
HARRIS COUNTY HOUSING AUTHORITY

REPORT ON FINANCIAL STATEMENTS
(With Supplemental Material)

FOR THE YEAR ENDED MARCH 31, 2011

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

TABLE OF CONTENTS

Independent Auditors' Report	1-2
Management's Discussion & Analysis	3-8
Financial Statements	
Statement of Net Assets	9
Statement of Revenues, Expenses, and Changes in Net Assets	10
Statement of Cash Flows	11-12
Notes to Financial Statements	13-33
Report on Compliance and Internal Control over Financial Reporting	35
Report on Compliance and Internal Control over Major Programs	37-38

REQUIRED SUPPLEMENTARY INFORMATION

Budget Comparison-All Programs	41
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SUPPLEMENTAL SCHEDULES

Schedule of Findings and Questioned Costs	45
Schedule of Expenditures of Federal Awards	46
Financial Data Schedule	47-52

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RICHARD W. BREEDLOVE, CPA
President

INDEPENDENT AUDITORS' REPORT

June 15, 2011

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, 2011, which collectively comprise the PHA's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the PHA's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not audit the financial statements of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units, is based solely on the reports of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the component units of Harris County Housing Authority, as of March 31, 2011, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2011, on our consideration of the Harris County Housing Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and page 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain

limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Harris County Housing Authority taken as a whole. The accompanying financial data schedule and the other supplemental information, as well as the accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis or as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Breallone & Co., P.C.

Harris County Housing Authority
Management's Discussion and Analysis (MD&A)
March 31, 2011

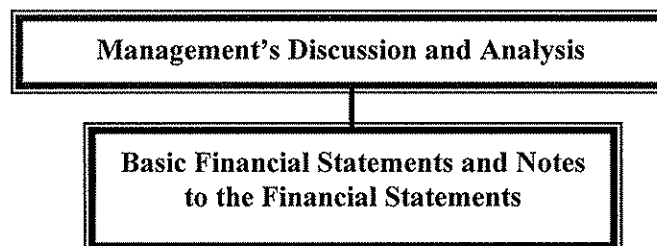
As management of the Harris County Housing Authority (the "Authority"), we offer the readers of the Authority's financial statements this narrative overview and analysis of our financial activities for the year ended March 31, 2011. We encourage readers to consider the information presented here in conjunction 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.

Based on criteria prescribed by accounting principles generally accepted in the United States of America, the Authority is not considered a component unit of any other entity. The County's Commissioners Court appoints all of the Authority's commissioners and may remove commissioners under LGC Chapter 392, however, the Authority has complete legislative and administrative authority and it recruits and employs personnel.

The Authority presents this discussion and analysis of its financial performance during the fiscal year (FY) ended March 31, 2011, to assist the reader in focusing on significant issues and concerns.

The Authority's FY2011 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.

Financial Highlights for FY2011

- The Authority's assets exceeded its liabilities as of March 31, 2011 by \$36,274,870 (net assets).

Harris County Housing Authority
Management's Discussion and Analysis (MD&A)
March 31, 2011

Financial Highlights for FY2011 (continued)

- Unrestricted Cash and Investments as of March 31, 2011 were \$7,395,958.
- The Authority had \$48,502,934 in HUD grant revenue for the year ended March 31, 2011.
- The Authority had total expenses of \$47,710,128 for the year ended March 31, 2011, of which \$38,834,690 was for Housing Assistance Payments (HAP).
- The Authority's total net assets increased by \$4,697,857 during the year.

Overview of the Financial Statements

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

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

Authority Financial Analysis

Over time, significant changes in the net assets are an indicator of whether the Authority's financial health is improving or deteriorating. Assets exceed liabilities by \$36,274,870 at the close of the fiscal year ended March 31, 2011, 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, 2011

Net Assets

Description	March 31, 2011	March 31, 2010	Increase (Decrease)
Current Assets	\$ 13,355,525	\$ 29,189,428	\$ (15,833,903)
Restricted Assets	3,825,801	649,316	3,176,485
Notes Receivable	4,496,420	4,496,420	-
Investment in Partnership	343,940	343,940	-
Fixed assets	21,240,623	18,411,465	2,829,158
Total assets	43,262,309	53,090,569	(9,828,260)
Noncurrent liabilities	1,131,438	885,731	245,707
Current liabilities	5,856,001	20,627,825	(14,771,824)
Total liabilities	6,987,439	21,513,556	(14,526,117)
Net assets	\$ 36,274,870	\$ 31,577,013	\$ 4,697,857

Net Asset Categories

Description	March 31, 2011	March 31, 2010	Increase (Decrease)
Invested in capital assets	\$ 20,239,807	\$ 18,310,271	\$ 1,929,536
Restricted for program costs	3,731,037	548,122	3,182,915
Unrestricted	12,304,026	12,718,620	(414,594)
Total net assets	\$ 36,274,870	\$ 31,577,013	\$ 4,697,857

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, Neighborhood Stabilization Program (NSP), and Community Development Block Grant funds provided by the Harris County Community Services Department. This unique public/public partnership is well positioned to meet the needs of affordable housing in the unincorporated areas of Harris County. This has enabled the Authority to develop six (6) senior Low Income Housing Tax Credit developments. In 2011 the Authority will build one (1) CDBG/HOME development and one (1) Tax Credit development.

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

Harris County Housing Authority
Management's Discussion and Analysis (MD&A)
March 31, 2011

Change in Net Assets
(000's)

Description	March 31, 2011	March 31, 2010	Increase (Decrease)
<i>Revenues – Operating</i>			
HUD PHA Grants	\$ 48,503	\$ 64,778	\$ (16,275)
Other Government Grants	2,126	3,644	(1,518)
Ground lease revenue	71	71	-
Other Revenue	1,345	1,295	50
Total Operating Revenues	52,045	69,788	(17,743)
<i>Expenses</i>			
Housing assistance payments	38,835	48,292	(9,457)
Salaries and benefits	3,444	4,029	(585)
Office expense	2,957	10,303	(7,346)
Tenant services	1,367	2,993	(1,626)
Interest expense-notes payable	-	45	(45)
General	501	104	397
Depreciation	606	678	(72)
Total expenses	47,710	66,444	(18,734)
Net Income (Loss) from Operations	4,335	3,344	991
<i>Non-operating revenues (expenses)</i>			
Interest income-unrestricted	84	159	(75)
Interest income-unrestricted Components Units	256	256	-
Interest income-restricted	-	23	(23)
Gain (loss) on sale of net assets	22	2	20
Total Non-operating revenues	362	440	(78)
Change in Net Assets	4,697	3,784	913
Net Assets April 1	31,577	27,793	3,784
Net Assets March 31	\$ 36,274	\$ 31,577	\$ 4,697

Harris County Housing Authority
Management's Discussion and Analysis (MD&A)
March 31, 2011

Budgets

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

Section 8 Occupancy Report Information	March, 2011	March, 2010
<i>HUD Awarded Units</i>		
Housing Choice Voucher Program (HCVP)		
Unit Months Available	46,629	43,034
Moderate rehabilitation-Unit Months Available	96	96
Total awarded/budgeted	46,725	43,130
<i>Leased Units</i>		
HCVP Unit Months Leased	44,539	41,931
Moderate rehabilitation Unit Months Leased	88	94
Total actual	44,627	42,025
 Year to date average percentage leased	 96%	 96%
Difference - awarded/budgeted vs. leased	2,098	1,105

Fixed Assets

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

Fixed Assets			
Description	March 31, 2010	Net Additions/(Deletions)	March 31, 2011
Land	\$ 14,312,569		\$ 14,312,569
Leasehold Improvements	1,915,894	136,902	2,052,796
Furniture and Equipment	953,764	3,268	957,032
Construction in Progress	2,468,730	3,249,328	5,718,058
Accumulated Depreciation	(1,239,492)	(560,340)	(1,799,832)
Total	\$ 18,411,465	\$ 2,829,158	\$ 21,240,623

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, 2011.

Harris County Housing Authority
Management's Discussion and Analysis (MD&A)
March 31, 2011

Economic Factors and Next Year's Budget

Significant economic factors affecting the Authority are as follows:

- Federal funding of the U.S. Department of Housing and Urban Development
- Disaster Housing Assistance Program (DHAP)
- 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 – May 2011
<i>HUD Awarded Units</i>	
HCVP Unit Months Available	7,778
Moderate rehabilitation-Unit Months Available	16
Total awarded/budgeted	7,794
<i>Leased Units</i>	
HCVP Unit Months Leased	7,506
Moderate rehabilitation Unit Months Leased	16
Total actual	7,522
Year to date average percentage leased	97%
Difference - awarded/budgeted vs. leased	272

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 eight (8) years.

Contacting the Authority's Financial Management

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

HARRIS COUNTY HOUSING AUTHORITY

STATEMENT OF NET ASSETS MARCH 31, 2011

ASSETS	Housing Enterprise Fund	Component Units
Current Assets		
Cash and cash equivalents	\$ 7 395 958	\$ 832 863
Accounts receivable	-	47 117
Accounts receivable - other government	594 942	-
Accounts receivable - HUD	1 534 357	-
Accounts receivable - misc	2 648 378	26 990
Allowance for doubtful accounts	(7 718)	-
Accrued interest receivable from Component Units	1 186 753	-
Prepaid assets	2 855	2 002 998
Other assets	-	505 115
Total current assets	<u>13 355 525</u>	<u>3 415 083</u>
Restricted assets		
Cash and cash equivalents - restricted	<u>3 825 801</u>	<u>2 355 124</u>
Total restricted assets	<u>3 825 801</u>	<u>2 355 124</u>
Noncurrent assets		
Investment in partnerships	343 940	-
Notes receivable - Component Units	4 496 420	-
Intangible assets net of accumulated amortization	-	2 536 770
Fixed assets net of accumulated depreciation	15 522 565	63 089 055
Construction in progress	<u>5 718 058</u>	<u>-</u>
Total noncurrent assets	<u>26 080 983</u>	<u>65 625 825</u>
Total Assets	<u>\$ 43 262 309</u>	<u>\$ 71 396 032</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 5 080 419	\$ 4 254 949
Accrued wages and payroll taxes payable	195 662	-
Housing assistance payable	57 377	-
Accrued interest payable to HCHA	-	1 132 932
Current portion of long term debt	-	100 000
Deferred revenue	<u>522 543</u>	<u>-</u>
Total current liabilities	<u>5 856 001</u>	<u>5 487 881</u>
Noncurrent liabilities		
Family self sufficiency liabilities	94 764	-
Accrued compensated absences	35 858	-
Notes payable	1 000 816	-
Mortgage notes payable-HCHA	-	4 496 420
Mortgage notes payable	<u>-</u>	<u>37 900 450</u>
Total noncurrent liabilities	<u>1 131 438</u>	<u>42 396 870</u>
Total Liabilities	<u>6 987 439</u>	<u>47 884 751</u>
Net Assets		
Invested in capital assets, net of related debt	20 239 807	23 228 955
Restricted	3 731 037	2 355 124
Unrestricted	<u>12 304 026</u>	<u>(2 072 798)</u>
Total Net Assets	<u>36 274 870</u>	<u>23 511 281</u>
Total Liabilities and Net Assets	<u>\$ 43 262 309</u>	<u>\$ 71 396 032</u>

See the Accompanying Notes to Financial Statements

HARRIS COUNTY HOUSING AUTHORITY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS FOR THE YEAR ENDED MARCH 31, 2011

	Housing Enterprise Fund	Component Units
Operating Revenues		
Rental income	\$ -	\$ 6 385 505
HUD PHA grants	48 502 934	-
Ground lease revenues	71 000	-
Other government grants	2 126 385	-
Other revenues	1 345 498	136 317
Total Operating Revenues	<u>52 045 817</u>	<u>6 521 822</u>
Operating Expenses		
Housing assistance payments	38 834 690	-
Salaries and benefits	3 444 356	1 018 574
Office expense	2 957 068	-
Tenant services	1 366 502	-
Maintenance	-	662 425
General	501 488	2 434 171
Interest expense-mortgages	-	813 173
Interest expense-notes payable	-	465 550
Depreciation and amortization	606 024	3 064 452
Total Operating Expenses	<u>47 710 128</u>	<u>8 458 345</u>
Net Income (Loss) from Operations	<u>4 335 689</u>	<u>(1 936 523)</u>
Non-operating revenues (expenses)		
Interest income-unrestricted	84 463	7 006
Interest income-unrestricted from Component Units	255 919	-
Interest income-restricted	-	-
Gain (loss) on sale of fixed assets	21 786	-
Total Non-operating revenues (expenses)	<u>362 168</u>	<u>7 006</u>
Change in Net Assets	4 697 857	(1 929 517)
Total Net Assets-Beginning of Period	31 577 013	24 443 210
Capital Contributions	-	997 588
Total Net Assets - End of Period	<u>\$ 36 274 870</u>	<u>\$ 23 511 281</u>

See the Accompanying Notes to Financial Statements

HARRIS COUNTY HOUSING AUTHORITY

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2011

	Housing Enterprise Fund
Cash Flows from Operating Activities:	
Cash Received:	
Receipts from HUD - grants	\$ 48 502 934
Other government grants	2 126 385
Ground lease revenue	71 000
Other revenue	1 345 498
Cash paid:	
Administrative and general	(6 076 752)
Salaries and benefits	(3 363 045)
Deferred revenue	(12 718 272)
Housing assistance payments	(38 834 690)
Net cash used by operating activities	(8 946 942)
Cash Flow from Capital and Related Financing Activities:	
Cash received for notes, loans and mortgages payable	362 052
Cash received for sale of fixed assets	21 786
Cash paid for net fixed asset additions	(3 389 498)
Net cash used for capital and related financing activities	(3 005 660)
Cash Flow from Investing Activities	
Cash received for interest income-unrestricted	102 547
Cash received for interest income-restricted	-
Cash received for investments	3 001 300
Net cash provided by investing activities	3 103 847
Net Increase (Decrease) In Cash and Cash Equivalents	(8 848 754)
Cash and Cash Equivalents At Beginning of Year	20 070 514
Cash and Cash Equivalents At End of Year	\$ 11 221 759

See the Accompanying Notes to Financial Statements

HARRIS COUNTY HOUSING AUTHORITY

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2011 (Continued)

	Housing Enterprise Fund <u>(memo only)</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Net Income (Loss) from Operations	\$ 4 335 689
Noncash Changes to Income:	
Depreciation	560 340
Changes in Assets and Liabilities:	
Net (Increase) Decrease in Assets:	
Accounts receivable-net	1 029 561
Other assets	15 637
Net Increase (Decrease) in Liabilities:	
Accounts payable	(1 040 820)
Accrued personnel costs, including benefits	81 311
Deferred revenue	(13 747 833)
Other current liabilities	<u>(180 827)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (8 946 942)</u>
 Interest Expense-Notes Payable	 <u>\$ -</u>

See the Accompanying Notes to Financial Statements

HARRIS COUNTY HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2011

NOTE (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

HARRIS COUNTY HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2011

(Continued)

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 was extended through February 28, 2010, with updates and modifications. At February 28, 2010, the Interlocal Agreement was not extended.

Reporting Entity – The PHA's financial statements include all of its accounts and activities. Under LGC Chapter 392, the PHA is a separate unit of government. Based on criteria prescribed by accounting principles generally accepted in the United States of America, the PHA is no longer considered a component unit of the County or any other entity. The Court appoints all PHA commissioners and may remove commissioners under LGC Chapter 392 however, the PHA has complete legislative and administrative authority and it recruits and employs personnel.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the financial reporting entity are based on criteria prescribed by accounting principles generally accepted in the United States of America. These same criteria are evaluated in considering whether the PHA is a part of any other governmental or other type of reporting entity. As noted above, the PHA is not considered a component unit of any other entity.

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

- Section 8 Housing Choice Voucher Program –
CFDA No. 14.871 - Grant number - TX441V00043053
- Lower Income Housing Assistance Program
Section 8 Moderate Rehabilitation –
CFDA No. 14.856 - Grant number - TX441MR0003
- Section 8 Moderate Rehabilitation
Single Room Occupancy (SRO) Program –
CFDA No. 14.249 - Grant number - TX441SR0001
- Veteran's Assistance Supportive Housing Program –
CFDA No. 14.VSH - Grant number - TX441VA
- Neighborhood Stabilization Program (NSP)(passed through the County) –
CFDA No. 14.228 - Grant number - C0859
- Community Development Block Grants (CDBG)(passed through the County) –
CFDA No. 14.218 - Grant number - P0710

All programs are accounted for in the Housing Enterprise Fund. See Note 4 for additional disclosure related to compliance with these HUD grants.

HARRIS COUNTY HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2011

(Continued)

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

Reporting Entity (continued) – For the fiscal year ending March 31, 2011, the PHA also received additional funding under the Disaster Voucher Program, and various Disaster Housing Assistance Programs. These are also accounted for in the Housing Enterprise Fund.

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

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

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

Discretely Presented Component Units – The component unit column in the basic financial statements includes the financial data of the PHA's discrete component units. These units are reported in a separate column to emphasize that they are legally separate from the PHA and are governed by separate Boards. See Note 15 for additional details relating to the PHA's relationship with the component units.

The Partnerships' included in the component units column include: Cornerstone Village Apartments, L.P., Louetta Village Apartments 45, L.P., Baybrook Park Retirement Center, Ltd., TX Bammel Housing L.P., Waterside Court, Ltd., and Olive Grove Manor, Ltd. Each partnership has developed apartment complexes and has set aside a predetermined number of units specifically for low to moderate income housing. The fiscal yearend for the discretely presented component units is December 31, 2010. As the general partner of the partnerships, the PHA receives the audited financial statements for the partnerships. Therefore, complete financial statements for each of the Limited Partnerships can be obtained from Chief Financial Officer, Harris County Housing Authority, 8933 Interchange Drive, Houston, TX 77054.

Blended Component Units - In the fiscal year ended March 31, 2010, the PHA formed an LLC for the development of Cypresswood Estates. For financial reporting purposes, Cypresswood Estates is included in the operations and activities of the PHA as a blended component unit.

HARRIS COUNTY HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2011

(Continued)

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

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

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

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

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

GASB 53, *Accounting and Financial Reporting for Derivative Instruments* addresses the recognition, measurement, and disclosure of information regarding derivative instruments. The PHA has no derivative instruments at this time.

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. Certificates of Deposit are considered cash equivalents regardless of their maturity date. All investments are recorded at fair value based upon quoted market prices as of the PHA's fiscal year end, with the difference between the purchase price and market price being recorded as interest income.

HARRIS COUNTY HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2011

(Continued)

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

Restricted Assets – Certain assets of the PHA are required to be segregated based on HUD Section 8 grant requirements. These assets are legally restricted for certain purposes, including HUD Family Self-Sufficiency program deposits.

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

Prepaid Items – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Fixed Assets – Fixed assets include leasehold improvements made to the building the PHA is leasing and equipment used in the PHA'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 PHA has no infrastructure assets.

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

Impairment of Long-Lived Assets – In accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, the PHA reviews its assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. No asset impairment losses have been recognized during the year ended March 31, 2011.

HARRIS COUNTY HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2011

(Continued)

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

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

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

All employees of the PHA are covered by workers' compensation program insurance. Premiums on workers' compensation are determined by position class code, at actuarially determined rates.

The PHA provides medical, dental, vision and basic life and disability insurance to eligible employees. The PHA's group insurance premiums, as well as employee payroll deductions for premiums for dependents and optional coverages, are paid 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. Eligible employees earn 10 days of sick leave per year. Sick leave benefits are recognized as they are used by the employees. Employees may accumulate up to 60 calendar days of sick leave benefits. Unused sick leave benefits are not paid at termination. Eligible employees accrue from two to five weeks of vacation per year, depending on years of service. Employees may accumulate up to two times the annual vacation amount. Employees will be paid for unused vacation time upon termination. A liability for vacation earned, but not taken, has been recorded.

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

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

HARRIS COUNTY HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2011

(Continued)

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

Other Long Term Obligations – Long-term debt and other long-term obligations are reported as liabilities in the proprietary fund statements. The face amount of debt issued is reported as other financing sources.

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

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

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

NOTE (2) DEPOSITS AND INVESTMENTS

Deposits:

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

Investments:

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

HARRIS COUNTY HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2011

(Continued)

NOTE (2) DEPOSITS AND INVESTMENTS (Continued)

The PHA's Investment policy is reviewed and approved annually by the Board of Commissioners. The Investment Policy includes a list of authorized investment instruments. In accordance with the Money Market Mutual Fund agreement with Amegy bank, the PHA's daily balance is used to purchase shares of Fidelity Institutional Money Market Government Portfolio Class I (FIGXX). Fidelity Institutional Money Market Government Portfolio Class I is ranked by Lipper as No. 29 out of 164 U.S. Government Money Market Funds for its one year performance, No. 4 out of 126 funds for its five year performance and No. 5 out of 77 funds for its 10 year performance. It is ranked Aaa by Moody's.

Authorized Investments:

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

1. Direct obligations of the Federal Government which are backed by the full faith and credit of the United States.
2. Obligations of Federal Government Agencies.
3. Securities of Federal Government sponsored Agencies.
4. Demand and savings deposits at commercial banks, mutual savings banks, savings and loan associations and credit unions if deposits are insured by either the Federal Deposit Insurance corporation (FDIC) or the National Credit Union Share Insurance Fund (NCUSIF).
5. Municipal depository fund or local government investment pool established by the State of Texas or other State chartered municipality as long as the securities purchased meet certain requirements.
6. Money market deposit accounts not to exceed 30 percent of invested funds at depository institutions that may not be insured fully by the FDIC or NCUSIF provided that the certificates are fully backed by 100 percent collateral consisting of securities backed by the federal government and when amounts exceed the \$250,000 insurance limitation.
7. Super NOW accounts as long as they meet the insurance and collateral requirements.
8. Certificates of deposit issued by institutions that are insured by an agency of the Federal Government. Certificates can exceed the \$250,000 federal insurance limitation provided that the excess is 100 percent collateralized by clearly identified U.S. Government securities.
9. Repurchase agreements for a term not to exceed 30 days when issued by federally insured depositories for securities insured by the U.S Government and provided that the seller meets the additional requirements of HUD Notice PIH 96-33 as extended.
10. Sweep accounts provided that the agreements include all the requirements applicable to any of the above.

Cash and Investments:

The PHA had cash and cash equivalents of \$11,221,759 as of March 31, 2011. In accordance with the Money Market Mutual Fund Agreement with Amegy Bank, the entire amount in the sweep investment account purchases shares in Fidelity Institutional Money Market Government Portfolio Class I fund. This portfolio invests at least 80% of assets in U.S. Government securities and repurchase agreements for those securities, issued by entities that are chartered or sponsored by Congress but whose securities are neither issued nor guaranteed by the U.S. Treasury. Amegy Bank has provided assurance that the funds are invested in accordance with the PHA's investment policy.

HARRIS COUNTY HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2011

(Continued)

NOTE (2) DEPOSITS AND INVESTMENTS (Continued)

Restricted Cash:

The PHA had \$3,825,801 in restricted cash at March 31, 2011. The balance consists of \$3,731,037 restricted for future Housing Assistance Payments (see Note 10) and \$94,764 restricted for payment of the liability for Family Self-sufficiency.

RISK DISCLOSURES

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

Concentration of Credit Risk: At March 31, 2011, the PHA has a sweep agreement which invested more than 30 percent of funds in a Money Market Mutual Fund. The balances were not backed by collateral for amounts exceeding the \$250,000 FDIC insurance limitation.

Custodial Credit Risk: Custodial credit risk is the risk that an entity will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party if the counterparty fails. Of the PHA's \$11,221,759 in cash and cash equivalents at March 31, 2011, \$10,714,194 is held in an investment account with one counterparty.

HARRIS COUNTY HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2011

(Continued)

NOTE (3) FIXED ASSETS

Fixed asset activity, for the year ended March 31, 2011, was as follows:

Harris County Housing Authority

	Balances	Additions		Balances
	April 1, 2010	(Dispositions)	Depreciation	March 31, 2011
Land	\$ 14 312 569	\$ -	\$ -	\$ 14 312 569
Leasehold Improvements	1 915 894	136 902	-	2 052 796
Furniture and Equipment	953 764	3 268	-	957 032
Construction in progress	2 468 730	3 249 328	-	5 718 058
Accumulated Depreciation	(1 239 492)	-	(560 340)	(1 799 832)
Totals	<u>\$ 18 411 465</u>	<u>\$ 3 389 498</u>	<u>\$ (560 340)</u>	<u>\$ 21 240 623</u>
Housing Vouchers				\$ 237 774
Disaster Housing Assistance Program				338 019
DHAP-Ike				533 333
Affordable Housing				15 216 823
Cypresswood Estates				4 914 674
				<u>\$ 21 240 623</u>

Depreciation expense, for the year ended March 31, 2011 totaled \$606,024.

Component Units

	Balances	Additions	Depreciation/	Balances
	January 1, 2010	(Dispositions)	Amortization	December 31, 2010
Land	\$ 170 305	\$ -	\$ -	\$ 170 305
Land and Site Improvements	11 010 537	-	-	11 010 537
Buildings	59 718 462	-	-	59 718 462
Furniture and Equipment	2 037 827	-	-	2 037 827
Personal Property	2 170 024	-	-	2 170 024
Commercial Space	74 031	-	-	74 031
Intangible Assets Net of				
Amortization	2 648 219	-	(111 449)	2 536 770
Accumulated Depreciation	(9 164 160)	-	(2 927 971)	(12 092 131)
Totals	<u>\$ 68 665 245</u>	<u>\$ -</u>	<u>\$ (3 039 420)</u>	<u>\$ 65 625 825</u>

HARRIS COUNTY HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2011

(Continued)

NOTE (4) HOUSING AND URBAN DEVELOPMENT PROGRAMS

SECTION 8 HOUSING CHOICE VOUCHER PROGRAM

A majority of the PHA's operations are funded from HUD Section 8 Housing Choice Voucher Program (HCVP) grant funds. For the fiscal year ended March 31, 2011, the PHA had total HUD Section 8 grant revenues of \$37,008,773 of which \$36,071,757 was for HCVP including revenues related to the Disaster Voucher Program (DVP). The PHA's total HAP payments for the fiscal year ended March 31, 2011 were \$31,005,729 of which \$30,579,598 was for HCVP including HAP payments related to the Disaster Voucher Program (DVP). For the current year, the PHA has \$28,808 in unclaimed HAP checks to qualified recipients. The PHA also has a liability for \$94,764 for the Family Self Sufficiency program of HCVP that was discontinued in the fiscal year ending March 31, 2005.

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

AFFORDABLE HOUSING AND HOME GRANT FUNDS

The County's Community and Economic Development Department has awarded the PHA over \$6 million from the HUD HOME Investment Partnerships Program, Neighborhood Stabilization Program, and Community Development Block Grants for the purpose of acquiring and co-developing affordable housing for seniors and families using the federal Low Income Housing Tax Credit program. The PHA has participated with for-profit developers to create more than 178 units of affordable Intergenerational Housing in the unincorporated areas of the County over the last 24 months. The objectives of the PHA in participating in this program are to facilitate affordable housing and provide additional revenue to support housing programs from ground lease revenue and rental on the facilities after an initial development recovery period.

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

The primary objective of the Community Development Block Grants (CDBG) is to develop viable urban communities by providing decent housing, a suitable living environment, and expanded economic opportunities, principally for persons of low and moderate income. This objective is to be achieved in two ways. First, the funds can only be used to assist eligible activities that meet one of three national objectives of the program: benefit low and moderate-income persons, aid in the prevention or elimination of slums and blight, or meet community development needs having a particular urgency. Second, at least 70 percent of its funds must be spent over a period of up to three years for activities that address the national objective of benefiting low- and moderate-income persons. The CDBG regulations, guidelines and literature are found in 24 CFR part 570.

HARRIS COUNTY HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2011

(Continued)

NOTE (4) HOUSING AND URBAN DEVELOPMENT PROGRAMS (Continued)

AFFORDABLE HOUSING AND HOME GRANT FUNDS (Continued)

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.

DISASTER HOUSING ASSISTANCE PROGRAMS (DHAP)

In late 2007, the Department of Housing and Urban Development (HUD) took over disaster housing assistance from the Federal Emergency Management Agency (FEMA). HUD contracted with the PHA to administer 6,667 of these vouchers in the Houston area. The PHA identified this program as DHAP-HCHA. The agreement allowed the PHA to receive \$1,000 (One-thousand dollars) per voucher for placement fees in addition to case management fees, administrative fees and reimbursement for housing assistance payments.

This program was expected to end on March 1, 2009 but HUD provided for transitional rent payments through October 2009. In the fiscal year ending March 31, 2011, there was no income recognized for this program. The PHA calculated the amount not earned under this program in the fiscal year ended March 31, 2011, and reimbursed HUD \$3,445,737 for unearned placement fees and housing assistance payments on April 19, 2010. This amount was included in deferred revenue in the prior fiscal year.

In addition to the vouchers issued by HUD for disaster assistance in the Houston area, the PHA also agreed to administer approximately 994 disaster vouchers for victims that have relocated to other parts of the United States. The PHA identified this program as DHAP-USA. The agreement with HUD for administration of this program is the same as the agreement for administering the Houston area program. In the fiscal year ending March 31, 2011, there was no income recognized for this program. The PHA calculated the amount not earned under this program in the fiscal year ended March 31, 2011, and HUD \$2,262,719 for unearned placement fees and housing assistance payments on April 19, 2010. This amount was included in deferred revenue in the prior fiscal year.

At March 31, 2008, HUD contracted with the PHA to administer the Disaster Housing Assistance Program Housing for the Housing Authority's of Slidell, Jefferson Parish, St. Bernard Parish and New Orleans Phase 2B. In the fiscal year ending March 31, 2011, there was no income recognized for these programs. This program was expected to end on March 1, 2009 but HUD provided for transitional rent payments through October 2009. The PHA calculated the amount not earned under this program in the fiscal year ended March 31, 2011, and reimbursed HUD \$503,938, \$1,616,916, \$138,537 and \$0, respectively, for unearned placement fees and housing assistance payments on April 6, 2010. These amounts were included in deferred revenue in the prior fiscal year.

HARRIS COUNTY HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2011

(Continued)

NOTE (4) HOUSING AND URBAN DEVELOPMENT PROGRAMS (Continued)

DISASTER HOUSING ASSISTANCE PROGRAMS (DHAP) (Continued)

On September 13, 2008, Hurricane Ike hit the greater Houston-Galveston area and caused much destruction. To respond to the increased need for housing, HUD developed a disaster housing assistance program known as DHAP-Ike. The program is very similar to the original Disaster Housing Assistance Program. HUD assistance for victims of Hurricane Ike was extended through October 31, 2011.

HUD contracted with the PHA to administer 4,966 of these vouchers in the Houston area. The PHA identifies this program as DHAP-Ike. The agreement allows the PHA to receive \$1,000 (One-thousand dollars) per voucher for placement fees in addition to case management fees, administrative fees and reimbursement for housing assistance payments. In the fiscal year ending March 31, 2011, the PHA has recognized income of \$1,640,132 in administrative fees and \$173,000 of placement fees. The PHA has also recognized income of \$7,151,421 for reimbursement of housing assistance payments and \$1,432,800 of case management reimbursements. A total of \$68,972 of payments received from HUD for the operation of DHAP-Ike has not yet been earned by the PHA and is included in deferred revenue.

In addition to the vouchers issued by HUD for Hurricane Ike disaster assistance in the Houston area, the PHA also agreed to administer approximately 1,085 disaster vouchers for victims that have relocated to other parts of Texas. The PHA identifies this program as DHAP-Ike TX. The agreement with HUD for administration of this program is the same as the agreement for administering the Houston area program. In the fiscal year ending March 31, 2011, the PHA has recognized income of \$174,969 in administrative fees and \$29,000 of placement fees. The PHA has also recognized income of \$677,540 for reimbursement of housing assistance payments reimbursements and \$164,300 of case management reimbursements. A total of \$34,491 of payments received from HUD for the operation of the DHAP-Ike-TX has not yet been earned by the PHA and is included in deferred revenue.

NOTE (5) DISASTER HOUSING ASSISTANCE PROGRAM ADMINISTRATION AGREEMENT

The PHA entered into an agreement with Mir, Fox & Rodriguez, P.C., for project management of the DHAP programs for the PHA. Under the agreement, Mir, Fox & Rodriguez implemented project management components including; planning and designing the social service and case management core processes, coordinating education, communication and training, monitoring and control of the program among other things. The PHA has a balance of \$692,741 in advanced Housing Assistance Payments with Mir Fox Rodriguez at March 31, 2011. Advances are included in Accounts Receivable-Miscellaneous in the Housing Enterprise Fund.

HARRIS COUNTY HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2011

(Continued)

NOTE (6) HURRICANE IKE DAMAGE ASSESSMENT

The Harris County Housing Authority conducted four eligible FEMA activities during Hurricane Ike and is currently working with the State of Texas and FEMA regarding FEMA reimbursement.

The four items are:

Point of Distributions (PODs) – Harris County Housing Authority, through chapter 392 of the state and local government code ask PHA's to respond to housing needs. The PHA coordinated POD sites in the greater Houston area during Hurricane Ike. This coordination included project management and providing support staff at site locations as necessary. As project manager, the PHA also coordinated the quantity of food supplies to be delivered to the POD sites, security and law enforcement resources, volunteers and timely reporting of activities at each site location. The PHA also provided timely information to local officials regarding selection and closures of new and existing site locations based on demand and needs.

Social Service Senior Assistance – The Social Service Senior Assistance Project was implemented to assist Harris County Senior Tax Credit housing locations with (1) daily hot meals twice per day, along with water and ice, (2) social service needs assessment to determine health status and other immediate needs and (3) identification of other residential locations if necessary. The PHA kept seniors safe for a period of two weeks with food, water and special needs to low-income housing tax credit properties in Harris County.

The Housing Services Center – The Housing Services Center (HSC) was developed by the PHA to assist FEMA in the hard hit Southeast region of Harris County. The HSC was designed to provide (1) FEMA Registration for affected residents, (2) on-site social services for referrals and (3) short-term housing information (e.g. up-to-date listing of hotels). The HSC was requested by area mayors of 7 cities to assist residents that did not have electricity or operating phones.

Emergency Assessment and life saving triage – The PHA organized and trained 120 emergency safety inspectors to protect life and property in Harris County. This was in accordance with chapter 392 of the local government code and is in line with FEMA regulations to help citizens immediately after a disaster. The PHA conducted this assessment throughout all of Harris County. However, the PHA may only be eligible for reimbursement of expenditures for the unincorporated areas of Harris County and those cities in Harris County without a PHA. The estimated re-imbursement from FEMA is three million dollars (\$3,000,000).

HARRIS COUNTY HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2011

(Continued)

NOTE (7) ACCOUNTS RECEIVABLE

The main components of Accounts Receivable-miscellaneous are \$797,599 of Security and Utility deposit assistance payments that are to be refunded to the PHA when tenants exit the Disaster Housing Assistance Program and \$677,010 of developer fees.

NOTE (8) NOTES RECEIVABLE AND ACCRUED INTEREST RECEIVABLE

The PHA has Subordinate Promissory Notes with the Partnerships that were funded with pass through funds from HOME Grants. The loans accrue interest on the outstanding balances at the applicable federal interest rate (AFR) in effect at the time of the loan and mature on varying dates between the years of 2027 and 2038. As of March 31, 2011, total outstanding principal and accrued interest on these loans were \$4,496,420 and \$1,186,753, respectively.

NOTE (9) LEASES

Effective September 1, 2007, the PHA entered into a lease for office space at 8933 Interchange Dr., Houston, TX to operate the Disaster Housing Assistance Program. The lease term is sixty (60) months and expires August 31, 2012. The PHA moved their administrative offices to this site in March 2009. Mir, Fox & Rodriguez, P.C. made the payments on the lease in accordance with the administrative contract as described in Note 5 through February 2010. For the year ending March 31, 2011 the base rent was \$25,847 per month.

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

<u>Year ending March 31,</u>	
2012	\$ 327 645
2013	<u>141 651</u>
Total	<u>\$ 469 296</u>

Effective November 7, 2008, the PHA entered into a lease for office space at 8950 Kirby Drive, Houston, TX to operate the Disaster Housing Assistance Program for Hurricane Ike. The lease term commenced January 1, 2009 and expired December 31, 2010. After the lease expired, the PHA extended the lease on a month to month basis. As of May 2011, the PHA no longer leases this space. For the year ending March 31, 2011 the base rent was \$13,931 per month.

NOTE (10) RESTRICTED NET ASSETS

The PHA has recorded \$3,731,037 in restricted net assets for the year ending March 31, 2011. This amount reflects the difference in Housing Assistance Payment revenue received from HUD and the amount of Housing Assistance Payments made for eligible vouchers. These funds are restricted for future payments of eligible vouchers.

HARRIS COUNTY HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2011

(Continued)

NOTE (11) ACCOUNTS PAYABLE

In fiscal year 2011, the PHA escheated \$361,256 in unclaimed Housing Assistance payments prior to 2003 to the state of Texas.

NOTE (12) NOTES PAYABLE

The PHA entered into an agreement with Sterling Bank for a construction loan of \$1,975,000 on March 31, 2010 to help finance the construction of Cypresswood Estates project. The promissory note calls for interest only payments during the construction term. Interest will accrue during the construction term at the greater of the Adjusted Prime Rate as then in effect or 4.25% per annum. Payments are due monthly beginning April 30, 2010. At March 31, 2011 the amount drawn on this loan by the PHA was \$1,000,816. The note is collateralized with the money market account at Sterling Bank in the amount of \$500,622 and the underlying real estate. Beginning on the first day of the first month following the permanent term commencement date, payments of principal and interest are due in an amount that will repay the balance in 360 equal monthly installments. Interest on the permanent loan accrues at a fixed rate per annum of 6.30%

NOTE (13) CONSTRUCTION IN PROGRESS

The PHA has several projects under construction. They include Patriots by the Lake, Cypresswood Estates and Sierra Meadows.

Patriots by the Lake is a 91 acre master planned community to be constructed at Lake Houston in Northwest Houston, Texas. The vision for Patriots by the Lake is to create a model community that embodies the American patriotic spirit in a tangible form that all could experience, celebrate and honor the sacrifice of men and women who fought to protect America's freedom. The development is expected to consist of veteran's services, a senior housing community, civic and recreational venues and an array of for-sale housing opportunities. Patriots by the Lake has \$1,501,834 in Construction in Progress at March 31, 2011. In January 2010, the Environmental Protection Agency (EPA) determined that approximately 28.44 acres of the 91 acre site are subject to Section 404 of the Clean Water Act. As such, the discharge of dredged and/or fill material into the 28.44 acres requires a Department of the Army permit. The PHA is working with the EPA and the Department of the Army on this determination.

Cypresswood Estates is an 88-unit senior housing development to be constructed at 15403 Kuykendahl Road near FM 1960 in Northwest Houston, Texas. The project has a 12-14 month construction timeline and is scheduled to open June 2011. The PHA is the sole developer of the project with Development Consultant Services provided by Integrated Housing Solutions, LLC. The total project cost is \$11,272,779, of which 85% is grant funds. Cypresswood Estates is funded by Neighborhood Stabilization Program grant funds in the amount of \$4,000,000 and Community Development Block Grant funds in the amount of \$5,574,826. The project will also carry a permanent loan of approximately \$1,700,000. The project's General Contractor and Management Company is an affiliate of the Developer Consultant, Integrated Housing Solutions (HIS), LLC. Cypresswood Estates has \$4,164,674 in Construction in Progress at March 31, 2011.

HARRIS COUNTY HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2011

(Continued)

NOTE (13) CONSTRUCTION IN PROGRESS (Continued)

Sierra Meadows is a 90-unit LIHTC senior development to be constructed at Beltway 8 near Wilson Road in Northeast Houston, Texas. The project has a 12-14 month construction timeline and is scheduled to open June 2011. The PHA will serve as co-developer of the project, with Integrated Real Estate Development. The partnership includes HCHA Sierra Meadows, LLC serving as the Managing General Partner and the PHA is also a limited partner with 1% ownership. HCHA is 100% owner of the General Partnership while Integrated Sierra Meadows SLP, LLC will serve as the developer.

NOTE (14) RETIREMENT PLAN

Plan Description

The PHA provides retirement for all of its full-time employees through a non-traditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 586 nontraditional defined benefit pension plans.

TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin Texas 78768-2034.

Under the state law governing TCDRS since 1991, the PHA has the option of selecting the plan of benefits to provide in the future, while at the same time considering the level of the employer contribution rate required to adequately finance the plan. Effective March 1, 2010, the PHA adopted an annually determined contribution rate plan, for which the employer contribution rate is actuarially determined as a part of the annual actuarial valuation. The rate, applicable for a calendar year, consists of the normal cost contribution rate plus the rate required to amortize the unfunded actuarial liability over the remainder of the plan's 20-year amortization period which began March 1, 2010 using the entry age actuarial cost method. Monthly contributions by the PHA are based on the covered payroll and the employer contribution rate in effect. The PHA's contribution rate for 2010 was 10.56%. The contribution rate for 2011 is 10.43%.

The plan provisions were adopted by the Board of Commissioners of the PHA, within the options available in the state statutes governing TCDRS ("TCDRS Act"). Members can retire at age 60 and above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after eight years of service but must leave their accumulated contributions in the plan to receive an employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by the PHA.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest and employer-financed monetary credits. The level of these monetary credits is adopted by the Board of Commissioners, within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

HARRIS COUNTY HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2011

(Continued)

NOTE (14) RETIREMENT PLAN (Continued)

Funding Policy

The PHA has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the PHA based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the PHA is actuarially determined annually. The PHA's contributed using the actuarially determined rate of 10.56% for the year ended December 2010.

The contribution rate payable by the employee members for the fiscal year ended March 31, 2011 is 7% as adopted by the Board of Commissioners. The employee contribution rate and the employer contribution rate may be changed by the Board of Commissioners, within the options available in the TCDRS Act.

Annual Pension Cost

For the calendar year ending December 31 2010, pension plan contributions by the PHA and the contributions by its employees were \$236,172 and \$158,505 respectively. The PHA's annual required contribution was determined through an actuarial valuation performed as of December 31, 2010. The Plan uses the entry age actuarial cost method and level percent of payroll to determine required contributions. Significant actuarial assumptions used to compute the annual contribution requirement are as follows:

Valuation Date	12/31/10
Actuarial Cost Method	Entry Age
Amortization Method	20 year period as a level percent of covered payroll
Remaining Amortization Period	20 years
Asset Valuation Method	10-Year recognition of the difference between the expected and the actual interest credited to the Subdivision Accumulation Fund (SAF) for each year. An additional recognition is required when, after the 10-Year recognition is applied, the actuarial value of the SAF is outside the corridor of 60%-140% of the fund value. The actuarial value of the ESF is equal to its fund value.

Economic Assumptions:

TCDRS system-wide

Real rate of return	4.5%
Inflation	3.5%
Long-term investment return	8.0%

Employer specific

Growth in membership	0.0%
Payroll growth	0.0%

HARRIS COUNTY HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2011

(Continued)

NOTE (14) RETIREMENT PLAN (Continued)

Funded Status and Funding Progress

The funded status of the Plan as of December 31, 2010, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll ((b-a)/c)
12/31/10	387 856	809 858	422 002	48%	2 778 941	15%

For purposes of this schedule, the AAL for the Plan is determined using the entry age actuarial cost method.

NOTE (15) COMPONENT UNITS

Blended Component Unit

HCHA Cypresswood Estates, LLC is the 100% owner of the Cypresswood Estates Development. The PHA is the sole member of the LLC. HCHA Cypresswood Estates, LLC and the PHA have a development agreement wherein the PHA will receive a total of \$1,018,203 in exchange for services. HCHA Cypresswood Estates, LLC has a development consultant agreement with RES HIS, LLC, doing business as Integrated Housing Solutions, LLC wherein HCHA Cypresswood Estates, LLC will pay a total of \$100,000 to Integrated Housing Solutions, LLC in exchange for services. The payment of the development fees and consultant fees are predicated on the performance of duties. The PHA has received \$716,523 of developer fees related to the development agreement as of March 31, 2011. Additionally, the PHA has paid Integrated Housing Solutions \$30,000 of consultant fees related to the consultant agreement as of March 31, 2011.

Discretely Presented Component Units

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

HARRIS COUNTY HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2011

(Continued)

NOTE (15) COMPONENT UNITS (Continued)

HCHA Cornerstone, LLC has negative equity of \$225 in Cornerstone Village Apartments, L.P. at December 31, 2010. The PHA 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. The PHA and JV Developers, LLC have a developer fee sharing agreement wherein JV Developers, LLC will pay a total of \$700,000 to the PHA in exchange for services. The payment of the development fees are predicated on the receipt of development fees paid from, or on behalf of Cornerstone Village Apartments, L.P. The PHA is owed \$160,000 of developer fees related to the development agreement as of March 31, 2011. The PHA 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 negative equity of \$468 in TX Bammel Housing, L.P. at December 31, 2010. The PHA and TX Bammel Housing, L.P. have a sixty-five (65) year land lease agreement signed January 1, 2005. Under the terms of the lease, the annual lease amount for TX Bammel Housing, L.P. is sixty-five thousand (\$65,000) with all but one thousand (\$1,000) of that waived, provided that the Project is leased to tenants in accordance with all applicable Low Income Housing requirements. The PHA 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 the PHA in exchange for services. The payment of the development fees are predicated on the receipt of development fees paid from, or on behalf of TX Bammel Housing, L.P. The PHA has received \$401,085 of developer fees related to the developer agreement as of March 31, 2011. The PHA has a Note Receivable from TX Bammel Housing, L.P. in the amount of \$731,420. The funds for the loan were a HOME Grant from Harris County.

HCHA Louetta, LLC has negative equity of \$132 in Louetta Village Apartments 45, L.P. at December 31, 2010. The PHA and Louetta Village Apartments 45, L.P. have a sixty-five (65) year land lease agreement signed January 12, 2005. Under the terms of the lease, the annual lease amount for Louetta Village Apartments 45, L.P. is sixty-five thousand (\$65,000) with all but one thousand (\$1,000) of that waived, provided that the Project is leased to tenants in accordance with all applicable Low Income Housing requirements. The PHA and JV Developers, LLC have a developer fee sharing agreement wherein JV Developers, LLC will pay a total of \$403,000 to HCHA in exchange for services. The payment of the development fees are predicated on the receipt of development fees paid from, or on behalf of Louetta Village Apartments 45, L.P. The PHA is owed \$131,190 of developer fees as of March 31, 2011. The PHA 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 negative equity of \$86 in Baybrook Park Retirement Center, Ltd. at December 31, 2010. The PHA and Baybrook Park Retirement Center, Ltd. have a sixty-five (65) year land lease agreement signed June 21, 2005. Under the terms of the lease, the annual lease amount for Baybrook Park Retirement Center, Ltd. is sixty-five thousand (\$65,000) with all but one thousand (\$1,000) of that waived, provided that the Project is leased to tenants in accordance with all applicable Low Income Housing requirements. The PHA and Hettig Development Group XI, Ltd. have a developer fee sharing agreement wherein Hettig Development Group XI, Ltd. will pay a total of \$406,000 to the PHA in exchange for services. The payment of the development fees are predicated on the receipt of development fees paid from, or on behalf of Baybrook Park Retirement Center, Ltd. The PHA has been paid \$340,940 of developer fees related to the developer agreement as of March 31, 2011. The PHA 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.

HARRIS COUNTY HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2011

(Continued)

NOTE (15) COMPONENT UNITS (Continued)

HCHA Olive Grove, LLC has contributed capital of \$343,410 in Olive Grove Manor, Ltd. at December 31, 2010. The PHA and Olive Grove Manor, Ltd. have an amended forty-five (45) year land lease agreement signed December 21, 2006. Under the terms of the lease, the annual lease amount for Olive Grove Manor, Ltd. is sixty-five thousand (\$65,000) with all but one thousand (\$1,000) of that waived, provided that the Project is leased to tenants in accordance with all applicable Low Income Housing requirements. The PHA and Artisan/American Corp. have a developer fee sharing agreement wherein Artisan/American Corp. will pay a total of \$840,000 to the PHA in exchange for services. The balance of the payments of the development fees are predicated on the receipt of development fees paid from, or on the behalf of Olive Grove Manor, Ltd. The PHA had been paid the development fees in full as of March 31, 2010. The PHA has a Note Receivable from Olive Grove Manor, Ltd. in the amount of \$700,000. The funds for the loan were a HOME Grant from Harris County.

HCHA Waterside, LLC has negative equity of \$188 in Waterside Court, Ltd. at December 31, 2010. The PHA and Waterside Court, Ltd. have a forty-five (45) year land lease agreement signed June 22, 2006. Under the terms of the lease, the annual lease amount for Waterside Court, Ltd. is sixty-five thousand (\$65,000) with all but one thousand (\$1,000) of that waived, provided that the Project is leased to tenants in accordance with all applicable Low Income Housing requirements. The PHA and Hettig Development Group X, Ltd. have a developer fee sharing agreement wherein Hettig Development Group X, Ltd. will pay a total of \$980,110 to the PHA in exchange for services. The balance of the payments of the development fees are predicated on the receipt of development fees paid from, or on the behalf of Waterside Court, Ltd. The PHA has been paid \$962,159 in developer fees as of March 31, 2011. The PHA has a Note Receivable from Waterside Court, Ltd. in the amount of \$500,000. The funds for the loan were a HOME Grant from Harris County.

NOTE (16) RELATED PARTY TRANSACTIONS

In the fiscal year ended March 31, 2010 the PHA entered into a partnership with Sierra Meadows, Ltd. HCHA Sierra Meadows, LLC is the General Partner with .01% ownership interest. The PHA serves as the sole member of the General Partner and also serves as Limited Partner with .1% ownership interest.

Sierra Meadows is currently under construction. Sierra Meadows, Ltd. does not have audited financial statements for the year ending December 31, 2010 and it is not included in the discretely presented component units.

The PHA and Integrated Sierra Meadows, LLC have a developer fee sharing agreement wherein Integrated Housing Solutions, LLC will pay a total of \$717,500 to the PHA in exchange for services. The payment of the development fees are predicated on the receipt of development fees paid from, or on behalf of Sierra Meadows, Ltd. The PHA has received \$493,666 in developer fees related to the development agreement as of March 31, 2011.

NOTE (17) SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 15, 2011 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

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BREEDLOVE & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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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 15, 2011

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, 2011, and have issued our report thereon dated June 15, 2011. 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

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

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

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

Compliance and Other Matters

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

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

Breedlove & Co., P.C.

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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 15, 2011

Board of Commissioners
Harris County Housing Authority
Houston, Texas

Compliance

We have audited Harris County Housing Authority's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on the PHA's major federal programs for the year ended March 31, 2011. 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 could have a direct and material effect on each of its major federal programs for the year ended March 31, 2011.

Internal Control over Compliance

Management of 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 Harris County Housing Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the

effectiveness of Harris County Housing Authority's internal control over compliance.

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

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

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

Breallone & Co., P.C.

REQUIRED SUPPLEMENTARY INFORMATION

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HARRIS COUNTY HOUSING AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION-BUDGET COMPARISON MARCH 31, 2011

	All Programs			
	Original Budget	Revised Budget as of 9/30/10	Actual	Variance Positive (Negative)
Operating Revenues				
HUD PHA Grants-Administrative Fees Earned	\$ 4 316 821	\$ 5 016 821	\$ 4 538 119	\$ (478 702)
HUD PHA Grants-Placement Fees Earned	-	-	202 000	202 000
HUD PHA Grants-Case Management Fees	1 306 402	1 706 402	1 597 100	(109 302)
Port-in Admin	110 000	110 000	23 897	(86 103)
Co-Developer Fee	1 270 000	1 270 000	1 143 523	(126 477)
Other Revenues	-	-	249 078	249 078
Interest Income	211 750	211 750	340 382	128 632
Total Operating Revenues	<u>7 214 973</u>	<u>8 314 973</u>	<u>8 094 099</u>	<u>(220 874)</u>
Operating Expenses				
Salaries	2 688 959	2 688 959	2 795 432	(106 473)
Social Security	205 705	205 705	204 438	1 267
Health Insurance	318 734	318 734	239 280	79 454
Employee Benefit Contributions	290 113	290 113	308 484	(18 371)
Consulting and Professional Services	1 119 472	1 819 472	1 803 152	16 320
Auditing Fees	85 000	85 000	72 239	12 761
Bank Service charges	12 000	12 000	12 706	(706)
Insurance	68 000	68 000	53 457	14 543
Case Management Fees	1 306 402	1 306 402	1 262 955	43 447
Membership Dues and Subscriptions	9 000	9 000	13 164	(4 164)
Printing and Reproduction	106 000	131 000	117 859	13 141
Postage	50 000	50 000	45 266	4 734
Telephone	6 700	6 700	6 832	(132)
Temporary and Professional Services	12 000	137 000	171 068	(34 068)
Vehicle Gas, Oil and Maintenance	12 000	27 000	27 230	(230)
Legal	85 000	85 000	77 966	7 034
Staff Travel and Training	145 000	195 000	207 905	(12 905)
Board of Commissioners Travel and Training	22 000	22 000	19 909	2 091
Office Supplies	112 000	212 000	272 728	(60 728)
Other General Expenses-Port Out Admin Fees	5 000	45 000	36 652	8 348
Maintenance and Utilities	100 500	100 500	80 903	19 597
Computer Equipment and Software Maintenance	24 000	24 000	28 140	(4 140)
Security Deposit and Utility Deposit	-	-	101 102	(101 102)
Office Rent	280 839	280 839	310 548	(29 709)
Total Administrative Expenses	<u>7 064 424</u>	<u>8 119 424</u>	<u>8 269 415</u>	<u>(149 991)</u>
Residual Receipts (Deficit)	<u>\$ 150 549</u>	<u>\$ 195 549</u>	<u>\$ (175 316)</u>	<u>\$ (370 865)</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, 2011

SUMMARY OF AUDITORS RESULTS

1. We issued an unqualified opinion on the financial statements for the fiscal year ended March 31, 2011.
2. There are no significant deficiencies in internal control that are disclosed by our audit of the financial statements that are considered material weaknesses.
3. Our audit did not disclose any noncompliance that is material to the financial statements.
4. There are no significant deficiencies in internal control over major programs disclosed by our audit that are considered material weaknesses.
5. Our report on compliance for major programs was unqualified.
6. Our audit disclosed no findings required to be reported by Section 510(a) of OMB Circular A-133.
7. The Disaster Housing Assistance Program-Ike, Housing Choice Vouchers and the pass-through funds from CDBG were identified as major programs.
8. The dollar threshold used to distinguish between Type A and Type B programs was \$1,518,858.
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, 2011

		<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	\$ 49 924
	Program--Section 8 Moderate Rehabilitation-SRO	14.182	TX441SRO001	329 498
DIRECT	Section 8 - Housing Choice Vouchers	14.871	TX 441VO0043053	35 595 433
DIRECT	Veterans Assistance Supportive Housing	14.VSH	TX441VA	557 594
DIRECT	Housing Choice Vouchers-Disaster Voucher Program	14.871	TX441DH	476 324
DIRECT	Disaster Housing Assistance Program - IKE	DH.IKE	TX441KE	<u>11 443 162</u>
				48 451 935
Department of Homeland Security				
DIRECT	Disaster Housing Assistance Program	97.109		50 999
Passed through Harris County, Texas:				
	CDBG	14.218	PO710	<u>2 126 385</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u><u>\$ 50 629 319</u></u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED MARCH 31, 2011

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.

March 31, 2011

Line Item #		Sec 8 Mod Rehab SRO H249	Section 8 MOD Rehab R236	Veterans Affairs Supportive Housing 14 VSR	Housing Choice Vouchers H271	DHAP like DHike	Disaster Housing Assistance Program Grant 97.109	DVP	Business Activities	Cypresswood Estates (Blended Component Unit)	Component Units	TOTAL
	Cash:											
111	Cash - unrestricted	2,421	24,400	439,140	-	5,876,552	-	1,168,789	116,153	235,055	832,863	8,695,373
112	Cash - restricted - modernization and development	-	-	-	-	-	-	-	-	-	-	-
113	Cash - other restricted	-	-	-	3,731,037	-	-	-	-	-	2,355,124	6,086,161
114	Cash - tenant security deposits	-	-	-	-	-	-	-	-	-	-	-
115	Cash - restricted for payment of current liability	-	-	-	94,764	-	-	-	-	-	-	94,764
100	Total cash	2,421	24,400	439,140	3,825,801	5,876,552	-	1,168,789	116,153	235,055	3,187,987	14,876,298
	Accounts and notes receivables:											
121	Accounts receivable - PHA projects	-	-	-	-	-	-	-	-	-	-	-
122	Accounts receivable - HUD other projects	4,700	-	3,697	377,905	355,900	255,218	536,937	-	-	-	1,534,357
124	Accounts receivable - other government	-	-	-	40,700	-	-	-	-	554,242	-	594,942
225-060	Accounts receivable - miscellaneous- partner	-	-	-	-	-	-	-	-	-	-	-
225-050	Accounts receivable - miscellaneous-other	-	-	-	-	-	-	-	-	-	-	-
125	Accounts receivable - miscellaneous total	-	-	-	36,716	1,508,633	-	109,302	989,408	4,319	26,990	2,675,368
126	Accounts receivable- tenants - dwelling rents	-	-	-	36,716	1,508,633	-	109,302	989,408	4,319	26,990	2,675,368
126.1	Allowance for doubtful accounts - dwelling rents	-	-	-	-	-	-	-	-	-	47,117	47,117
126.2	Allowance for doubtful accounts - other	-	-	-	(7,718)	-	-	-	-	-	-	(7,718)
127	Notes, loans & mortgages receivable - current	-	-	-	-	-	-	-	-	-	-	-
128	Fraud recovery	-	-	-	-	-	-	-	-	-	-	-
128.1	Allowance for doubtful accounts - fraud	-	-	-	-	-	-	-	-	-	-	-
129	Accrued interest receivable	-	-	-	-	-	-	-	1,186,753	-	-	1,186,753
120	Total receivables, net of allowances for doubtful accounts	4,700	-	3,697	447,603	1,864,533	255,218	646,239	2,176,161	558,561	74,107	6,030,819
	Investments - unrestricted											
131	Investments - unrestricted	-	-	-	-	-	-	-	-	-	-	-
132	Investments - restricted	-	-	-	-	-	-	-	-	-	-	-
135	Investments -restricted for payment of current liability	-	-	-	-	-	-	-	-	-	-	-
142	Prepaid expenses and other assets	-	-	-	2,497	-	-	-	358	-	2,002,998	2,005,853
143	Inventories	-	-	-	-	-	-	-	-	-	-	-
143.1	Allowance for obsolete inventories	-	-	-	-	-	-	-	-	-	-	-
144	Interprogram - due from	-	-	-	-	500,000	-	-	500,000	-	-	1,000,000
145	Assets held for sale	-	-	-	-	-	-	-	-	-	-	-
150	Total Current Assets	7,121	24,400	442,837	4,275,901	8,241,085	255,218	1,815,028	2,792,672	793,616	5,265,092	23,912,970
	Fixed assets:											
161	Land	-	-	-	-	-	-	-	13,562,569	750,000	-	14,312,569
162	Buildings	-	-	-	-	-	-	-	-	-	75,181,186	75,181,186
163	Furniture, equipment & machinery - dwellings	-	-	-	-	-	-	-	-	-	-	-
164	Furniture, equipment & machinery - administration	-	-	-	326,494	-	512,878	22,209	95,451	-	-	957,032
165	Leasehold improvements	-	-	-	152,401	1,000,000	859,319	-	41,076	-	-	2,052,796
166	Accumulated depreciation	-	-	-	(241,121)	(466,667)	(1,034,178)	(22,209)	(35,657)	-	(12,092,131)	(13,891,963)
167	Construction in progress	-	-	-	-	-	-	-	1,553,384	4,164,674	-	5,718,058
168	Infrastructure	-	-	-	-	-	-	-	-	-	-	-
160	Total fixed assets, net of accumulated depreciation	-	-	-	237,774	533,333	338,019	-	15,216,823	4,914,674	63,089,055	84,329,678
	Other Non Current Assets											
171	Notes, loans & mortgages receivable - non current	-	-	-	-	-	-	-	4,496,420	-	-	4,496,420
172	Notes, loans & mortgages receivable - non current -past due	-	-	-	-	-	-	-	-	-	-	-
173	Grants Receivable - non current	-	-	-	-	-	-	-	-	-	-	-
174	Other assets	-	-	-	-	-	-	-	-	-	3,041,885	3,041,885
176	Investment in Partnerships	-	-	-	-	-	-	-	343,940	-	-	343,940
180	Total Noncurrent Assets	-	-	-	237,774	533,333	338,019	-	20,057,183	4,914,674	66,130,940	92,211,923
190	Total Assets	7,121	24,400	442,837	4,513,675	8,774,418	593,237	1,815,028	22,849,855	5,708,290	71,396,032	116,124,893

Harris County Housing Authority
Financial Data Schedule-Balance Sheet (continued)
March 31, 2011

Account Description	Sec 8 Mod Rehab SRO H 249	Section 8 MOD Rehab H 856	Veterans Affairs Supportive Housing 14 VSH	Housing Choice Vouchers H 871	DFAP like DFHKE	Disaster Housing Assistance Program Grant 97.109	DVP	Business Activities	Cypresswood Estates (Blended Component Unit)	Component Units	TOTAL
311 Bank overdraft	-	-	-	383,724	-	82,828	-	-	-	-	466,552
312 Accounts payable < 90 days	-	-	-	17,251	171,766	-	127	54,337	16,138	4,254,949	4,514,568
313 Accounts payable > 90 days past due	-	-	-	-	-	-	-	-	-	-	-
321 Accrued wage/payroll taxes payable	-	-	-	175,330	7,589	-	250	11,758	735	-	195,662
322 Accrued compensated absences - current portion	-	-	-	-	-	-	-	-	-	-	-
324 Accrued contingency liability	-	-	-	-	-	-	-	-	-	-	-
325 Accrued interest payable	-	-	-	-	-	-	-	-	-	-	-
331 Accounts payable - HUD PHA programs	447	20,217	-	36,713	-	-	-	-	-	1,132,932	1,132,932
332 Accounts Payable - PHA Projects	-	-	-	-	-	-	-	-	-	-	57,377
333 Accounts payable - other government	-	-	-	-	-	-	-	-	-	-	-
341 Tenant security deposits	-	-	-	-	-	-	-	-	-	-	-
342 Deferred revenues	-	-	-	-	103,464	-	94,079	325,000	-	-	522,543
343 Current portion of Long-Term debt - capital projects/mortgage revenue bonds	-	-	-	-	-	-	-	-	-	-	-
344 Current portion of Long-Term debt - operating borrowings	-	-	-	-	-	-	-	-	-	-	-
345 Other current liabilities	-	-	-	-	-	-	-	-	-	-	-
346 Accrued liabilities - other	-	-	-	26,943	4,753,137	31,672	1,865	7,183	-	-	4,820,800
347 Inter-program - due to	-	-	-	-	-	-	-	500,000	500,000	-	1,000,000
348 Loan Liability - current	-	-	-	-	-	-	-	-	-	100,000	100,000
310 Total Current Liabilities	447	20,217	-	639,961	5,035,956	114,500	96,321	898,278	516,873	5,487,881	12,810,434
351 Long-term debt, net of current- capital projects/ mortgage revenue bonds	-	-	-	-	-	-	-	-	-	-	-
352 Long-term debt, net of current- operating borrowings	-	-	-	-	-	-	-	-	-	42,396,870	42,396,870
353 Noncurrent liabilities- other	-	-	-	94,764	-	-	-	-	-	-	94,764
354 Accrued Compensated Absences - non current	-	-	-	35,858	-	-	-	-	-	-	35,858
355 Loan Liability - non current	-	-	-	-	-	-	-	-	1,000,816	-	1,000,816
356 FASB 5 Liabilities	-	-	-	-	-	-	-	-	-	-	-
357 Accrued Pension and OPEB Liabilities	-	-	-	-	-	-	-	-	-	-	-
350 Total Noncurrent Liabilities	-	-	-	130,622	-	-	-	-	1,000,816	42,396,870	43,528,308
300 Total Liabilities	447	20,217	-	770,583	5,035,956	114,500	96,321	898,278	1,517,689	47,884,751	56,338,742
508.1 Invested in Capital Assets, Net of related Debt	-	-	-	237,774	533,333	338,019	-	15,216,823	3,913,858	23,228,955	43,468,762
509.2 Fund balance reserved	-	-	-	-	-	-	-	-	-	-	-
511.2 Unreserved, designated fund balance	-	-	-	-	-	-	-	-	-	-	-
511.1 Restricted Net Assets	-	-	-	3,731,037	-	-	-	-	-	-	-
512.1 Unrestricted Net Assets	6,674	4,183	442,837	(225,719)	3,205,129	140,718	1,718,707	6,734,754	276,743	2,355,124	6,086,161
512.2 Unreserved, undesignated fund balance	-	-	-	-	-	-	-	-	-	(2,072,798)	10,231,228
513 Total Equity/Net Assets	6,674	4,183	442,837	3,743,092	3,738,462	478,737	1,718,707	21,951,577	4,190,601	23,511,281	59,786,151
600 Total Liabilities and Equity/Net Assets	7,121	24,400	442,837	4,513,675	8,774,418	593,237	1,815,028	22,849,855	5,708,290	71,396,032	116,124,893

See the accompanying Independent Auditor's Report

Harris County Housing Authority
Financial Data Schedule-Revenue and Expenses
March 31, 2011

Line Item #	Account Description	Sec 8 Mod Rehab SRO H.249	Section 8 MOD Rehab H.856	Veterans Affairs Supportive Housing 14. VSH	Housing Choice Vouchers H.871	DHAP Ike DH.IKE	Disaster Housing Assistance Program Grant 97.109	DVP 14.DVP	Business Activities	Cypresswood Estates (Blended Component Unit)	Component Units	TOTAL
	REVENUE											
70300	Net tenant rental revenue	-	-	-	-	-	-	-	-	-	6,385,505	6,385,505
70400	Tenant revenue - other	-	-	-	-	-	-	-	-	-	-	-
70500	Total tenant revenue	-	-	-	-	-	-	-	-	-	6,385,505	6,385,505
70600-010	Housing assistance payments	269,948	42,405	553,897	33,037,481	7,828,961	-	433,023	-	-	-	42,165,715
70600-020	Ongoing administrative fees earned	59,550	7,519	3,697	2,557,952	1,815,101	50,999	43,301	-	-	-	4,538,119
70600-030	Hard to house fee revenue	-	-	-	-	-	-	-	-	-	-	-
70600-031	FSS coordinator grant	-	-	-	-	-	-	-	-	-	-	-
70600-040	Actual independent public accountant audit costs	-	-	-	-	-	-	-	-	-	-	-
70600-050	Total preliminary fees earned	-	-	-	-	-	-	-	-	-	-	-
70600-060	All other fees	-	-	-	-	-	-	-	-	-	-	-
70600	HUD PHA operating grants	329,498	49,924	557,594	35,595,433	11,443,162	50,999	476,324	-	-	-	1,799,100
70610	Capital Grants	-	-	-	-	-	-	-	-	-	-	48,502,934
70710	Management fee	-	-	-	-	-	-	-	-	-	-	-
70720	Asset management fee	-	-	-	-	-	-	-	-	-	-	-
70730	Book keeping fee	-	-	-	-	-	-	-	-	-	-	-
70740	Front line service fee	-	-	-	-	-	-	-	-	-	-	-
70750	Other fees	-	-	-	-	-	-	-	-	-	-	-
70700	Total fee revenue	-	-	-	-	-	-	-	-	-	-	-
70800	Other government grants	-	-	-	-	-	-	-	-	2,126,385	-	2,126,385
71100-010	Housing assistance payments	-	-	-	-	-	-	-	-	-	-	-
71100-020	Administrative fee	18	9	74	1,271	14,672	142	623	318,703	4,870	7,006	347,388
71100	Investment income - unrestricted	18	9	74	1,271	14,672	142	623	318,703	4,870	7,006	347,388
71200	Mortgage interest income	-	-	-	-	-	-	-	-	-	-	-
71300	Proceeds from disposition of assets held for sale	-	-	-	-	-	-	-	-	-	-	-
71400-010	Housing assistance payments	-	-	-	-	-	-	-	-	-	-	-
71400-020	Administrative fee	-	-	-	-	-	-	-	-	-	-	-
71400	Fraud recovery	-	-	-	-	-	-	-	-	-	-	-
71500	Other revenue	-	-	-	23,897	65,124	-	2,375	1,325,102	-	136,317	1,552,815
71600	Gain or loss on the sale of fixed assets	-	-	-	1,500	-	20,286	-	-	-	-	21,786
72000-010	Housing assistance payments	-	-	-	-	-	-	-	-	-	-	-
72000-020	Administrative fee	-	-	-	-	-	-	-	-	-	-	-
72000	Investment income - restricted	-	-	-	-	-	-	-	-	-	-	-
70000	TOTAL REVENUE	329,516	49,933	557,668	35,622,101	11,522,948	71,427	479,322	1,643,805	2,131,255	6,528,828	58,936,813
	EXPENSES:											
	Administrative											
91100	Administrative salaries	45,055	5,776	-	1,506,430	507,028	-	39,147	792,162	735	1,018,574	3,914,907
91200	Auditing fees	1,200	-	-	43,986	16,617	2,571	-	7,865	-	-	72,239
91300	Management fee	-	-	-	-	-	-	-	-	-	324,260	324,260
91310	Book-keeping fee	-	-	-	-	-	-	-	-	-	-	-
31400	Advertising and marketing	-	-	-	-	-	-	-	-	-	-	-
91500	Employee benefit contributions- administrative	11,397	1,082	-	382,347	38,147	-	8,796	106,254	-	-	548,023
91600	Office expense	1,236	-	1,053	277,197	270,028	-	611	108,452	(3,975)	-	654,602
91700	Legal expense	-	-	-	40,210	-	-	-	35,370	2,305	53,534	131,419
91800	Travel	-	-	-	-	-	-	-	-	-	-	-
91810	Allocated overhead	-	-	-	-	-	-	-	-	-	-	-
91900	Other - admin	-	-	-	306,128	1,482,251	-	-	363,963	-	30,645	2,182,987
	Subtotal	58,888	6,858	1,053	2,556,298	2,314,071	2,571	48,554	1,414,066	(935)	1,427,013	7,828,437
92000	Asset management fee	-	-	-	-	-	-	-	-	-	-	-

See the accompanying Independent Auditor's Report

Harris County Housing Authority
Financial Data Schedule-Revenue and Expenses (continued)
March 31, 2011

Account Description	Sec 8 Mod Rehab SRO #1249	Section 8 MOD Rehab #4836	Veterans Affairs Supportive Housing #4 VSH	Housing Choice Vouchers #4871	DHAP Ike DH.IKE	Disaster Housing Assistance Program Grant #97.109	DVP 14.DVP	Business Activities	Cypresswood Estates (Blended Component Unit)	Component Units	TOTAL
92100 Tenant services - salaries	-	-	-	-	-	-	-	-	-	-	-
92200 Relocation costs	-	-	-	-	-	-	-	-	-	-	-
92400 Tenant services - other	-	-	-	-	1,328,164	-	38,338	-	-	-	1,366,502
Subtotal	-	-	-	-	1,328,164	-	38,338	-	-	-	1,366,502
Utilities	-	-	-	-	-	-	-	-	-	-	-
93100 Water	-	-	-	-	-	-	-	-	-	-	-
93200 Electricity	-	-	-	-	-	-	-	-	-	-	-
93300 Gas	-	-	-	-	-	-	-	-	-	-	-
93400 Fuel	-	-	-	-	-	-	-	-	-	-	-
93500 Labor	-	-	-	-	-	-	-	-	-	-	-
93600 Sewer	-	-	-	-	-	-	-	-	-	-	-
93700 Employee benefit contributions- utilities	-	-	-	-	-	-	-	-	-	-	-
93800 Other utilities expense	-	-	-	-	-	-	-	-	-	608,948	608,948
Subtotal	-	-	-	-	-	-	-	-	-	608,948	608,948
Ordinary maintenance & operation	-	-	-	-	-	-	-	-	-	-	-
94100 Ordinary maintenance and operations - labor	-	-	-	-	-	-	-	-	-	-	-
94200 Ordinary maintenance and operations - materials & other	-	-	-	-	-	-	-	-	-	-	-
94300-101 Garbage and trash removal contracts	-	-	-	-	-	-	-	-	-	662,425	662,425
94300-020 Heating & cooling contracts	-	-	-	-	-	-	-	-	-	-	-
94300-030 Snow removal contracts	-	-	-	-	-	-	-	-	-	-	-
94300-040 Elevator maintenance contracts	-	-	-	-	-	-	-	-	-	-	-
94300-050 Landscape and grounds contracts	-	-	-	-	-	-	-	-	-	-	-
94300-060 Unit turnaround contracts	-	-	-	-	-	-	-	-	-	-	-
94300-070 Electrical contracts	-	-	-	-	-	-	-	-	-	-	-
94300-080 Plumbing contracts	-	-	-	-	-	-	-	-	-	-	-
94300-090 Extermination contracts	-	-	-	-	-	-	-	-	-	-	-
94300-100 Janitorial contracts	-	-	-	-	-	-	-	-	-	-	-
94300-110 Routine maintenance contracts	-	-	-	-	-	-	-	-	-	-	-
94300-120 Miscellaneous contracts	-	-	-	-	-	-	-	-	-	-	-
Total ordinary maintenance and operations - contract costs	-	-	-	-	-	-	-	-	-	-	-
94500 Employee benefit contributions- ordinary maintenance	-	-	-	-	-	-	-	-	-	-	-
94000 Subtotal	-	-	-	-	-	-	-	-	-	662,425	662,425
Protective services	-	-	-	-	-	-	-	-	-	-	-
95100 Protective services - labor	-	-	-	-	-	-	-	-	-	-	-
95200 Protective services- other contract costs	-	-	-	-	-	-	-	-	-	-	-
95300 Protective services - other	-	-	-	-	-	-	-	-	-	-	-
95500 Employee benefit contributions- protective services	-	-	-	-	-	-	-	-	-	-	-
95000 Subtotal	-	-	-	-	-	-	-	-	-	-	-

Harris County Housing Authority
Financial Data Schedule-Revenue and Expenses (continued)
March 31, 2011

Account Description	Sec 8 Mod Rehab SRO H.249	Section 8 MOD Rehab. H.856	Veterans Affairs Supportive Housing 14. VSH	Housing Choice Vouchers H.871	DHAP Ike DH.IKE	Disaster Housing Assistance Program Grant 97.109	DYP 14 DYP	Business Activities	Cypresswood Estates (Blended) Component Unit	Component Units	TOTAL
General expenses											
96110 Property insurance	-	-	-	-	-	-	-	-	-	369,493	369,493
96120 Liability insurance	-	-	-	-	-	-	-	-	-	-	-
96130 Workmen's compensation	-	-	-	3,908	-	-	-	180	-	-	4,088
96140 All other insurance	-	-	-	49,110	-	-	-	-	-	-	49,110
96100 Total Insurance premiums	-	-	-	53,018	-	-	-	180	-	369,493	422,691
Other General Expenses											
96200 Compensated absences	-	-	-	119,564	150,000	-	-	77,636	-	1,047,291	1,394,491
96300 Payments in lieu of taxes	-	-	-	103,535	-	-	-	-	-	-	103,535
96400 Bad debt - tenant rents	-	-	-	-	-	-	-	-	-	-	-
96500 Bad debt- mortgages	-	-	-	-	-	-	-	-	-	-	-
96600 Bad debt - other	-	-	-	(2,445)	-	-	-	-	-	-	(2,445)
96800 Severance expense	-	-	-	-	-	-	-	-	-	-	-
96000 Subtotal	-	-	-	220,654	150,000	-	-	77,636	-	1,047,291	1,495,581
Interest of mortgage (or bonds) payable											
96710 Interest on notes payable (short and long term)	-	-	-	-	-	-	-	-	-	813,173	813,173
96730 Amortization of bond issue costs	-	-	-	-	-	-	-	-	-	465,550	465,550
96700 Total interest expense and amortization cost	-	-	-	-	-	-	-	-	-	-	-
TOTAL OPERATING EXPENSES	58,888	6,858	1,053	2,829,970	3,792,235	2,371	86,892	1,491,882	(953)	5,393,893	13,663,307
EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	270,628	43,075	536,615	32,792,131	7,730,723	68,856	392,430	151,923	2,132,190	1,134,935	45,275,506
Extraordinary maintenance											
97200 Casualty losses - non-capitalized	-	-	-	-	-	-	-	-	-	-	-
97300-010 Mainstream	269,948	42,405	113,778	30,146,575	7,828,961	-	433,023	-	-	-	38,834,690
97300-020 Home-Ownership	-	-	-	-	-	-	-	-	-	-	-
97300-025 Litigation	-	-	-	-	-	-	-	-	-	-	-
97300-030 Hope VI - Section 8	-	-	-	-	-	-	-	-	-	-	-
97300-035 Moving to work	-	-	-	-	-	-	-	-	-	-	-
97300-040 Tenant protection	-	-	-	-	-	-	-	-	-	-	-
97300-050 All other	-	-	-	-	-	-	-	-	-	-	-
97300 Housing assistance payments	269,948	42,405	113,778	30,146,575	7,828,961	-	433,023	-	-	-	38,834,690
97350 HAP portability-in	-	-	-	-	-	-	-	-	-	-	-
97400 Depreciation expense	-	-	-	88,699	200,000	302,565	3,085	11,675	-	3,064,452	3,670,476
97600 Capital outlays- governmental funds	-	-	-	-	-	-	-	-	-	-	-
97700 Debt principal payment- governmental funds	-	-	-	-	-	-	-	-	-	-	-
97800 Dwelling units rent expense	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENSES	328,836	49,263	114,831	33,065,244	11,821,196	305,136	523,000	1,503,557	(953)	8,458,345	56,168,473
OTHER FINANCING SOURCES (USES)											
10010 Operating transfers in	-	-	-	-	-	-	-	370,901	-	-	370,901
10020 Operating transfers out	-	-	-	-	-	(370,901)	-	-	-	-	(370,901)
10030 Operating transfers from/to primary government	-	-	-	-	-	-	-	-	-	-	-
10040 Prior Period Adjustments, Equity/Net Assets	-	-	-	-	-	-	-	-	-	-	-
10050 Proceeds from notes, loans and bonds	-	-	-	-	-	-	-	-	-	-	-
10060 Proceeds from property sales	-	-	-	-	-	-	-	-	-	-	-
10070 Extraordinary items (net gain/loss)	-	-	-	-	-	-	-	-	-	-	-
10080 Special items (net gain/loss)	-	-	-	-	-	-	-	-	-	-	-
10090 Inter project excess cash transfer in	-	-	-	-	-	-	-	-	-	-	-
10092 Inter project excess cash transfer out	-	-	-	-	-	-	-	-	-	-	-
10093 Transfers between program and project - in	-	-	-	-	-	-	-	-	-	-	-
10094 Transfers between program and project - out	-	-	-	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	(370,901)	-	370,901	-	-	-
EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES	680	670	442,837	2,556,837	(298,238)	(604,610)	(43,678)	511,149	2,132,190	(1,929,517)	2,768,340

See the accompanying Independent Auditor's Report

Harris County Housing Authority
Financial Data Schedule-Revenue and Expenses (continued)
March 31, 2011

Account Description	Sec 8 Mod Rehab SRO 14.249	Section 8 MOD Rehab. 14.856	Veterans Affairs Supportive Housing 14. VSH	Housing Choice Vouchers 14.871	DHAP like DH.IKE	Disaster Housing Assistance Program Grant 97.109	DVP 14. DVP	Business Activities	Cypresswood Estates (Blended) Component Unit	Component Units	TOTAL
MEMO account information											
Capital Contributions											
11020 Required annual debt principal payments			-	-	-	-	-	-	-	997,588	997,588
10030 Beginning equity										-	-
10040 Prior period adjustments, equity transfers and correction of errors	5,994	3,513	-	1,186,235	4,036,700	5,120,047	1,762,385	21,440,428	2,058,411	24,443,210	56,020,223
10050 Changes in compensated absence liability balance (in the GLTD)	-	-	-	-	-	(4,036,700)	-	-	-	-	-
11060 Changes in contingent liability balance (in the GLTDAG)	-	-	-	-	-	-	-	-	-	-	-
11070 Changes in unrecognized pension transition liability (in the GLT)	-	-	-	-	-	-	-	-	-	-	-
11080 Changes in special term/severance benefits liability (in the GLTI)	-	-	-	-	-	-	-	-	-	-	-
11090 Changes in allowance for doubtful accounts - dwelling rents	-	-	-	-	-	-	-	-	-	-	-
11100 Changes in allowance for doubtful accounts - other	-	-	-	-	-	-	-	-	-	-	-
11170 Administrative fee equity	-	-	-	3,731,037	-	-	-	-	-	-	3,731,037
11180 Housing assistance payment equity	-	-	-	7,055	-	-	-	-	-	-	7,055
11190 Unit months available	864	96	525	46,629	19,152	-	1,104	-	-	-	68,370
11210 Number of unit months leased	857	88	234	44,539	14,135	-	676	-	-	-	60,529
11270 Excess cash	-	-	-	-	-	-	-	-	-	-	-
11610 Land purchases											
11620 Building purchases											
11630 Furniture and equipment - dwelling purchases											
11640 Furniture and equipment - administrative purchases											
11650 Leasehold improvements purchases											
11660 Infrastructure purchases											
13510 CHHP debt service payments	-	-	-	-	-	-	-	-	-	-	-
13901 Replacement housing factor funds											