds used for purchase of land for affordable housing projects, and the Katrina Disaster Housing Assistance/Disaster Voucher Program.

**Harris County Housing Authority
Management's Discussion and Analysis (continued)
For the year ended 3/31/06**

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 \$8,890,267 at the close of the fiscal year ended March 31, 2006, an overall improvement in the Authority's financial health from the prior year.

Net Assets

Description	March 31, 2006	March 31, 2005	Increase (Decrease)
Current Assets	\$ 1,986,809	\$ 1,232,379	\$ 754,430
Restricted Assets	692,728	528,654	164,074
Non Current Assets	3,284,970	0	3,284,970
Fixed assets	5,266,853	4,643,937	622,916
Total assets	11,231,360	6,404,970	4,826,390
Noncurrent liabilities	527,799	535,795	(7,996)
Current liabilities	1,399,709	1,383,224	16,485
Total liabilities	1,927,508	1,919,019	8,489
Net assets	9,303,852	4,485,951	4,817,901

Net Asset Categories

Description	March 31, 2006	March 31, 2005	Increase (Decrease)
Invested in capital assets	\$ 5,266,853	\$ 4,643,937	\$ 622,916
Restricted for program costs	172,237	352,999	(180,762)
Unrestricted	3,864,762	(510,985)	4,375,747
Total net assets	\$ 9,303,852	\$ 4,485,951	\$ 4,817,901

Harris County Housing Authority
Management's Discussion and Analysis (continued)
For the year ended 3/31/06

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 four (4) senior Low Income Housing Tax Credit developments.

The largest portions of the Authority's increase in net assets were the results of investments made by HOME grant funds for the Low Income Housing TAX Credit program that will eventually provide affordable housing for senior citizens. As a result of receiving the proceeds of the County's HOME grant pass through, the Authority's net assets increased by \$4,404,316 due primarily to the addition of land for affordable housing projects. The Authority's fixed assets consist of leasehold improvements, automobiles and business equipment and are being depreciated over three to ten years depending on assets type. The Authority has no debt related to these fixed assets.

Change in Net Assets
(000's)

Description	March 31, 2006	March 31, 2005	Increase (Decrease)
<i>Revenues - operating</i>			
HUD PHA Grants	\$ 17,960	\$ 14,493	\$ 3,467
HOME grants	3,305	3,785	(480)
Other Revenue	214	0	214
Interest and investment income	50	18	32
Ground lease revenue	660	740	(80)
Total operating revenues	22,189	19,036	3,153
<i>Expenses</i>			
Housing assistance (HAP)	15,375	13,437	1,938
Personnel services	1,321	1,042	279
Contractual services		450	(450)
Other supplies and expenses	585	227	358
Maintenance	6	0	6
General	41	0	41
Depreciation	43	37	6
Total expenses	17,371	15,193	2,178
Increase (Decrease) in net assets	4,818	3,843	975
Net assets April 1	4,486	643	3,843
Net assets March 31	\$ 9,304	\$ 4,486	\$ 4,818

Harris County Housing Authority
Management's Discussion and Analysis (continued)
For the year ended 3/31/06

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 budgets based on the HUD awarded units.

Section 8 Occupancy Report Information	March, 2006	March , 2005
<i>HUD Awarded Units</i>		
HCVP Unit Months Available	22,080	21,703
Moderate rehabilitation-Unit Months Available	96	96
Total awarded/budgeted	22,176	21,799
<i>Leased Units</i>		
HCVP Unit Months Leased	21,684	21,662
Moderate rehabilitation Unit Months Leased	95	96
Total actual	21,779	21,758
Year to date average percentage leased	98%	100%
Difference - awarded/budgeted vs. leased	(397)	(41)

Fixed Assets

The Authority's fixed assets consist of land for affordable housing projects and 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 and are being depreciated over three to ten years depending on asset type. The large increase in the Authority's fixed assets during the year was related to the purchase of land related to the affordable housing program.

Fixed Assets

Description	March 31, 2005	Net Additions/(Deletions)	March 31, 2006
Land	\$ 3,236,738	\$ 1,944,040	\$ 5,180,778
Construction in Progress	1,328,649	(1,328,649)	0
Buildings	27,643	2,835	30,478
Furniture and Equipment	127,900	47,686	175,586
Accumulated Depreciation	(76,993)	(42,996)	(119,989)
Total	\$ 4,643,937	\$ 622,916	\$ 5,266,853

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, 2006.

**Harris County Housing Authority
Management's Discussion and Analysis (continued)
For the year ended 3/31/06**

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
- 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.

<u>Section 8 Occupancy Report Information</u>	<u>Apr - June 2006</u>
<i>HUD Awarded Units</i>	
HCVP Unit Months Available	5,520
Moderate rehabilitation-Unit Months Available	24
Total awarded/budgeted	<u>5,540</u>
<i>Leased Units</i>	
HCVP Unit Months Leased	5,478
Moderate rehabilitation Unit Months Leased	24
Total actual	<u>5,502</u>
Year to date average percentage leased	99%
Difference - awarded/budgeted vs. leased	(42)

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 four (4) 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, 8410 Lantern Point Dr., Houston, TX 77054, (713) 578-2134.

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HARRIS COUNTY HOUSING AUTHORITY

STATEMENT OF NET ASSETS MARCH 31, 2006

ASSETS	Housing Choice Vouchers	Affordable Housing	Total
Current Assets:			
Cash and cash equivalents	\$ 1 443 505	\$ 114 213	\$ 1 557 718
Accounts receivable - HUD	331 734	-	331 734
Accounts receivable - Misc	22 303	-	22 303
Due from Harris County, primary government	75 054	-	75 054
Total current assets	1 872 596	114 213	1 986 809
Restricted assets:			
Cash and cash equivalents - restricted	103 662	-	103 662
Accounts receivable - restricted	172 237	-	172 237
Due from Harris County, primary government - restricted	416 829	-	416 829
Total restricted assets	692 728	-	692 728
Noncurrent assets:			
Notes receivable - Partnerships	-	3 284 970	3 284 970
Total noncurrent assets	-	3 284 970	3 284 970
Fixed Assets, net of accumulated depreciation of \$119,989	86 076	5 180 777	5 266 853
Total Assets	\$ 2 651 400	\$ 8 579 960	\$ 11 231 360
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts payable and accrued liabilities	\$ 57 482	\$ -	\$ 57 482
Due to Harris County, primary government, for accrued personnel costs including benefits	219 820	-	219 820
Housing assistance payable	424 407	-	424 407
Deferred revenue	48 000	650 000	698 000
Total Current Liabilities	749 709	650 000	1 399 709
Noncurrent liabilities:			
Family self sufficiency liabilities	103 662	-	103 662
Due to Harris County, primary government, for accrued compensated absences	8 322	-	8 322
Due to HUD - housing assistance pending	415 815	-	415 815
Total noncurrent liabilities	527 799	-	527 799
Total Liabilities	1 277 508	650 000	1 927 508
Net Assets			
Invested in capital assets, net of related debt	86 076	5 180 777	5 266 853
Restricted	172 237	-	172 237
Unrestricted	1 115 579	2 749 183	3 864 762
Total Net Assets	1 373 892	7 929 960	9 303 852
Total Liabilities and Net Assets	\$ 2 651 400	\$ 8 579 960	\$ 11 231 360

See the Accompanying Summary of Accounting Policies and Notes to Financial Statements

HARRIS COUNTY HOUSING AUTHORITY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS FOR THE YEAR ENDED MARCH 31, 2006

	Housing Choice Vouchers	Affordable Housing	Total
Operating Revenues			
HUD PHA grants	\$ 17 960 045	\$ -	\$ 17 960 045
Ground lease revenues	-	660 427	660 427
Other government grants	-	3 304 933	3 304 933
Other revenues	155 101	58 854	213 955
Total Operating Revenues	18 115 146	4 024 214	22 139 360
Operating Expenses			
Housing assistance payments	15 374 975	-	15 374 975
Salaries and benefits	1 061 698	259 635	1 321 333
Office expense	557 152	27 857	585 009
Maintenance	-	6 203	6 203
General	24 358	16 427	40 785
Depreciation	42 996	-	42 996
Total Operating Expenses	17 061 179	310 122	17 371 301
Net Income (Loss) from Operations	1 053 967	3 714 092	4 768 059
Non-operating revenues (expenses)			
Interest income-unrestricted	49 842	-	49 842
Total Non-operating revenues (expenses)	49 842	-	49 842
Change in Net Assets	1 103 809	3 714 092	4 817 901
Total Net Assets-Beginning of Period	431 549	4 054 402	4 485 951
Equity Transfers	(161 466)	161 466	-
Total Net Assets - End of Period	\$ 1 373 892	\$ 7 929 960	\$ 9 303 852

See the Accompanying Summary of Accounting Policies and Notes to Financial Statements

HARRIS COUNTY HOUSING AUTHORITY

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2006

	Housing Choice Vouchers	Affordable Housing	Total
Cash Flows from Operating Activities:			
Cash Received:			
Receipts from HUD - grants	\$ 17 639 212	\$ -	\$ 17 639 212
Other government grants	-	3 304 933	3 304 933
Ground lease revenue	6 145	654 282	660 427
Other revenue	262 854		262 854
Cash paid:	-		
Administrative and general	(1 083 402)	(16 427)	(1 099 829)
Salaries and benefits	(975 724)	(287 492)	(1 263 216)
Maintenance	-	(6 203)	(6 203)
Housing assistance payments	(14 950 568)	-	(14 950 568)
Net cash provided by operating activities	<u>898 517</u>	<u>3 649 093</u>	<u>4 547 610</u>
Cash Flow from Capital and Related Financing Activities:			
Purchase of capital assets	<u>(50 521)</u>	<u>(615 391)</u>	<u>(665 912)</u>
Net cash used for capital and related financing activities	<u>(50 521)</u>	<u>(615 391)</u>	<u>(665 912)</u>
Cash Flow from Investing Activities			
Cash received for interest income-unrestricted	49 842	-	49 842
Cash paid as loans to Partnerships	<u>-</u>	<u>(3 284 970)</u>	<u>(3 284 970)</u>
Net cash used by investing activities	<u>49 842</u>	<u>(3 284 970)</u>	<u>(3 235 128)</u>
Transfers	<u>(161 466)</u>	<u>161 466</u>	<u>-</u>
Net Increase (Decrease) In Cash and Cash Equivalents	736 372	(89 802)	646 570
Cash and Cash Equivalents At Beginning of Year	<u>810 795</u>	<u>204 015</u>	<u>1 014 810</u>
Cash and Cash Equivalents At End of Year	<u>\$ 1 547 167</u>	<u>\$ 114 213</u>	<u>\$ 1 661 380</u>

See the Accompanying Summary of Accounting Policies and Notes to Financial Statements

HARRIS COUNTY HOUSING AUTHORITY

STATEMENT OF CASH FLOWS – CONTINUED FOR THE YEAR ENDED MARCH 31, 2006

	Housing Choice Vouchers	Affordable Housing	Totals Reporting Entity (memo only)
Reconciliation of Operating Income (Loss) to			
Net Cash Provided (Used) by Operating Activities			
Net Income (Loss) from Operations	\$ 1 053 967	\$ 3 714 092	\$ 4 768 059
Noncash Changes to Income:			
Depreciation	42 996	-	42 996
Changes in Assets and Liabilities:			
Net (Increase) Decrease in Assets:			
Accounts receivable-net	(495 169)	174 336	(320 833)
Other assets	48 899	-	48 899
Net Increase (Decrease) in Liabilities:			
Accounts payable	(266 382)	(174 335)	(440 717)
Accrued personnel costs, including benefits	58 117	-	58 117
Deferred Revenue	48 000	(65 000)	(17 000)
Housing assistance payable	424 407	-	424 407
Noncurrent liabilities	(16 318)	-	(16 318)
Net Cash Provided (Used) by Operating Activities	<u>\$ 898 517</u>	<u>\$ 3 649 093</u>	<u>\$ 4 547 610</u>

HARRIS COUNTY HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2006

NOTE (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The Harris County Housing Authority (the "Authority") 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 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 March 20, 1975 Court order and resolution activated the Authority 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 housing authority to function in the County.

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

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

On July 2, 2002, the Court approved a plan whereby the Authority 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 Authority.

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

HARRIS COUNTY HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2006

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

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 August 31, 2006, with updates and modifications.

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

Reporting Entity - The Authority's financial statements include all of its accounts and activities. Under LGC Chapter 392, the Authority is a separate unit of government. 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 issues its own financial statements for all the County's activities that include the Authority. The County presents the Authority 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 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 gives the Court the ability to impose its will on the Authority'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 Authority is a part of any other governmental or other type of reporting entity. As noted above, the Authority is considered a component unit of the County.

The overriding elements associated with prescribed criteria considered in determining that the financial reporting entity status is that of a primary government are: that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments. Additionally prescribed criteria under accounting principles generally accepted in the United States of America include considerations pertaining to organizations for which the primary government is financially accountable and considerations pertaining to other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based on these considerations, no other entities, organizations, or functions have been included in the Authority's financial reporting entity.

HARRIS COUNTY HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2006

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

Reporting Entity (continued) - The Authority'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
- HOME Investment Partnerships Program (passed through the County) –
CFDA No. 14.239 – Grant number – C0454CF010
Grant number – C0456CF010
Grant number – C0284CF101
Grant number – C0517CF120

The Section 8 Housing Choice Voucher Program and the Lower Income Housing Assistance Program – Section 8 Moderate Rehabilitation are accounted for in the Housing Choice Vouchers Fund and the HOME Investment Partnerships Program grants are accounted for in the Affordable Housing Fund. See **Note 6** following for additional disclosure related to compliance with these HUD grants.

For the fiscal year ending March 31, 2006, the Authority also received additional funding under the Katrina Disaster Housing Assistance Program and the Disaster Voucher Program. These are also accounted for in the Housing Choice Vouchers Fund.

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 Authority 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 and Notes to the Financial Statements.

For financial reporting purposes, the Authority has two funds, one for the HUD Section 8 programs and one for the affordable housing operations funded through the HUD HOME program. All activities of HUD Section 8 programs are accounted for in one Housing Choice Vouchers Fund.

HARRIS COUNTY HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2006

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

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 balance sheet. 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 Authority are the moneys provided by the U.S. Department of Housing and Urban Development (HUD) and other government grants. The Authority's operating expenses consist primarily of Housing Assistance Payments (HAP) and related administrative costs for the HUD Section 8 programs, including depreciation and allocations of overhead costs to the affordable housing operation.

The PHA applies all applicable GASB pronouncements. The PHA has elected not to apply FASB pronouncements issued after November 30, 1989.

The Authority has no long-term debt.

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 Authority's fiscal year end, with the difference between the purchase price and market price being recorded as interest income.

The Public Funds Investment Act (Texas Government Code, Chapter 2256, Subchapter A) authorizes the Authority 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. LGC Chapter 392, Section 392.057 also authorizes the Authority in property or securities in which a savings bank may legally invest funds subject to its control. Authorized investments for savings banks are prescribed in the Texas Administrative Code, Title 7, Part 4, Chapter 77, Subchapter A.

The Authority uses an overnight sweep arrangement for all operating bank accounts with their depository bank. Under this sweep arrangement, the Authority generally invests in Federal Home Loan Bank or Federal Home Loan Mortgage Corporation securities through repurchase agreements.

HARRIS COUNTY HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2006

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

Cash and Investments (continued) - Authority policy requires that repurchase agreements must be purchased pursuant to a master repurchase agreement which specifies the rights and obligations of both parties and which requires that the securities involved in the transaction be held in a safekeeping account subject to the control and custody of the Authority. The margin requirement for all repurchase agreements is that market value must be at least 101% of the purchase price. Investments in repurchase agreements may be made only through a primary government securities dealer, as defined by the Federal Reserve, or a bank domiciled in the state of Texas with which the Authority has signed a master repurchase agreement.

Restricted Assets – Certain assets of the Authority 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 Authority 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 Authority's HUD Section 8 grant programs.

Fixed Assets – Fixed assets include leasehold improvements made to the County owned building that the Authority uses and equipment used in the Authority's operations that benefit more than a single fiscal year. 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 Authority has no infrastructure assets.

Fixed assets of the Authority 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 Authority has no property within any fixed asset category that includes capitalized interest.

Budgets – The Authority's Finance Policies and Procedures provide for budget preparation annually primarily to satisfy HUD compliance requirements. The HUD Section 8 housing programs generate income through administrative fees paid by HUD to cover the Authority's costs to administer these programs and the affordable housing program generates ground lease revenue available for other housing programs. The annual administrative operating budget for the HUD Section 8 and affordable housing programs are incorporated into the Authority's overall annual operating budget that includes HAP and costs related to providing affordable housing to senior citizens.

HARRIS COUNTY HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2006

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

Budgets (continued) – The annual budget process starts prior to the subsequent fiscal year. The Authority'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 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 Authority's Board of Commissioners and by HUD. Necessary changes to the budget are also approved by the Authority's Board of Commissioners and by HUD throughout the year. The Authority's Finance department presents detailed administrative budget reports along with financial information on HAP affordable housing and other program costs to the Authority's Board of Commissioners for review at each board meeting.

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

All employees of the Authority are County employees and are covered by the Harris County workers' compensation program. The County is self-insured for workers' compensation medical and indemnity payments. Claims adjusting services are provided by a third-party administrative claims adjusting service. Interfund premiums on workers' compensation are determined by position class code, at actuarially determined rates.

The County has reinsurance coverage for excess workers' compensation and employer's liability. The retention (deductible) for the fiscal year ended February 28, 2006 was \$850,000 per occurrence. No claims settled during the last three fiscal years have exceeded this coverage.

Through the County, the Authority provides medical, dental, vision and basic life and disability insurance to eligible employees and retirees. The Authority 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 Authority'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.

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.

HARRIS COUNTY HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2006

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

Compensated Absences (continued) - 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 the 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 Authority's revenues are provided by HUD grants and related revenues. The Authority 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 Authority's ability to meet its operating and related administrative expenses under its current operating structure.

NOTE (2) CASH AND INVESTMENTS

The Authority had cash of \$58,454 and cash equivalents of \$1,602,925 as of March 31, 2006. The cash equivalents are part of the sweep investment account. The Authority has cash on hand in a petty cash fund of \$200 as of March 31, 2006.

HARRIS COUNTY HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2006

NOTE (2) CASH AND INVESTMENTS (continued)

The largest cash balance was \$3,336,687 on February 1, 2006. These funds were secured by FDIC coverage of \$100,000 and had adequate pledged collateral. At fiscal year end, investments consisted of U.S. government securities. The investments are categorized to give an indication of level of risk, with Category 1 being the lowest risk and Category 3 the highest risk.

The credit risks are as follows: (1) insured or registered, or securities held by the Authority's agent in the Authority's name; (2) uninsured or unregistered, with securities held in the trust department of the Authority's counterparty in the Authority's name; or (3) uninsured or unregistered, with securities held at the Federal Reserve or other third party in the account of the Authority's counterparty. The Authority's investments, which are considered cash equivalents, were categorized as risk level Category 1 as of March 31, 2006. The fair value of cash and investments was \$1,661,379 as of March 31, 2006.

NOTE (3) FIXED ASSETS

Fixed asset activity, for the year ended March 31, 2006, was as follows:

	Balances Beginning of Year	Additions (Dispositions)	Depreciation	Balances End of Year
Land	\$ 3 236 738	\$ 1 944 040	\$ -	\$ 5 180 778
Buildings	27 643	2 835	-	30 478
Furniture and Equipment	127 900	47 686	-	175 586
Construction in Progress	1 328 649	(1 328 649)	-	-
Accumulated Depreciation	(76 993)	-	(42 996)	(119 989)
Totals	<u>\$ 4 643 937</u>	<u>\$ 665 912</u>	<u>\$ (42 996)</u>	<u>\$ 5 266 853</u>

Depreciation expense, for the year ended March 31, 2006, totaled \$42,996.

NOTE (4) COMPENSATED ABSENCES PAYABLE

The total of accrued compensated absences increased for the year ended March 31, 2006 by \$167 to a total of \$40,942. \$32,620 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 Authority and the County was approved by the Court pertaining to the basic operations of the Authority. This Interlocal Agreement has subsequently been extended through August 31, 2006.

HARRIS COUNTY HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2006

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

Significant provisions of the extended agreement are described below.

Authority's Board to Hire Personnel – The Authority'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 Authority and the County.

The staff, as agreed on by the Authority and the County will administer all aspects of the Authority's daily operations. All staff is employed by the County and shall be subject to the control and supervision of the County. The Authority shall reimburse the County for the time that the staff spends on Authority 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 Authority's operations during the previous calendar month. The Authority shall promptly pay the total due to the County upon receipt of a correct and verified statement.

The Authority shall also reimburse the County for other incurred staffing charges of other County personnel as may be applicable for the conduct of the Authority'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 Authority'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 Authority shall promptly pay the total due to the County upon receipt of a correct and verified statement.

County personnel that supervise and conduct the Authority'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 Authority is willing reimburse to the County.

Legal services – The Authority 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 Authority in past, the Authority does not disqualify, and consents to, HCAO representing the County against the Authority. Future representation of the Authority by HCAO does not constitute a waiver of any matters privileged prior to HCAO's representation of the Authority.

HARRIS COUNTY HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2006

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

Transfer of initial funds pertaining to grants administered by the Authority - Within 90 days of the approval of the Interlocal Agreement by the County, in cooperation and with the assistance of the Harris County Auditor and the County's Department of Financial Services, the County shall provide the Authority an accurate final accounting of any funds that the County holds that are the property of the Authority.

The Authority has recorded a receivable from the County as of March 31, 2006 for remaining funds not transferred of \$491,883. Included in this amount are pending HAP of \$416,829 that are not available for HUD Section 8 programs without further review by Authority staff and specific approval of HUD. This amount represents outstanding checks to housing assistance payment recipients that have never been cashed. Once the Authority's staff has reviewed and exhausted all efforts to find the recipients of these outstanding checks, any remaining amounts will be added back to the program in accordance with HUD guidelines. The remaining \$75,054 due from the County represents interest income on funds not transferred to the Authority from the County since March 1, 2003 and is available for HUD Section 8 program operations when received by the Authority.

Insurance – The County self-insures in worker's compensation matters. The Authority will reimburse the County for expenses related to handling of an Authority staff worker's compensation claim.

The Authority participates in the County's worker's compensation insurance program to cover the claims of its County staff. In addition to overhead charges, the Authority will reimburse the County for worker's compensation-related losses and payouts the County incurs for the Authority's County staff.

The Authority 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 Authority rents its administrative offices from the County through a sublease at 8410 Lantern Point Drive in Houston, Texas. The Authority pays \$1 per month as rent for the facilities, including utilities that have been provided by the County and telecommunications services. The Authority shall pay for any special modifications or alterations that it desires in the rented space. The Authority has capitalized leasehold improvements to this space in the amount of \$30,478 and is depreciating these improvements over a 10 year period. The Authority 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, 2006

NOTE (6) HOUSING AND URBAN DEVELOPMENT COMPLIANCE

SECTION 8 HOUSING CHOICE VOUCHER PROGRAM

A majority of the Authority's operations are funded from HUD Section 8 Housing Choice Voucher Program (HCVP) grant funds. For the fiscal year ended March 31, 2006, the Authority had total HUD Section 8 grant revenues of \$17,960,046 of which \$17,911,052 was for HCVP including revenues related to the Katrina Disaster Housing Assistance Program (KDHAP) and the Disaster Voucher Program (DVP). The Authority's total HAP payments for the fiscal year ended March 31, 2006 were \$15,374,975 of which \$15,331,711 was for HCVP including HAP payments related to the Katrina Disaster Housing Assistance Program (KDHAP) and the Disaster Voucher Program (DVP). At March 31, 2006, the Authority was owed \$331,734 from HUD and other public housing authorities for KDHAP/DVP and HCV funding and owed \$409,341 in HAP to qualified recipients, of which \$103,662 was for the Family Self Sufficiency program of HCVP that was discontinued in the fiscal year ending March 31, 2005. See **Note 5** for information related to pending HAP receivable from the County.

Compliance with HCVP grant requirements is a significant part of the Authority'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 Authority over \$3.7 million from the HUD HOME Investment Partnerships Program for the purpose of acquiring and co-developing affordable housing for seniors using the federal Low Income Housing Tax Credit program. An additional \$3 million has been set aside for single-family tax credit development and senior housing developments. The Authority anticipates participating with for-profit developers to create more than 650 units of affordable housing in the unincorporated areas of the County over the next 24 months or by December 2006. The objectives of the Authority 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.

HARRIS COUNTY HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2006

NOTE (6) HOUSING AND URBAN DEVELOPMENT COMPLIANCE-(continued)

AFFORDABLE HOUSING AND *HOME* GRANT FUNDS

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.

NOTE (7) COMMITMENTS AND CONTINGENCIES – LITIGATION AND CLAIMS

From time to time, the Authority could be subject to lawsuits and other claims in the ordinary course of operations. The Authority is not involved in any known lawsuits. The Authority is not aware of any significant other claims.

NOTE (8) RELATED PARTY TRANSACTIONS

Harris County Housing Authority has formed Limited Liability Companies (LLC's) that participate in Limited Partnerships for the development and construction of affordable housing. HCHA Cornerstone, LLC is a partner in Cornerstone Village Apartments 45, 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. 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% general partner of the partnership.

HCHA Cornerstone, LLC has contributed capital of \$336 in Cornerstone Village Apartments, L.P. Harris County Housing Authority and Cornerstone Village Apartments, L.P. have 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 Authority has not received funds related to the development agreement as of March 31, 2006. 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.

HARRIS COUNTY HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2006

NOTE (8) RELATED PARTY TRANSACTIONS-(continued)

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. The annual lease amount for TX Bammel Housing, L.P. is One thousand dollars (\$1,000). 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 Authority has not received funds related to the development agreement as of March 31, 2006. 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. The annual lease amount for Louetta Village Apartments 45, L.P. is One thousand dollars (\$1,000). 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 Authority has not received funds related to the development agreement as of March 31, 2006. 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.

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. The annual lease amount for Baybrook Park Retirement Center, Ltd. is One thousand dollars (\$1,000). 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 \$312,500 to HCHA in exchange for services. The first \$150,000 was paid at the closing of the construction loan on June 17, 2005. The balance of payments of the development fees are predicated on the receipt of development fees paid from, or on behalf of Baybrook Park Retirement Center, Ltd. Harris County Housing Authority has a Note Receivable from Baybrook Park Retirement Center, Ltd. in the amount of \$613,550. The funds for the loan were a HOME Grant from Harris County.

HARRIS COUNTY HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2006

NOTE (9) HOUSING REHABILITATION LOANS

On February 7, 2006, the Housing Authority and Harris County entered into an interlocal agreement transferring to the Housing Authority all but \$130,705 of the \$1,062,572 outstanding balances for 276 Housing Rehabilitation Loans. These loans had been originated by the Authority prior to 1994 when the County took over the Authority's operations. Since that time, the County has been servicing these loans. Balances outstanding include both actual and deferred loan amounts. The deferred loan amounts were designed to be granted to the loan makers after living in the rehabilitated home for a specified number of years. The loans were made through the County's HUD CBDG grant funds prior to 1994. The Authority considers these loans non-collectible and have converted them to grants and released all liens.

No balances relating to the rehabilitation loans are recorded on the Authority's financial statements. Harris County's financial statements at February 28, 2006 reflect the remaining balance of \$130,705 for rehabilitation loans.

NOTE (10) SUBSEQUENT EVENTS

HCHA Waterside, LLC entered into a partnership agreement with Waterside Court, Ltd. on June 22, 2006. 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. The annual lease amount for Waterside Court, Ltd. is One thousand dollars (\$1,000). 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 \$925,000 to HCHA in exchange for services. The first \$250,000 was paid at the closing of the construction loan on June 17, 2006. The balance of payments of the development fees are predicated on the receipt of development fees paid from, or on behalf of Waterside Court, Ltd.

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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

July 24, 2006

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, 2006, and have issued our report thereon dated July 24, 2006. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Harris County Housing Authority's general purpose 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, City Council, 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.

Breedlove & Co., P.C.

BREEDLOVE & 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

July 24, 2006

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, 2006. 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, 2006.

Internal Control over Compliance

The management of the Harris County Housing Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

This report is intended for the information of management, the Board of Commissioners and federal awarding agencies. This report is not intended to be and should not be used by anyone other than these specified parties.

Sreedhar & Co., P.C.

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REQUIRED SUPPLEMENTARY INFORMATION

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HARRIS COUNTY HOUSING AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION-BUDGET COMPARISON MARCH 31, 2006

	Housing Choice Vouchers			Variance
	Original Budget	Revised Budget	Actual	Positive (Negative)
Operating Revenues				
HUD PHA Grants	\$ 14 752 384	\$ 17 988 432	\$ 17 960 045	\$ (28 387)
Ground Lease Revenue	750 000	400 000	-	(400 000)
Other Revenues	12 000	16 000	155 101	139 101
Interest Income	16 800	38 800	49 842	11 042
Total Operating Revenues	<u>15 531 184</u>	<u>18 443 232</u>	<u>18 164 988</u>	<u>(278 244)</u>
Operating Expenses				
Administrative Salaries	1 030 579	1 135 503	835 297	300 206
Employee Benefit Contributions	242 876	242 876	226 403	16 473
Consulting & Professional Services	-	116 000	81 087	34 913
Accounting Fees	31 000	-	-	-
Auditing Fees	25 000	33 000	33 000	-
Sundry Items	8 500	8 800	5 990	2 810
Bank Service charges	9 600	12 600	11 787	813
Insurance	13 000	19 000	15 909	3 091
Membership Dues & Subscriptions	5 500	5 500	3 192	2 308
Printing & Reproduction	16 500	20 500	20 338	162
Postage	26 400	31 400	25 780	5 620
Telephone	6 000	6 000	6 222	(222)
Temporary Personnel	12 000	140 000	118 122	21 878
Vehicle Gas, Oil and Maintenance	13 800	13 800	15 982	(2 182)
Legal	50 000	50 000	50 000	-
Staff Travel & Training	36 000	108 000	102 750	5 250
Board of Commissioners Travel & Training	15 000	15 000	1 290	13 710
Office Supplies	25 000	65 000	63 762	1 238
Other General Expenses-Port Out Admin Fees	2 000	10 000	8 449	1 551
Computer Equipment & Software Maintenance	15 000	25 000	15 189	9 811
Housing Assistance Payments	13 797 365	16 009 406	15 374 975	634 431
Total Administrative Expenses	<u>15 381 120</u>	<u>18 067 385</u>	<u>17 015 524</u>	<u>1 051 861</u>
Non-Routine Expenses:				
Additions to Equipment/Building	-	25 000	2 659	22 341
Total Non-Routine Expenses				
Total Operating Expenses	<u>15 381 120</u>	<u>18 092 385</u>	<u>17 018 183</u>	<u>1 074 202</u>
Residual Receipts (Deficit)	<u>\$ 150 064</u>	<u>\$ 350 847</u>	<u>\$ 1 146 805</u>	<u>\$ 795 958</u>

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SUPPLEMENTAL SCHEDULES

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HARRIS COUNTY HOUSING AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MARCH 31, 2006

SUMMARY OF AUDITORS RESULTS

1. We issued an unqualified opinion on the financial statements for the fiscal year ended March 31, 2006.
2. There are no reportable conditions 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 reportable conditions 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, Section 8 Mod/Rehab and the HOME Investment Partnership Program were identified as major programs.
8. The dollar threshold used to distinguish between Type A and Type B programs was \$638,099.
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, 2006

		<u>CFDA #</u>	<u>IDENTIFYING NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
U.S. Department of Housing and Urban Development:				
DIRECT	Lower Income Housing Assistance			
	Program--Section 8 Moderate Rehabilitation	14.856	TX441MR0003	\$ 48 994
DIRECT	Section 8 - Housing Choice Vouchers	14.871	TX 441VO0043053	17 911 051
				<u>17 960 045</u>
Passed through Harris County, Texas:				
	HOME Investment Partnership Program	14.239	C0454CF010	5 000
			C0456CF010	690 320
			C0517CF120	1 425 000
			C0284CF101	1 189 613
				<u>3 309 933</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u><u>\$ 21 269 978</u></u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2006

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, 2006

Line Item #	Account Description	N/C S/R Section R Programs 14.182	Section R MOD Rehab. 14.856	Housing Choice Vouchers 14.871	Other Federal Program (KIDHAP)	DVP 14.DVP	Business Activities	TOTAL
	ASSETS:							
	CURRENT ASSETS:							
	Cash:							
111	Cash - unrestricted							
112	Cash - restricted - modernization and development	138,945	1,535	688,662	546,076	68,287	114,213	1,557,718
113	Cash - other restricted	-	-	-	-	-	-	-
114	Cash - tenant security deposits	-	-	103,662	-	-	-	103,662
115	Cash - restricted for payment of current liability	-	-	-	-	-	-	-
100	Total cash	138,945	1,535	792,324	546,076	68,287	114,213	1,661,380
	Accounts and notes receivables:							
121	Accounts receivable - PIA projects							
122	Accounts receivable - HUD other projects	166,734	-	172,237	-	-	-	172,237
124	Accounts receivable - other government	-	-	165,000	-	-	-	331,734
125	Accounts receivable - miscellaneous	-	-	75,054	-	-	-	75,054
126	Accounts receivable - tenants - dwelling rents	-	-	22,303	-	-	-	22,303
126.1	Allowance for doubtful accounts - dwelling rents	-	-	-	-	-	-	-
126.2	Allowance for doubtful accounts - other	-	-	-	-	-	-	-
127	Notes, loans & mortgages receivable - current	-	-	-	-	-	-	-
128	Fraud recovery	-	-	-	-	-	-	-
128.1	Allowance for doubtful accounts - fraud	-	-	-	-	-	-	-
129	Accrued interest receivable	-	-	-	-	-	-	-
120	Total receivables, net of allowances for doubtful accounts	166,734	-	434,594	-	-	-	601,328
	Current Investments							
131	Investments - unrestricted	-	-	-	-	-	-	-
132	Investments - restricted	-	-	-	-	-	-	-
135	Investments - restricted for payment of current liability	-	-	-	-	-	-	-
142	Prepaid expenses and other assets	-	-	-	-	-	-	-
143	Inventories	-	-	-	-	-	-	-
143.1	Allowance for obsolete inventories	-	-	-	-	-	-	-
144	Interprogram - due from	-	-	-	-	-	-	-
145	Assets held for sale	-	-	-	-	-	-	-
146	Amounts to be provided	-	-	-	-	-	-	-
150	TOTAL CURRENT ASSETS	305,679	1,535	1,226,918	546,076	68,287	114,213	2,262,708
	NONCURRENT ASSETS							
	Fixed assets:							
161	Land	-	-	-	-	-	-	-
162	Buildings	-	-	30,479	-	-	5,180,777	5,180,777
163	Furniture, equipment & machinery - dwellings	-	-	-	-	-	-	30,479
164	Furniture, equipment & machinery - administration	-	-	175,586	-	-	-	175,586
165	Leasehold improvements	-	-	-	-	-	-	-
168	Infrastructure	-	-	-	-	-	-	-
166	Accumulated depreciation	-	-	(119,989)	-	-	-	(119,989)
167	Construction in progress	-	-	-	-	-	-	-
160	Total fixed assets, net of accumulated depreciation	-	-	86,076	-	-	5,180,777	5,266,853
	Other Non Current Assets							
171	Notes, loans & mortgages receivable - non current	-	-	-	-	-	3,284,970	3,284,970
172	Notes, loans & mortgages receivable - non current - past due	-	-	-	-	-	-	-
173	Grants Receivable - non current	-	-	416,829	-	-	-	416,829
174	Other assets	-	-	-	-	-	-	-
176	Investment in joint ventures	-	-	502,905	-	-	8,465,747	8,968,652
180	TOTAL NONCURRENT ASSETS	-	-	919,734	-	-	8,465,747	8,968,652
190	TOTAL ASSETS	305,679	1,535	1,729,823	546,076	68,287	8,579,960	11,231,360

Harris County Housing Authority
Financial Data Schedule-Balance Sheet
March 31, 2006

Account Description	N/C S/R Section 8 Programs 14,182	Section 8 MOD Rehab. 14,856	Housing Choice Vouchers 14,871	Other Federal Program (KDHAP)	DVP 14,DVP	Business Activities	TOTAL
LIABILITIES AND EQUITY:							
LIABILITIES:							
Current Liabilities							
Bank overdraft	-	-	-	-	-	-	-
Accounts payable ≤ 90 days	-	-	34,479	-	-	-	34,479
Accounts payable > 90 days past due	-	-	-	-	-	-	-
Accrued wage/payroll taxes payable	-	-	-	-	-	-	-
Accrued compensated absences - current portion	-	-	187,200	-	-	-	187,200
Accrued contingency liability	-	-	32,620	-	-	-	32,620
Accrued interest payable	-	-	-	-	-	-	-
Accounts payable - HUD PHA programs	-	-	-	-	-	-	-
Accounts payable - PHA Projects	-	-	118,728	-	-	-	118,728
Accounts payable - other government	-	-	-	-	-	-	-
Tenant security deposits	-	-	-	-	-	-	-
Deferred revenues	-	-	48,000	-	-	650,000	698,000
Current portion of Long-Term debt - capital projects/mortgage revenue bonds	-	-	-	-	-	-	-
Current portion of Long-Term debt - operating borrowings	-	-	-	-	-	-	-
Other current liabilities	305,679	-	23,003	-	-	-	305,679
Accrued liabilities - other	-	-	-	-	-	-	-
Inter-program - due to	-	-	-	-	-	-	-
Loan Liability - current	-	-	-	-	-	-	-
TOTAL CURRENT LIABILITIES	305,679	-	444,030	-	-	650,000	1,399,709
Non Current Liabilities							
Long-term debt, net of current- capital projects/ mortgage revenue bonds	-	-	-	-	-	-	-
Long-term debt, net of current- operating borrowings	-	-	-	-	-	-	-
Noncurrent liabilities- other	-	-	519,477	-	-	-	519,477
Accrued Compensated Absences - non current	-	-	8,322	-	-	-	8,322
Loan Liability - non current	-	-	-	-	-	-	-
TOTAL NONCURRENT LIABILITIES	-	-	527,799	-	-	-	527,799
TOTAL LIABILITIES	305,679	-	971,829	-	-	650,000	1,927,508
EQUITY:							
Investment in general fixed assets	-	-	-	-	-	-	-
Invested in Capital Assets, Net of Related Debt	-	-	86,076	-	-	5,180,777	5,266,853
Reserved fund balance:							
Reserved for operating activities	-	-	-	-	-	-	-
Reserved for capital activities	-	-	-	-	-	-	-
Total reserved fund balance	-	-	-	-	-	-	-
Restricted Net Assets	-	-	172,237	-	-	-	172,237
Undesignated fund balance/retained earnings	-	-	438,047	-	-	-	438,047
Unrestricted Net Assets	-	1,535	61,634	546,076	68,287	2,749,183	3,426,715
TOTAL EQUITY/NET ASSETS	-	1,535	757,994	546,076	68,287	7,929,960	9,303,852
TOTAL LIABILITIES and EQUITY/NET ASSETS	305,679	1,535	1,729,823	546,076	68,287	8,579,960	11,231,360
600							

Harris County Housing Authority
Financial Data Schedule-Revenue and Expenses
March 31, 2006

Line Item #	Account Description	N/C S/R Section 8 Programs 14.182	Section 8 MOD Rehab. 14.856	Housing Choice Vouchers 14.871	Other Federal Program (KDHAP)	DVP 14 DVP	Business Activities	TOTAL
	REVENUE:							
703	Net tenant rental revenue							-
704	Tenant revenue - other							-
705	Total tenant revenue							-
706	HUD PHA operating grants		48,994	14,836,448	1,907,081	1,167,522		17,960,045
706.1	Capital Grants							
708	Other government grants						3,304,933	3,304,933
711	Investment income - unrestricted			49,842				49,842
712	Mortgage interest income							-
713	Proceeds from disposition of assets held for sale							-
713.1	Cost of sale of assets							-
714	Fraud recovery						719,281	874,382
715	Other revenue			155,101				-
716	Gain or loss on the sale of fixed assets							-
720	Investment income - restricted							-
700	TOTAL REVENUE		48,994	15,041,391	1,907,081	1,167,522	4,024,214	22,189,202
	EXPENSES:							
	Administrative							
911	Administrative salaries		2,195	639,058	50,770	143,105	259,635	1,094,763
912	Auditing fees		2,000	31,000				33,000
913	Outside management fees							167
914	Compensated absences							226,403
915	Employee benefit contributions- administrative				10,906	27,198	27,857	552,009
916	Other operating- administrative		4,195	329,161	140,995	53,996	287,492	1,906,342
	Subtotal			1,187,595	202,761	224,299		
	Tenant services							
921	Tenant services - salaries							-
922	Relocation costs							-
923	Employee benefit contributions- tenant services							-
924	Tenant services - other							-
	Subtotal							-
	Utilities							
931	Water							-
932	Electricity							-
933	Gas							-
934	Fuel							-
935	Labor							-
937	Employee benefit contributions- utilities							-
938	Other utilities expense							-
	Subtotal							-
	Ordinary maintenance & operation							
941	Ordinary maintenance and operations - labor							-
942	Ordinary maintenance and operations - materials & other							-
943	Ordinary maintenance and operations - contract costs						6,203	6,203
945	Employee benefit contributions- ordinary maintenance							-
	Subtotal						6,203	6,203
	Protective services							
951	Protective services - labor							-
952	Protective services- other contract costs							-
953	Protective services - other							-
955	Employee benefit contributions- protective services							-
	Subtotal							-

Harris County Housing Authority
Financial Data Schedule-Revenue and Expenses
March 31, 2006

Account Description	N/C S/R Section 8 Programs 14.182	Section 8 MOD Rehab. 14.856	Housing Choice Vouchers 14.871	Other Federal Program (KDHAP)	DVP 14.DVP Business Activities	TOTAL
General expenses						
961 Insurance premiums	-	-	15,909	-	-	32,336
962 Other General Expenses	-	-	8,449	-	-	8,449
963 Payments in lieu of taxes	-	-	-	-	-	-
964 Bad debt - tenant rents	-	-	-	-	-	-
965 Bad debt- mortgages	-	-	-	-	-	-
966 Bad debt - other	-	-	-	-	-	-
967 Interest expense	-	-	-	-	-	-
968 Severance expense	-	-	-	-	-	-
Subtotal	-	-	24,358	-	16,427	40,785
TOTAL OPERATING EXPENSES	-	4,195	1,211,953	202,761	224,299	1,953,330
EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	-	44,799	13,829,438	1,704,320	943,223	20,233,872
Extraordinary maintenance						
971 Casualty losses - non-capitalized	-	-	-	-	-	-
972 Housing assistance payments	-	43,264	13,298,531	1,158,244	874,936	15,374,975
973 Depreciation expense	-	-	42,996	-	-	42,996
974 Fraud losses	-	-	-	-	-	-
975 Capital outlays- governmental funds	-	-	-	-	-	-
976 Debt principal payment- governmental funds	-	-	-	-	-	-
977 Dwelling units rent expense	-	-	-	-	-	-
978	-	-	-	-	-	-
TOTAL EXPENSES	-	47,459	14,553,480	1,361,005	1,099,235	17,371,301
OTHER FINANCING SOURCES (USES)						
1001 Operating transfers in	-	-	-	-	161,466	161,466
1002 Operating transfers out	-	-	(161,466)	-	-	(161,466)
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)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(161,466)	-	161,466	-
EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXP	-	1,535	326,445	546,076	68,287	4,817,901
MEMO account information						
1101 Capital contributions	-	-	-	-	-	-
1102 Debt principal payments- enterprise funds	-	-	-	-	-	-
1103 Beginning equity	-	-	431,549	-	4,054,402	4,485,951
1104 Prior period adjustments, equity transfers and correction of errors	-	-	-	-	-	-
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	-	-	-	-	-	-
1111 Depreciation "add back"	-	-	-	-	-	-
1112 Maximum annual contributions commitment (per ACC)	-	-	-	-	-	-
1113 Prorata maximum annual contributions applicable to a period < 12 months	-	-	-	-	-	-
1114 Contingency reserve, ACC program reserve	-	-	-	-	-	-
1115 Total annual contributions available	-	96	22,080	1,350	1,131	24,657
1116 Unit months available	-	95	21,684	1,350	1,131	24,657
1120 Number of unit months leased	-	-	-	-	-	-
1121	-	-	-	-	-	-