
HARRIS COUNTY HOUSING AUTHORITY

REPORT ON FINANCIAL STATEMENTS

(With Supplemental Material)

FOR THE YEAR ENDED MARCH 31, 2007

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

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RICHARD W. BREEDLOVE, CPA
President

INDEPENDENT AUDITORS' REPORT

June 6, 2007

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, 2007, 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., and TX Bammel Housing, L.P., 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 Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 the Harris County Housing Authority, as of March 31, 2007, 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 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 June 6, 2007, 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.

Sreedhar & Co., P.C.

Harris County Housing Authority
Management’s Discussion and Analysis (MD&A)
March 31, 2007

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, 2007. We encourage readers to consider the information presented here in conjunction with the Authority’s financial statements.

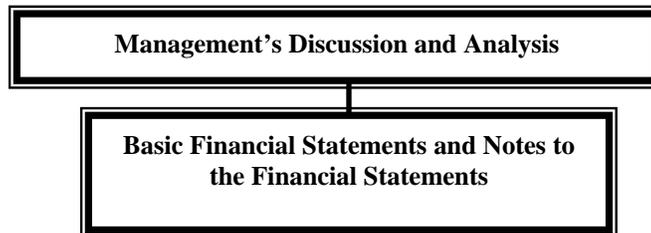
The Authority is a special purpose government operating in Harris County, Texas, (the “County”). The Authority administers federal Department of Housing and Urban Development (HUD) Section 8 housing assistance grants. The Authority was authorized to operate by the County through adoption of an order 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 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, 2007, to assist the reader in focusing on significant issues and concerns.

The Authority’s FY2007 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, 2007

Financial Highlights for FY2007

- The Authority's assets exceeded its liabilities as of March 31, 2007 by \$11,788,775 (net assets).
- Unrestricted Cash and Investments as of March 31, 2007 were \$3,648,996.
- The Authority had \$24,552,359 in HUD grant revenue for the year ended March 31, 2007.
- The Authority had total expenses of \$24,228,550 for the year ended March 31, 2007, of which \$21,369,162 was for Housing Assistance Payments (HAP).
- The Authority's total net assets increased by \$2,484,923 during the year primarily due to the HOME grant funds used for purchase of land for affordable housing projects and the Disaster Voucher Program.

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 an enterprise fund. 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 \$11,788,775 at the close of the fiscal year ended March 31, 2007, 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, 2007

Net Assets

Description	March 31, 2007	March 31, 2006	Increase (Decrease)
Current Assets	\$ 4,205,254	\$ 1,986,809	\$ 2,218,445
Restricted Assets	710,043	692,728	17,315
Non Current Assets	3,758,920	3,284,970	473,950
Fixed assets	5,304,240	5,266,853	37,387
Total assets	13,978,457	11,231,360	2,747,097
Noncurrent liabilities	114,995	527,799	(412,804)
Current liabilities	2,074,687	1,399,709	674,978
Total liabilities	2,189,682	1,927,508	262,174
Net assets	\$ 11,788,775	\$ 9,303,852	\$ 2,484,923

Net Asset Categories

Description	March 31, 2007	March 31, 2006	Increase (Decrease)
Invested in capital assets	\$ 5,304,240	\$ 5,266,853	\$ 37,387
Restricted for program costs	---	172,237	(172,237)
Unrestricted	6,484,535	3,864,762	2,619,773
Total net assets	\$ 11,788,775	\$ 9,303,852	\$ 2,484,923

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) Low Income Housing Tax Credit developments.

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.

Harris County Housing Authority
Management's Discussion and Analysis (MD&A)
March 31, 2007

Change in Net Assets
(000's)

Description	March 31, 2007	March 31, 2006	Increase (Decrease)
Revenues - operating			
HUD PHA Grants	\$ 24,552	\$ 17,960	\$ 6,592
HOME grants	500	3,305	(2,805)
Other Revenue	637	214	423
Interest and investment income	460	50	410
Loss on disposal of fixed assets	(1)	-	(1)
Ground lease revenue	565	660	(95)
Total operating revenues	26,713	22,189	4,524
Expenses			
Housing assistance payments	21,369	15,375	5,994
Salaries and benefits	1,467	1,321	146
Office expense	1,117	585	532
Tenant services	28	-	28
Maintenance	56	6	50
General	155	41	114
Depreciation	36	43	(7)
Total expenses	24,228	17,371	6,857
Increase (Decrease) in net assets	2,485	4,818	(2,333)
Net assets April 1	9,304	4,486	4,818
Net assets March 31	\$ 11,789	\$ 9,304	\$ 2,485

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, 2007	March, 2006
HUD Awarded Units		
HCVP Unit Months Available	22,080	22,080
Moderate rehabilitation-Unit Months Available	96	96
Total awarded/budgeted	22,176	22,176
Leased Units		
HCVP Unit Months Leased	21,952	21,684
Moderate rehabilitation Unit Months Leased	88	95
Total actual	22,040	21,779
Year to date average percentage leased	99%	98%
Difference - awarded/budgeted vs. leased	(136)	(397)

Harris County Housing Authority
Management's Discussion and Analysis (MD&A)
March 31, 2007

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, 2006	Net Additions/(Deletions)	March 31, 2007
Land	\$ 5,180,778	\$ --	\$ 5,180,778
Buildings	30,478	--	30,478
Furniture and Equipment	175,586	45,604	221,190
Accumulated Depreciation	(119,989)	(8,217)	(128,206)
Total	\$ 5,266,853	\$ 37,387	\$ 5,304,240

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, 2007.

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.

Section 8 Occupancy Report Information	Apr - June 2007
HUD Awarded Units	
HCVP Unit Months Available	5,520
Moderate rehabilitation-Unit Months Available	24
Total awarded/budgeted	5,544
Leased Units	
HCVP Unit Months Leased	5,431
Moderate rehabilitation Unit Months Leased	24
Total actual	5,455
Year to date average percentage leased	98%
Difference - awarded/budgeted vs. leased	(89)

Harris County Housing Authority
Management's Discussion and Analysis (MD&A)
March 31, 2007

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 five (5) 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.

HARRIS COUNTY HOUSING AUTHORITY

STATEMENT OF NET ASSETS MARCH 31, 2007

ASSETS	Housing Enterprise <u>Fund</u>	Component <u>Units</u>
Current Assets:		
Cash and cash equivalents	\$ 3 648 996	\$ 1 105 070
Accounts receivable -Tenants	-	83 367
Accounts receivable -TBRA Leases	27 294	-
Accounts receivable - Misc	88 746	1 741
Accrued interest receivable	23 841	-
Accrued interest receivable from Component Units	303 454	-
Prepaid assets	13 113	2 011 638
Due from Harris County, primary government	<u>99 810</u>	<u>-</u>
Total current assets	<u>4 205 254</u>	<u>3 201 816</u>
Restricted assets:		
Cash and cash equivalents - restricted	103 662	1 124 391
Accounts receivable - restricted	189 552	-
Due from Harris County, primary government - restricted	<u>416 829</u>	<u>-</u>
Total restricted assets	<u>710 043</u>	<u>1 124 391</u>
Noncurrent assets:		
Notes receivable	462 500	-
Notes receivable - Component units	3 296 420	-
Intangible assets, net of accumulated amortization	-	2,494,379
Fixed assets less accumulated depreciation	<u>5 304 240</u>	<u>43 666 978</u>
Total noncurrent assets	<u>9 063 160</u>	<u>46 161 357</u>
Total Assets	<u><u>\$ 13 978 457</u></u>	<u><u>\$ 50 487 564</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 115 321	\$ 5 403 680
Due to Harris County, primary government, for accrued personnel costs including benefits	323 704	-
Housing assistance payable	486 727	-
Accrued interest payable to HCHA	-	256 467
Deferred revenue	<u>1 148 935</u>	<u>-</u>
Total current liabilities	<u>2 074 687</u>	<u>5 660 147</u>
Noncurrent liabilities:		
Family self sufficiency liabilities	103 662	-
Due to Harris County, primary government, for accrued compensated absences	11 333	-
Mortgage notes payable	<u>-</u>	<u>35 848 980</u>
Total noncurrent liabilities	<u>114 995</u>	<u>35 848 980</u>
Total Liabilities	<u>2 189 682</u>	<u>41 509 127</u>
Net Assets		
Invested in capital assets, net of related debt	5 304 240	10 312 377
Unrestricted	<u>6 484 535</u>	<u>(1 333 940)</u>
Total Net Assets	<u>11 788 775</u>	<u>8 978 437</u>
Total Liabilities and Net Assets	<u><u>\$ 13 978 457</u></u>	<u><u>\$ 50 487 564</u></u>

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, 2007

	Housing Enterprise <u>Fund</u>	<u>Component Units</u>
Operating Revenues		
Rental income	\$ -	\$ 1 816 654
HUD PHA grants	24 552 359	-
Ground lease revenues	565 000	-
Other government grants	500 202	-
Other revenues	<u>637 365</u>	<u>85 475</u>
Total Operating Revenues	<u>26 254 926</u>	<u>1 902 129</u>
 Operating Expenses		
Housing assistance payments	21 369 162	-
Salaries and benefits	1 466 949	342 568
Office expense	1 117 051	94 678
Tenant services	28 090	304 405
Maintenance	56 557	181 389
General	154 763	1 300 649
Interest expense-mortgages	-	1 189 039
Depreciation	<u>35 978</u>	<u>1 489 038</u>
Total Operating Expenses	<u>24 228 550</u>	<u>4 901 766</u>
 Net Income (Loss) from Operations	<u>2 026 376</u>	<u>(2 999 637)</u>
 Non-operating revenues (expenses)		
Interest income-unrestricted	132 536	52 856
Interest income-unrestricted from Component Units	327 295	-
Loss on disposition of fixed assets	<u>(1 284)</u>	<u>-</u>
Total Non-operating revenues (expenses)	<u>458 547</u>	<u>52 856</u>
 Change in Net Assets	2 484 923	(2 946 781)
 Total Net Assets-Beginning of Period	9 303 852	6 756 190
Capital Contributions	<u>-</u>	<u>5 169 028</u>
 Total Net Assets - End of Period	<u>\$ 11 788 775</u>	<u>\$ 8 978 437</u>

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, 2007

	Housing Enterprise Fund
Cash Flows from Operating Activities:	
Cash Received:	
Receipts from HUD - grants	\$ 24 552 359
Other government grants	500 202
Ground lease revenue	500 000
Other revenue	833 291
Cash paid:	
Administrative and general	(1 558 445)
Salaries and benefits	(1 410 282)
Maintenance	(56 557)
Housing assistance payments	(20 853 227)
Net cash provided by operating activities	2 507 341
 Cash Flow from Capital and Related Financing Activities:	
Net fixed asset additions	(74 649)
Net cash used for capital and related financing activities	(74 649)
 Cash Flow from Investing Activities	
Cash received for interest income-unrestricted	132 536
Cash paid as loans to Partnerships	(473 950)
Net cash used by investing activities	(341 414)
 Net Increase (Decrease) In Cash and Cash Equivalents	2 091 278
 Cash and Cash Equivalents At Beginning of Year	1 661 380
Cash and Cash Equivalents At End of Year	\$ 3 752 658

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, 2007**

	<u>Housing Enterprise Fund (memo only)</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Net Income (Loss) from Operations	\$ 2 026 376
Noncash Changes to Income:	
Depreciation	35 978
Changes in Assets and Liabilities:	
Net (Increase) Decrease in Assets:	
Accounts receivable-net	195 926
Other assets	(13 113)
Net Increase (Decrease) in Liabilities:	
Accounts payable	(286 890)
Accrued personnel costs, including benefits	56 667
Deferred revenue	450 935
Noncurrent liabilities	<u>41 462</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 2 507 341</u>

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

HARRIS COUNTY HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

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 and continuing reimbursement to the County of all associated costs.

HARRIS COUNTY HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2007

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 February 28, 2008, 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 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 – C0517CF120
Grant number – C0517CF912
Grant number – C0517CFC12
Grant number – C0517CFD12
Grant number – C0517CFF12
Grant number – C0517CFH12
Grant number – C0456CF010
Grant number – C0284CFE01

HARRIS COUNTY HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2007

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

Reporting Entity (continued) - The Section 8 Housing Choice Voucher Program and the Lower Income Housing Assistance Program – Section 8 Moderate Rehabilitation are accounted for in the Housing 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, 2007, the Authority also received additional funding under the Disaster Voucher Program. These are also accounted for in the Housing Vouchers 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 Housing Authority 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 Housing Authority's discrete component units. These units are reported in a separate column to emphasize that they are legally separate from the Authority and are governed by separate Boards. See Note 8 for additional details relating to the Housing Authority's relationship with the component units.

The Partnerships' included in the component unit column include; Cornerstone Village Apartments, L.P., Louetta Village Apartments 45, L.P., Baybrook Park Retirement Center, Ltd., and TX Bammel Housing L.P. 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, 2006. As the general partner of the partnerships, the Housing Authority receives the audited financial statements for the partnerships. Therefore, complete financial statements for each of the Limited Partnerships can be obtained from David Gunter, Chief Financial Officer, Harris County Housing Authority, 8410 Lantern Point Drive, Houston, TX 77054.

HARRIS COUNTY HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2007

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 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.

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 new GASB pronouncements applicable to the current fiscal year are as follows:

GASB 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans

GASB 44, Economic Condition Reporting: The Statistical Section

GASB 46, Net Assets Restricted by Enabling Legislation

GASB 47, Accounting for Termination Benefits

The Housing Authority leases their employees from Harris County so they are not subject to GASB 43 and GASB 47. The Housing Authority does not present its basic financial statements within a comprehensive annual financial report so they are not subject to GASB 44. The Housing Authority has no net assets restricted by enabling legislation. The PHA has elected not to apply FASB pronouncements issued after November 30, 1989.

The Authority has no long-term debt.

HARRIS COUNTY HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2007

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 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.

From March 6, 2003 through February 21, 2007, the Authority used an overnight sweep arrangement for all operating bank accounts with their depository bank. Under this sweep arrangement, the Authority generally invested in Federal Home Loan Bank or Federal Home Loan Mortgage Corporation securities through repurchase agreements. The 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 was 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. On February 22, 2007 the Authority entered into a Money Market Mutual Fund Sweep Agreement. Under the agreement the Authority's daily balance is used to purchase shares in Fidelity Institutional Money Market Funds.

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.

HARRIS COUNTY HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

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

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.

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 Housing Authority 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, 2007.

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. 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.

HARRIS COUNTY HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2007

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

Risk Management - The Authority's risk-of-loss exposure includes 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.

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. 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.

HARRIS COUNTY HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2007

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

Compensated Absences (continued) - 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 and investments which are also considered cash equivalents of \$3,752,658 as of March 31, 2007. The cash equivalents are part of the sweep investment account. In accordance with the Money Market Mutual Fund Agreement with Amegy Bank, the entire amount purchased shares in the Fidelity Institutional Money Market Fund Treasury Portfolio. This portfolio invests in U.S. Treasury securities and repurchase agreements backed by these securities and is rated AAA by Standard & Poor's Corporation and Aaa by Moody's Investors Service. The Authority has cash on hand in a petty cash fund of \$200 as of March 31, 2007.

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, 2007. The fair value of cash and investments was \$3,752,658 as of March 31, 2007.

HARRIS COUNTY HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

NOTE (3) FIXED ASSETS

Fixed asset activity, for the year ended March 31, 2007, was as follows:

	Balances	Additions		Balances
	Beginning of Year	(Dispositions)	Depreciation	End of Year
Land	\$ 5 180 778	\$ -	\$ -	\$ 5 180 778
Buildings	30 478	-	-	30 478
Furniture and Equipment	175 586	45 604	-	221 190
Accumulated Depreciation	(119 989)	-	(8 217)	(128 206)
Totals	<u>\$ 5 266 853</u>	<u>\$ 45 604</u>	<u>\$ (8 217)</u>	<u>\$ 5 304 240</u>
Housing Vouchers				\$ 105 309
Affordable Housing				<u>5 198 931</u>
				<u>\$ 5 304 240</u>

Depreciation expense, for the year ended March 31, 2007, totaled \$35,978.

NOTE (4) COMPENSATED ABSENCES PAYABLE

The total of accrued compensated absences increased for the year ended March 31, 2007 by \$15,725 to a total of \$56,667. \$45,334 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 February 28, 2008.

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.

HARRIS COUNTY HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

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

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. It is expressly understood and agreed that the individuals who fill such positions are nominally Housing Authority Employees employed through 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 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.

The Housing Authority 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.

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, 2007 for remaining funds not transferred of \$516,639. 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.

HARRIS COUNTY HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

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

Transfer of initial funds pertaining to grants administered by the Authority (continued) - 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 \$99,810 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 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 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.

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, 2007, the Authority had total HUD Section 8 grant revenues of \$24,552,359 of which \$24,325,950 was for HCVP including revenues related to the Disaster Voucher Program (DVP). The Authority's total HAP payments for the fiscal year ended March 31, 2007 were \$21,369,162 of which \$21,167,617 was for HCVP including HAP payments related to the Disaster Voucher Program (DVP). At March 31, 2007, the Authority was owed \$27,294 from other public agencies for DVP and HCV funding and has \$49,784 in unclaimed HAP checks to qualified recipients. The Authority 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. See **Note 5** for information related to pending HAP receivable from the County.

HARRIS COUNTY HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2007

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

AFFORDABLE HOUSING AND HOME GRANT FUNDS

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.

The County's Community and Economic Development Department has awarded the Authority over \$2.1 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 Authority anticipates participating with for-profit developers to create more than 120 units of affordable Intergenerational Housing in the unincorporated areas of the County over the next 24 months or by December 2007. 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.

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.

HARRIS COUNTY HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2007

NOTE (8) NOTES RECEIVABLE AND ACCRUED INTEREST RECEIVABLE

The Housing Authority 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. Payments of interest only are required until maturity. As of March 31, 2007, total outstanding principal and accrued interest on these loans were \$3,758,920 and \$327,295, respectively.

NOTE (9) 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.; and HCHA Baybrook Park, LLC is a partner in Baybrook Park Retirement Center, 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.

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, 2007. 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. 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, 2007. 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.

HARRIS COUNTY HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2007

NOTE (9) COMPONENT UNITS (continued)

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, 2007. 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 \$625,000. The funds for the loan were a HOME Grant from Harris County.

NOTE (10) RELATED PARTY TRANSACTIONS

In the fiscal year ended March 31, 2007 the Housing Authority entered into two new partnerships: HCHA Waterside, LLC is a partner in Waterside Court, Ltd. And HCHA Olive Grove, LLC is a partner in Olive Grove Manor, Ltd. Harris County Housing Authority is the sole member of each of the HCHA LLC's and each HCHA LLC is a .01% partner and the general partner of the partnership. Both of the developments owned by the partnerships are under construction. Waterside Court, Ltd. and Grove Manor, Ltd. do not have audited financial statements for the year ending December 31, 2006 and they are not included in the discretely presented component units.

HARRIS COUNTY HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2007

NOTE (10) RELATED PARTY TRANSACTIONS 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. The annual lease amount for Waterside Court, Ltd is One thousand dollars (\$1,000). 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 \$930,510 to HCHA in exchange for services. The first \$250,000 was paid at the closing of the construction loan June 17, 2006. 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. Harris County Housing Authority has a Note Receivable from Waterside Court, Ltd. in the amount of \$462,500. The funds for the loan were a HOME Grant from Harris County.

HCHA Olive Grove, LLC has contributed capital of \$10 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. The annual lease amount for Olive Grove Manor, Ltd is One thousand dollars (\$1,000). Harris County Housing Authority (HCHA) and Artisan/American Corp. have a developer fee sharing agreement wherein Artisan/American Corp. will pay a total of \$905,900 to HCHA in exchange for services. The first \$250,000 was paid at the closing of the construction loan December 22, 2006. 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. Harris County Housing Authority has a Note Receivable from Olive Grove Manor, Ltd. in the amount of \$700,000. This Note had not been funded with HOME funds as of March 31, 2007 and does not appear as a receivable to the Authority.

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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 6, 2007

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, 2007, and have issued our report thereon dated June 6, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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, 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.

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RICHARD W. BREEDLOVE, CPA
President

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

June 6, 2007

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, 2007. 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, 2007.

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.

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 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.

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, 2007**

	All Programs			
	Original	Revised		Variance
	Budget	Budget	Actual	Positive
	<u>Budget</u>	<u>as of 1/01/07</u>	<u>Actual</u>	<u>(Negative)</u>
Operating Revenues				
HUD PHA Grants-Administrative Fees Earned	\$ 1 871 600	\$ 1 871 600	\$ 1 756 337	\$ (115 263)
HUD PHA Grants-Onetime Placement Fee	690 000	690 000	706 500	
Co-Developer Fee	1 392 500	1 142 500	500 000	(642 500)
Other Revenues	-	407 244	702 365	295 121
Interest Income	<u>65 000</u>	<u>65 000</u>	<u>132 536</u>	<u>67 536</u>
Total Operating Revenues	<u>4 019 100</u>	<u>4 176 344</u>	<u>3 797 738</u>	<u>(395 106)</u>
Operating Expenses				
Salaries	1 311 575	1 211 575	1 554 291	(342 716)
Employee Benefit Contributions	429 379	327 379	255 226	72 153
Consulting & Professional Services	50 000	260 000	314 481	(54 481)
Auditing Fees	51 000	51 000	36 896	14 104
Sundry Items	8 000	8 000	8 523	(523)
Bad Debt Expense	-	-	10 163	(10 163)
Bank Service charges	18 000	18 000	14 139	3 861
Insurance	40 000	67 840	52 597	15 243
Maintenance & Repairs	-	58 556	237 946	(179 390)
Membership Dues & Subscriptions	5 500	15 000	15 543	(543)
Printing & Reproduction	27 000	27 000	18 348	8 652
Postage	48 000	48 000	33 496	14 504
Telephone	10 000	10 000	7 933	2 067
Temporary Personnel	75 000	290 000	308 740	(18 740)
Vehicle Gas, Oil and Maintenance	17 000	17 000	13 948	3 052
Legal	84 000	84 000	86 809	(2 809)
Staff Travel & Training	80 000	131 000	140 237	(9 237)
Board of Commissioners Travel & Training	15 000	15 000	5 744	9 256
Office Supplies	35 000	67 000	80 745	(13 745)
Other General Expenses-Port Out Admin Fees	12 000	12 000	9 038	2 962
Computer Equipment & Software Maintenance	<u>30 000</u>	<u>35 000</u>	<u>31 466</u>	<u>3 534</u>
Total Administrative Expenses	<u>2 346 454</u>	<u>2 753 350</u>	<u>3 236 309</u>	<u>(482 959)</u>
Non-Routine Expenses:				
Additions to Buildings	5 000	5 000	-	5 000
Additions to Buildings-Habitat for Humanity	50 000	65 000	82 965	(17 965)
Additions to Vehicles	<u>25 000</u>	<u>63 000</u>	<u>62 829</u>	<u>171</u>
Total Non-Routine Expenses	<u>80 000</u>	<u>133 000</u>	<u>145 794</u>	<u>(12 794)</u>
Total Operating Expenses	<u>2 426 454</u>	<u>2 886 350</u>	<u>3 382 103</u>	<u>(495 753)</u>
Residual Receipts (Deficit)	<u>\$ 1 592 646</u>	<u>\$ 1 289 994</u>	<u>\$ 415 635</u>	<u>\$ (890 859)</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, 2007

SUMMARY OF AUDITORS RESULTS

1. We issued an unqualified opinion on the financial statements for the fiscal year ended March 31, 2007.
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, Disaster Voucher Program 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 \$736,571.
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, 2007

	<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	\$ 43 655
N/C S/R Section 8 Programs	14.182	TX441SRO001	182 754
DIRECT Section 8 - Housing Choice Vouchers	14.871	TX 441VO0043053	15 044 249
DIRECT Housing Choice Vouchers-Disaster Voucher Program	14.871	TX441DH	<u>9 281 701</u>
			<u>24 552 359</u>
Passed through Harris County, Texas:			
HOME Investment Partnership Program	14.239	C0517CF120	48 905
		C0517CF912	69 485
		C0517CFC12	171 014
		C0517CFD12	50 000
		C0517CFF12	60 596
		C0517CFH12	62 500
		C0456CF010	12 354
Passed through-FEMA		FEMA 3216 EM TX	<u>27 293</u>
			<u>502 147</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 25 054 506</u></u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2007

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, 2007

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	Component Units	TOTAL
Line Item #								
ASSETS:								
CURRENT ASSETS:								
Cash:								
111 Cash - unrestricted	68,880	7,732	1,523,140	-	1,966,587	82,657	1,105,070	4,754,066
112 Cash - restricted - modernization and development	-	-	-	-	-	-	-	-
113 Cash - other restricted	-	-	103,662	-	-	-	1,124,391	1,228,053
114 Cash - tenant security deposits	-	-	-	-	-	-	-	-
115 Cash - restricted for payment of current liability	-	-	-	-	-	-	-	-
100 Total cash	68,880	7,732	1,626,802	-	1,966,587	82,657	2,229,461	5,982,119
Accounts and notes receivables:								
121 Accounts receivable - PHA projects	-	-	37,456	-	-	-	-	37,456
122 Accounts receivable - HUD other projects	-	-	-	-	-	-	-	-
124 Accounts receivable - other government	-	-	99,810	-	-	-	-	99,810
125 Accounts receivable - miscellaneous	-	-	16,350	-	189,552	72,396	1,741	280,039
126 Accounts receivable- tenants - dwelling rents	-	-	-	-	-	-	83,367	83,367
126.1 Allowance for doubtful accounts - dwelling rents	-	-	-	-	-	-	-	-
126.2 Allowance for doubtful accounts - other	-	-	(10,162)	-	-	-	-	(10,162)
127 Notes, loans & mortgages receivable - current	-	-	-	-	-	-	-	-
128 Fraud recovery	-	-	-	-	-	-	-	-
128.1 Allowance for doubtful accounts - fraud	-	-	-	-	-	-	-	-
129 Accrued interest receivable	-	-	-	-	-	327,295	-	327,295
120 Total receivables, net of allowances for doubtful accounts	-	-	143,454	-	189,552	399,691	85,108	817,805
Current investments								
131 Investments - unrestricted	-	-	-	-	-	-	-	-
132 Investments - restricted	-	-	-	-	-	-	-	-
135 Investments -restricted for payment of current liability	-	-	-	-	-	-	-	-
142 Prepaid expenses and other assets	-	-	10,004	-	899	2,210	2,011,638	2,024,751
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	68,880	7,732	1,780,260	-	2,157,038	484,558	4,326,207	8,824,675
NONCURRENT ASSETS:								
Fixed assets:								
161 Land	-	-	-	-	-	5,180,778	-	5,180,778
162 Buildings	-	-	30,478	-	-	-	45,159,914	45,190,392
163 Furniture, equipment & machinery - dwellings	-	-	-	-	-	-	-	-
164 Furniture, equipment & machinery - administration	-	-	201,080	-	-	20,110	-	221,190
165 Leasehold improvements	-	-	-	-	-	-	-	-
168 Infrastructure	-	-	-	-	-	-	2,494,379	2,494,379
166 Accumulated depreciation	-	-	(126,249)	-	-	(1,957)	(1,492,936)	(1,621,142)
167 Construction in progress	-	-	-	-	-	-	-	-
160 Total fixed assets, net of accumulated depreciation	-	-	105,309	-	-	5,198,931	46,161,357	51,465,597
Other Non Current Assets								
171 Notes, loans & mortgages receivable - non current	-	-	-	-	-	3,758,920	-	3,758,920
172 Notes, loans & mortgages receivable - non current -past due	-	-	-	-	-	-	-	-
173 Grants Receivable - non current	-	-	-	-	-	-	-	-
174 Other assets	-	-	416,829	-	-	-	-	416,829
176 Investment in joint ventures	-	-	-	-	-	-	-	-
180 TOTAL NONCURRENT ASSETS	-	-	522,138	-	-	8,957,851	46,161,357	55,641,346
190 TOTAL ASSETS	68,880	7,732	2,302,398	-	2,157,038	9,442,409	50,487,564	64,466,021

See the accompanying Independent Auditor's Report

Harris County Housing Authority
Financial Data Schedule-Balance Sheet
March 31, 2007

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 (KDHP)	DVP 14.DVP	Business Activities	Component Units	TOTAL
Line Item #								
LIABILITIES AND EQUITY:								
LIABILITIES:								
Current Liabilities								
311 Bank overdraft	-	-	-	-	-	-	-	-
312 Accounts payable ≤ 90 days	-	-	28,478	-	12,396	24,608	5,403,680	5,469,162
313 Accounts payable > 90 days past due	-	-	-	-	-	-	-	-
321 Accrued wage/payroll taxes payable	-	-	261,192	-	17,178	-	-	278,370
322 Accrued compensated absences - current portion	-	-	45,334	-	-	-	-	45,334
324 Accrued contingency liability	-	-	-	-	-	-	-	-
325 Accrued interest payable	-	-	-	-	-	-	256,467	256,467
331 Accounts payable - HUD PHA programs	65,056	5,856	-	-	-	-	-	70,912
332 Accounts Payable - PHA Projects	-	-	-	-	-	-	-	-
333 Accounts payable - other government	-	-	55	-	-	-	-	55
341 Tenant security deposits	-	-	-	-	-	-	-	-
342 Deferred revenues	-	-	-	-	563,935	585,000	-	1,148,935
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	-	-	415,815	-	-	-	-	415,815
346 Accrued liabilities - other	-	-	49,784	-	-	-	-	49,784
347 Inter-program - due to	-	-	-	-	-	-	-	-
348 Loan Liability - current	-	-	-	-	-	-	-	-
310 TOTAL CURRENT LIABILITIES	65,056	5,856	800,658	-	593,509	609,608	5,660,147	7,734,834
Non Current Liabilities								
351 Long-term debt, net of current- capital projects/ mortgage revenue bonds	-	-	-	-	-	-	35,848,980	35,848,980
352 Long-term debt, net of current- operating borrowings	-	-	-	-	-	-	-	-
353 Noncurrent liabilities- other	-	-	103,662	-	-	-	-	103,662
354 Accrued Compensated Absences - non current	-	-	11,333	-	-	-	-	11,333
355 Loan Liability - non current	-	-	-	-	-	-	-	-
350 TOTAL NONCURRENT LIABILITIES	-	-	114,995	-	-	-	35,848,980	35,963,975
300 TOTAL LIABILITIES	65,056	5,856	915,653	-	593,509	609,608	41,509,127	43,698,809
EQUITY:								
501 Investment in general fixed assets	-	-	-	-	-	-	-	-
508.1 Invested in Capital Assets, Net of Related Debt	-	-	105,309	-	-	5,198,931	10,312,377	15,616,617
Reserved fund balance:								
509 Reserved for operating activities	-	-	-	-	-	-	-	-
510 Reserved for capital activities	-	-	-	-	-	-	-	-
511 Total reserved fund balance	-	-	-	-	-	-	-	-
511.1 Restricted Net Assets	-	-	-	-	-	-	-	-
512 Undesignated fund balance/retained earnings	-	-	-	-	-	-	-	-
512.1 Unrestricted Net Assets	3,824	1,876	1,281,436	-	1,563,529	3,633,870	(1,333,940)	5,150,595
513 TOTAL EQUITY/NET ASSETS	3,824	1,876	1,386,745	-	1,563,529	8,832,801	8,978,437	20,767,212
600 TOTAL LIABILITIES and EQUITY/NET ASSETS	68,880	7,732	2,302,398	-	2,157,038	9,442,409	50,487,564	64,466,021

See the accompanying Independent Auditor's Report

Harris County Housing Authority
Financial Data Schedule-Revenue and Expenses
March 31, 2007

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	Component Units	TOTAL
Line Item #									
	REVENUE:								
703	Net tenant rental revenue	-	-	-	-	-	-	1,816,654	1,816,654
704	Tenant revenue - other	-	-	-	-	-	-	-	-
705	Total tenant revenue	-	-	-	-	-	-	1,816,654	1,816,654
706	HUD PHA operating grants	182,754	43,655	15,044,249	-	9,281,701	-	-	24,552,359
706.1	Capital Grants	-	-	-	-	-	-	-	-
708	Other government grants	-	-	25,348	-	-	474,854	-	500,202
711	Investment income - unrestricted	3,438	364	128,734	-	-	327,295	52,856	512,687
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	-	-	113,992	-	198,125	890,248	85,475	1,287,840
716	Gain or loss on the sale of fixed assets	-	-	(1,284)	-	-	-	-	(1,284)
720	Investment income - restricted	-	-	-	-	-	-	-	-
700	TOTAL REVENUE	186,192	44,019	15,311,039	-	9,479,826	1,692,397	1,954,985	28,668,458
	EXPENSES:								
	Administrative								
911	Administrative salaries	16,931	3,536	814,067	-	139,744	221,719	342,568	1,538,565
912	Auditing fees	-	2,000	23,827	-	11,069	-	-	36,896
913	Outside management fees	-	-	-	-	-	-	-	-
914	Compensated absences	-	-	15,726	-	-	-	-	15,726
915	Employee benefit contributions- administrative	1,484	310	195,349	-	30,220	27,863	-	255,226
916	Other operating- administrative	214	26	545,493	-	196,508	337,914	94,678	1,174,833
	Subtotal	18,629	5,872	1,594,462	-	377,541	587,496	437,246	3,021,246
	Tenant services								
921	Tenant services - salaries	-	-	-	-	-	-	-	-
922	Relocation costs	-	-	-	-	-	-	-	-
923	Employee benefit contributions- tenant services	-	-	-	-	-	-	-	-
924	Tenant services - other	-	-	25,348	-	2,742	-	-	28,090
	Subtotal	-	-	25,348	-	2,742	-	-	28,090
	Utilities								
931	Water	-	-	-	-	-	-	304,405	304,405
932	Electricity	-	-	-	-	-	-	-	-
933	Gas	-	-	-	-	-	-	-	-
934	Fuel	-	-	-	-	-	-	-	-
935	Labor	-	-	-	-	-	-	-	-
937	Employee benefit contributions- utilities	-	-	-	-	-	-	-	-
938	Other utilities expense	-	-	-	-	-	-	-	-
	Subtotal	-	-	-	-	-	-	304,405	304,405
	Ordinary maintenance & operation								
941	Ordinary maintenance and operations - labor	-	-	-	-	-	-	-	-
942	Ordinary maintenance and operations - materials & other	-	-	210	-	-	-	181,389	181,599
943	Ordinary maintenance and operations - contract costs	-	-	-	-	-	56,347	-	56,347
945	Employee benefit contributions- ordinary maintenance	-	-	-	-	-	-	-	-
	Subtotal	-	-	210	-	-	56,347	181,389	237,946
	Protective services								
951	Protective services - labor	-	-	-	-	-	-	-	-
952	Protective services- other contract costs	-	-	-	-	-	-	-	-
953	Protective services - other	-	-	-	-	-	-	-	-
955	Employee benefit contributions- protective services	-	-	-	-	-	-	-	-
	Subtotal	-	-	-	-	-	-	-	-

See the accompanying Independent Auditor's Report

Harris County Housing Authority
Financial Data Schedule-Revenue and Expenses
March 31, 2007

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	Component Units	TOTAL
General expenses									
961	Insurance premiums	-	-	20,517	-	3,866	28,214	-	52,597
962	Other General Expenses	-	-	9,038	-	-	82,965	1,300,649	1,392,652
963	Payments in lieu of taxes	-	-	-	-	-	-	-	-
964	Bad debt - tenant rents	-	-	-	-	-	-	-	-
965	Bad debt- mortgages	-	-	-	-	-	-	-	-
966	Bad debt - other	-	-	10,163	-	-	-	-	10,163
967	Interest expense	-	-	-	-	-	-	1,189,039	1,189,039
968	Severance expense	-	-	-	-	-	-	-	-
	Subtotal	-	-	39,718	-	3,866	111,179	2,489,688	2,644,451
969	TOTAL OPERATING EXPENSES	18,629	5,872	1,659,738	-	384,149	755,022	3,412,728	6,236,138
970	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	167,563	38,147	13,651,301	-	9,095,677	937,375	(1,457,743)	22,432,320
971	Extraordinary maintenance	-	-	-	-	-	-	-	-
972	Casualty losses - non-capitalized	-	-	-	-	-	-	-	-
973	Housing assistance payments	163,739	37,806	13,340,616	-	7,827,001	-	-	21,369,162
974	Depreciation expense	-	-	34,021	-	-	1,957	1,489,038	1,525,016
975	Fraud losses	-	-	-	-	-	-	-	-
976	Capital outlays- governmental funds	-	-	-	-	-	-	-	-
977	Debt principal payment- governmental funds	-	-	-	-	-	-	-	-
978	Dwelling units rent expense	-	-	-	-	-	-	-	-
900	TOTAL EXPENSES	182,368	43,678	15,034,375	-	8,211,150	756,979	4,901,766	29,130,316
OTHER FINANCING SOURCES (USES)									
1001	Operating transfers in	-	-	573,900	-	-	-	-	573,900
1002	Operating transfers out	-	-	-	(546,076)	-	(27,824)	-	(573,900)
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)	-	-	-	-	-	-	-	-
1010	TOTAL OTHER FINANCING SOURCES (USES)	-	-	573,900	(546,076)	-	(27,824)	-	-
1000	EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPE	3,824	341	850,564	(546,076)	1,268,676	907,594	(2,946,781)	(461,858)
MEMO account information									
1101	Capital contributions	-	-	-	-	-	-	5,169,028	5,169,028
1102	Debt principal payments- enterprise funds	-	-	-	-	-	-	-	-
1103	Beginning equity	-	1,535	640,994	546,076	185,287	7,929,960	6,756,190	16,060,042
1104	Prior period adjustments, equity transfers and correction of errors	-	-	(104,813)	-	109,566	(4,753)	-	-
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"	-	-	-	-	-	-	-	-
1113	Maximum annual contributions commitment (per ACC)	-	-	-	-	-	-	-	-
1114	Prorata maximum annual contributions applicable to a period < 12 months	-	-	-	-	-	-	-	-
1115	Contingency reserve, ACC program reserve	-	-	-	-	-	-	-	-
1116	Total annual contributions available	-	-	-	-	-	-	-	-
1117	Administrative Fee Equity	-	-	20,237	-	-	-	-	-
1118	HAP Equity	-	-	1,351,915	-	-	-	-	-
1120	Unit months available	504	96	22,080	-	9,615	3,753	-	36,048
1121	Number of unit months leased	502	88	21,960	-	9,615	3,753	-	35,918

See the accompanying Independent Auditor's Report