

GAINESVILLE HOUSING AUTHORITY
Gainesville, Florida

**REPORT ON AUDIT OF BASIC FINANCIAL STATEMENTS,
SUPPLEMENTAL INFORMATION AND SINGLE AUDIT**

FOR THE YEAR ENDED MARCH 31, 2007

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Gainesville Housing Authority
Gainesville, Florida

HUD, Jacksonville Area Office
Office of Public Housing
301 W. Bay Street, Suite 2200
Jacksonville, Florida 32202

We have audited the basic financial statements of the Gainesville Housing Authority ("the Authority") as of and for the year ended March 31, 2007, as listed in the table of contents. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. The basic financial statements of the Authority as of March 31, 2006 were audited by other auditors whose report dated August 24, 2006 expressed an unqualified opinion on those basic financial statements.

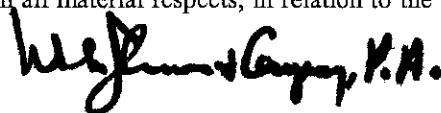
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Gainesville Housing Authority as of March 31, 2007, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2007, on our consideration of the Gainesville Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis as detailed in this Report, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries made of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Gainesville Housing Authority. The Financial Data Schedule required by the U.S. Department of Housing and Urban Development and the other supplemental information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Malcolm Johnson & Company, P.A.
Certified Public Accountants

DeBary, Florida
December 12, 2007

HOUSING AUTHORITY OF THE CITY OF GAINESVILLE
Gainesville, Florida

MANAGEMENT DISCUSSION & ANALYSIS
March 31, 2007

Our Discussion and Analysis of the Gainesville Housing Authority (GHA) of the City of Gainesville, FL financial performance provides the reader with an overview to the Authority's financial activities for the fiscal year ended March 31, 2007. The information contained in this Discussion and Analysis should be considered in conjunction with the Authority's basic financial statements.

Financial Highlights

The Gainesville Housing Authority(GHA), manages the 400 Building(101 units) and Seminary Lane(53 units), both Section 8 New Construction Projects owned by **Gainesville, Florida, Housing Corporation, Inc.**, a component unit of GHA. In addition, the Authority owns and manages 635 Public Housing units and is authorized up to 1227 Section 8 Vouchers. After the end of our Fiscal Year, the Authority was notified about a substantial increase in the funding for the Section 8 Voucher program which will affect the last three months of the past fiscal year. The increase has been reported as an accrued receivable from HUD in the amount of \$237,531.00.

The current year financial statements have been prepared using GASB 34. Under GASB 34, the Net Assets section of the Balance Sheet will reflect three equity accounts: 1) **Net Assets Invested in Capital Assets net of Related Debt**, which equals fixed assets net of accumulated depreciation and net of debt related to those assets; 2) **Restricted Net Assets**, which equals equity related to any restricted assets that are not capital in nature; 3) **Unrestricted Net Assets**, which basically equals liquid assets.

Using this Annual Report

This annual report consists of Management's Discussion and Analysis, the basic financial statements, and notes to the financial statements. Management's Discussion and Analysis provides a narrative of the Authority's financial performance and activities for the year ended March 31, 2007. The basic statements provide readers with a broad overview of the Authority's finances. The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

The basic financial statements consist of three statements:

The **Statement of Net Assets** presents information on all the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial situation of the Authority is improving.

The **Statement of Revenues, Expenses, and Changes in Net Assets** represents information showing how the Authority's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing related to cash flows. Certain revenues and expenses are reported in this statement that will result in cash flows in future periods.

The **Statement of Cash Flows** presents information showing how the Authority's cash changed during the most recent fiscal year. It shows the sources and uses of cash.

HOUSING AUTHORITY OF THE CITY OF GAINESVILLE
Gainesville, Florida

MANAGEMENT DISCUSSION & ANALYSIS

March 31, 2007

(Continued)

Housing Authority Activities and Highlights

Making Customer Service a High Priority

The GHA is responsible for 635 units of public housing which include families along with elderly and disabled residents. GHA is responsible for managing 154 units of Project-based Section 8 New Construction. In addition, the GHA has a Section 8 Housing Choice Voucher Program that is authorized for up to 1,227 vouchers in the GHA's area of operation. GHA is consistently striving to improve its service delivery while continuing to efficiently manage its \$10.6 million dollar annual operating budget.

Our client base is very diverse. The average public housing family receiving assistance is headed by an African-American, single female with an average of two children. The average family has an income of \$10,065 per year. Approximately 50% of all clients are elderly (age 62 or older) or disabled. The average tenant rent is \$212 per month, which may include utilities. Efforts to reach persons least likely to apply for public housing are continuing via radio, newsletters, newspapers, festivals and expos. The targeted population includes Native Americans, Asians, Pacific Islanders, Hispanics and Whites.

The Housing Choice Voucher Program (Section 8) comes from diverse backgrounds whose households are, on average, headed by a single, African-American female, under the age of 40. The averaged family's annual income is \$11,935 with an average tenant rent of \$149. The GHA's Section 8 Housing Choice Voucher staff is committed to ensuring that all income that is received in a household is being reported, under the rental integrity program. There are approximately 272 landlords participating on the program.

From screening and housing applicants to issuing vouchers, to handling landlord and tenant concerns, GHA puts the customer first. Training and customer service is on-going and GHA is always seeking ways to improve its delivery of services. Quality Assurance surveys are randomly mailed to our clients who have received services from GHA.

Based on the onsite Confirmatory Review conducted by HUD, the Gainesville Housing Authority (GHA) received a standard rating on the Section Eight Management Assessment Program (SEMAP) for the 2006 Fiscal Year End. For Fiscal Year 2007, the GHA earned 130 points out of 145 points on the SEMAP, earning the overall score of 90, which is considered a high performance rating.

The GHA continues to use the Upfront Income Verification (UIV) system to assist with the calculation of rent and verification of income.

HOUSING AUTHORITY OF THE CITY OF GAINESVILLE
Gainesville, Florida

MANAGEMENT DISCUSSION & ANALYSIS

March 31, 2007

(Continued)

Partnerships Key to Agency Success

The Family Self-Sufficiency Program (FSS): From October 1995, to the present, the Gainesville Housing Authority Family Self-Sufficiency Program participants have benefited tremendously from the partnerships formed with various Support Service Agencies. The community resources enable the Gainesville Housing Authority to provide the necessary services without being the provider of these services. Overall, the agencies represent a true commitment to the economic independence and upward mobility of the individuals and families they serve. Community resources cover numerous agencies that represent support services such as banking, education, mental health care, homeownership, employment, vocational rehabilitation, entrepreneurships, and a host of other resources, etc., vital to the success of the program participants. Clients are regularly referred to the agencies staff feel will benefit the most.

The **Family Self Sufficiency (FSS) Program** currently serves 8 clients, 6 are Section 8 housing recipients and 2 are public housing residents. Two of the current FSS participants are seeking homeownership and are expected to graduate from the program September 2008. Three of the current program participants were awarded a two year scholarship in Nursing, through Santa Fe Community College. Since 1999, FSS has graduated 91 program participants, and 18 of these graduates have become homeowners. Approximately 90% of the graduates are still employed. The GHA's FSS program continues its efforts to assist individuals in their quest for economic independence.

Gainesville Police Department: The Gainesville Housing Authority's (GHA) relationship with the Gainesville Police Department has resulted in a decrease in criminal activity in all of its communities. On a weekly basis, officers of the Gainesville Police Department (GPD) and GHA's public housing and Section 8 staff meet, screen applicants, exchange information, plan activities and develop strategies to continue the reduction of crime.

Central Florida Community Action Agency: The partnership with Central Florida Community Action Agency (CFCAA) and the Gainesville Housing Authority Family Self-Sufficiency Programs (FSS), call for dual enrollment. The FSS participant may receive assistance from both programs, as long as the services are not duplicated. The participant, if eligible, maintains the escrow account only through Gainesville Housing Authority.

Santa Fe Community College: Santa Fe Community College (SFCC) affords the GHA residents, Section 8 clients, and FSS Participants the opportunity to receive training and post secondary educational opportunities and earn an AS or AA Degree from a two year program funded by the Gainesville Housing Authority/Jack McGriff Memorial Scholarship Program. GHA initiated the scholarship program with SFCC in 1992. The applicant must have a high school degree/GED, demonstrate proficiency to maintain an overall Grade Point Average of 2.0 once in the program, have a strong letter of recommendation from an agency or an individual, and have participated or agree to participate in a community service project or have performed volunteer work.

Besides the scholarship program, SFCC offers the Work Exploration Center, which provides employment services for individuals with disabilities; the Youth Employment Services (YES) Program, provides employment services for high school students who are college bound, while exploring various employment opportunities that could be a career choice. The Displaced Homemaker's Program is designed for women age thirty-five plus who are entering or re-entering the employment field. This is an empowerment program designed to emphasize personal growth and development, employability skills, career exploration, and group support.

HOUSING AUTHORITY OF THE CITY OF GAINESVILLE
Gainesville, Florida

MANAGEMENT DISCUSSION & ANALYSIS

March 31, 2007

(Continued)

Partnerships Key to Agency Success (Continued)

Homeownership Opportunities: The agencies that provide homeownership opportunities for the Family Self Sufficiency Participants are The City of Gainesville Housing Division, Alachua County Habitat for Humanity, and Neighborhood Housing and Development Corporation. Each of the agencies provide supportive housing counseling, basic money management training, credit review and analysis, opportunities to receive down payment and closing cost assistance, and financial assistance to purchase new or existing housing.

The **ROSS Grant** provided services for over 200 elderly/disabled residents at three sites: Oak Park, Sunshine Park, and Woodland Park. Services included case management, congregate meals, and transportation, referral services, and wellness programs, educational and recreational activities.

Gainesville Housing Authority's ROSS partners include: University of Florida College of Nursing, DANCE ALIVE! State Touring Company of Florida, University of Florida Shands Eastside Community Practice, Alachua County Health Department, Florida Department of Children and Families, Santa Fe Community College, Alachua/Bradford Career Center, Gainesville Police Department, Three Rivers Legal Services, Black on Black Crime Task Force, Life's Gateway Ministry, Corner Drug Store, Inc., and Girl Scouts of Gateway Council.

VETPORT is a HUD funded Shelter Plus Care program that serves homeless veterans with chronic substance abuse or mental health issues. Gainesville Housing Authority operates this program in partnership with VETSPACE, a 501(c)(3) that provides supportive services to veterans. VETPORT served on the average 20 homeless veterans during the last year.

PATH is a HUD funded Shelter Plus Care program that provides housing and support services for homeless women with chronic substance abuse problems and their families. Gainesville Housing Authority operates this program in partnership with Meridian Behavioral Healthcare, Incorporated, a 501(c)(3) that provides a wide range of mental health and addiction treatment services. A total of 39 homeless persons were served in the last year (17 adult women, 20 children, and 2 adult men).

Children in Need of Services/Families in Need of Services (CINS/FINS): The CINS/FINS program is funded by a contract between the Florida Network of Youth and Family Services and the Corner Drug Store (CDS). In partnership with the Black on Black Crime Task Force (BBCTF), the GHA and BBCTF act as sub-contractors for CDS to provide for grant administration, services provided, and case management. The services provided are available to runaways, truant, and ungovernable youth sixteen (16) years of age or younger and their families. Prevention resources are directed at youth who are most at-risk and more likely to become delinquent. The program started in October 2004.

GHA Moves toward Asset Management: Realizing that Asset Management (Project Based Budgeting and Accounting) is the wave of the future for Public Housing Agencies, the GHA has invested a lot of time and effort in the planning and implementation this program. Software will need to be upgraded with additional capabilities and financial statements and reports will be changed to meet the additional requirements related to Asset Management.

HOUSING AUTHORITY OF THE CITY OF GAINESVILLE
Gainesville, Florida

MANAGEMENT DISCUSSION & ANALYSIS
March 31, 2007
(Continued)

The Gainesville Housing Authority realizes the important role that technology plays in an agency's ability to run effectively and efficiently under Asset Management. Between 2003 and 2007, the GHA invested over \$25,000 in upgrading its computer hardware and software. Each year, if funding is available, five to six employees receive new PC's, complete with Windows 2000 Professional or better. During the 2005 fiscal year, the agency purchased a Dell server to allow more reliable email communication and internet access over the network along with the ability for all users to easily store and backup their daily work. Each year, the GHA try's to replace the older PC's with newer and more reliable equipment. Last fiscal year, the authority staff worked with outside vendors to improve the network with faster and less expensive connectivity from the various remote sites.

The GHA uses an IBM AS400 processor networked to each employee's PC for all Housing Authority software. The GHA is a member of a consortium of housing authorities that own and manage the software that runs on the AS 400 processor.

Financial Operations Highlights

Total Assets decreased from \$10,032,220 to \$9,147,739, a decrease of \$884,479. Current Assets (primarily Cash and Investments) were used to extinguish Liabilities and to purchase Capital Assets. The decrease in Total Assets and Total Liabilities is attributed primarily to mortgage and bond principal payments of \$270,933. In addition, Capital Assets also changed significantly, decreasing by a net of \$757,841, due to a charge to current operations for depreciation in the amount of \$1,203,430. For more detail, please refer to the detail schedule of capital assets.

	<u>March 31,</u> <u>2007</u>	<u>March 31,</u> <u>2006</u>	<u>Net Change</u>
ASSETS:			
Current Assets	\$ 2,631,621	\$ 2,758,259	\$(126,638)
Other Assets	91,570	-	91,570
Capital Assets	6,424,548	7,273,959	(849,411)
Total Assets	<u>9,147,739</u>	<u>10,032,218</u>	<u>(884,479)</u>
LIABILITIES:			
Current Liabilities	735,946	668,735	67,211
Non Current Liabilities	938,603	1,211,666	(273,063)
Total Liabilities	<u>1,674,549</u>	<u>1,880,401</u>	<u>(205,852)</u>
Total Net Assets	<u>\$ 7,473,190</u>	<u>\$ 8,151,817</u>	<u>\$(678,627)</u>
NET ASSETS			
Investment in Capital Assets	\$ 5,884,163	\$ 6,224,552	\$(340,389)
Restricted Net Assets	-	250,923	(250,923)
Unrestricted Net Assets	1,589,027	1,676,342	(87,315)
Total Net Assets	<u>\$ 7,473,190</u>	<u>\$ 8,151,817</u>	<u>\$(678,627)</u>

HOUSING AUTHORITY OF THE CITY OF GAINESVILLE
Gainesville, Florida

MANAGEMENT DISCUSSION & ANALYSIS

March 31, 2007

(Continued)

Financial Position and Results of Operations

The Authority's net assets decreased from \$8,151,817 in 2006 to \$7,473,190 in 2007. HUD PHA Operating Grants increased by \$201,092 due primarily to the increase in funding for Section 8 Vouchers from HUD. Total Operating Expense increased by \$356,992, which can be attributed to an increase in the cost of Housing Assistance Payments to residents and landlords. During the current fiscal year, utility costs totaled \$1,013,346, an increase of \$62,363 from the prior year. Though the total consumption did not change that much, the cost of an individual unit of energy was much higher. We still have a high vacancy rate due to an ongoing Capital Improvement program. We anticipate that the vacancy rate will be reduced by the end of our next fiscal year, if the issues with the HUD Fair Housing can be resolved (See corrective action order dated July 17, 2006).

	<u>March 31, 2007</u>	<u>March 31, 2006</u>
Revenue		
Tenant Revenue	\$ 1,769,843	\$ 1,606,685
Other Revenue	123,954	71,420
Total Operating Income	<u>1,893,797</u>	<u>1,678,105</u>
Expenditures		
Administration	1,839,193	1,886,469
Tenant Services	316,827	292,967
Utilities	1,013,346	950,983
Ordinary Maintenance	1,426,973	1,480,332
Protective Services	68,664	109,687
General Expense	449,780	499,884
HAP Payments	6,309,425	5,812,096
Depreciation	1,203,430	1,238,228
Total Operating Expenses	<u>12,621,321</u>	<u>12,270,646</u>
Operating Loss	<u>(10,733,841)</u>	<u>(10,592,541)</u>
Nonoperating Revenues (Expense)		
Miscellaneous	(6,346)	2,802
Government Operating Grants	9,776,088	9,574,996
Interest Expense	(81,323)	(100,297)
Capital Grants	273,936	1,059,233
Interest Income	81,212	69,827
Total Nonoperating Revenues (Expense)	<u>(10,043,567)</u>	<u>10,606,561</u>
Change in Net Assets	<u>(690,274)</u>	<u>14,020</u>
Total Net Assets - Beginning of Year	<u>8,163,464</u>	<u>8,137,799</u>
Total Net Assets - End Of Year	<u>\$ 7,473,190</u>	<u>\$ 8,151,819</u>

HOUSING AUTHORITY OF THE CITY OF GAINESVILLE
Gainesville, Florida

MANAGEMENT DISCUSSION & ANALYSIS
March 31, 2007
(Continued)

Capital Assets

Capital Assets are the largest asset reflected on the Authority's statement of net assets. The following is a summary of changes in capital assets owned by the Authority for the Fiscal Year ended March 31, 2007:

Total Fixed Assets net of Depreciation Mar 31, 2006	\$ 7,273,959
Total Fixed Assets net of Depreciation Mar 31, 2007	<u>6,424,548</u>
Net decreased in Total Fixed Assets	<u>\$(849,411)</u>

Analysis of Change in Total Capital Assets:

Capital Improvements 400 Building (Fire Alarm Upgrade)	\$ 69,605
Capital Assets Capital Fund March 31, 2006	\$ 1,540,748
Addition to Capital Fund current year	273,936
Capital Assets projects completed	<u>(784,933)</u>
Capital Assets Capital Fund March 31, 2007	<u>\$ 1,029,751</u>
Net decrease in Capital Fund for current year	(510,997)
Playground-Seminary Lane	(494)
Capital Fund completed projects	784,933
Purchase of Fixed Assets in the normal course of Business	10,972
Increase in Accumulated Depreciation	<u>(1,203,430)</u>
Net Change in Total Fixed Assets	<u>\$(849,411)</u>

Debt Administration

The largest liability of the Authority consists of bonds for the purchase of The 400 Building, and a conventional mortgage for the purchase of Seminary Lane. Both properties are owned by the Gainesville, Florida, Housing Corp., Inc., a component unit of the Gainesville Housing Authority. The following is a table of outstanding revenue bonds and Mortgage balances as of March 31, 2007:

	Purpose of Issue	In Thousands		Interest Rates
		Amount Issued	Amount Outstanding	
1977 Mortgage				
Revenue Bonds-400 Bldg	Purchase	\$3,000.0	\$ 830.0	7.25%
Mortgage-Seminary Lane	Purchase	\$1,422.4	\$ 219.4	7.00%

HOUSING AUTHORITY OF THE CITY OF GAINESVILLE
Gainesville, Florida

MANAGEMENT DISCUSSION & ANALYSIS

March 31, 2007

(Continued)

The bonds outstanding at March 31, 2007 decreased by \$175,000 from March 31, 2006 due to the payment of principal during the current year. During this same time frame, the Mortgage on Seminary Lane decreased by \$95,933.

Long Term Debt:

400 Building

Bonds Payable at Mar 31, 2006	\$1,005,000
Principle payments during current year	<u>175,000</u>

Bonds Payable at Mar 31, 2007 **\$ 830,000**

Seminary Lane

Mortgage Payable at March 31, 2006	\$ 315,337
Principle payments during current year	<u>95,933</u>

Mortgage Payable at March 31, 2007 **\$ 219,404**

The Gainesville Florida Housing Corp., Inc. anticipates refinancing the balance of the bonds outstanding on the 400 Building during the next fiscal year. Currently the GFHC is looking at a loan in the amount of \$1,400,000 at approximately 7% with a 20 year amortization, and a balloon at the end of 5 years. This will substantially reduce the monthly mortgage payment from what it currently is. In addition, proceeds from the refinance will also be used to pay off the balance of the mortgage on Seminary Lane.

Capital Fund Program

The Housing Authority is currently in a capital fund program. During the current year, expenditures were made for handicap renovations, roofs, appliances, tree removal, administrative costs and sidewalks.

Subsequent Events

Refinancing the 400 Building \$3,000,000 Bond Issue: On August 22, 2007, the Gainesville, Florida Housing Corporation, Inc. refinanced the balance of the Bond Payable of \$645,000 on the 400 Building with a new mortgage of \$1,400,000. In addition, the mortgage on Seminary Lane, with a balance of \$185,906, was paid in full, using some of the proceeds from the new mortgage on the 400 Building.

HOUSING AUTHORITY OF THE CITY OF GAINESVILLE
Gainesville, Florida

MANAGEMENT DISCUSSION & ANALYSIS

March 31, 2007

(Continued)

Subsequent Events (Continued)

Voluntary Compliance Agreement (VCA): During the week of May 16-20, 2005, HUD conducted a compliance review of GHA's public housing and multi-family housing sites. The review included a Fair Housing/Equal Opportunity Assessment of program operations to include the admission process, tenant selection process, occupancy, designated accessible units, the common areas and housing and non-housing programs and activities. The review concluded there were areas of deficiencies related to physical accessibility of common areas and individual housing units, as well as deficiencies in GHA policies and procedures. GHA acknowledged the findings and sent HUD a letter agreeing to negotiate a Voluntary Compliance Agreement (VCA) on October 26, 2005. On July 18, 2006, a corrective action order was issued by HUD that restricted the use of capital funds and ROSS grant funds. This seriously limited the use of these funds for operational projects. During the week of June 4-8, 2007, GHA and HUD met to negotiate the terms of the VCA. A settlement was reached on all issues except for the amount of funds available in the claims funds. During November 2007, HUD and GHA reached an agreement on the level of funding in the claims fund. This amount was set at \$125,000; this amount includes the combined funds available for GHA's public housing and Section 8 New Construction housing programs. GHA's attorney anticipates that all documents (VCA) will be signed during December 2007 and the process will be finalized.

Request for Information

This financial report is designed to provide a general overview of the Authority's accountability for all those interested. If you should have additional questions regarding the financial information, you can contact our office in writing at the following address:

Gainesville Housing Authority
Attn: William D. Cochran, Accounting Manager
PO Box 1468
Gainesville, Fl 32602

GAINESVILLE HOUSING AUTHORITY

Gainesville, Florida

STATEMENT OF NET ASSETS

MARCH 31, 2007

ASSETS

Current assets

Cash and cash equivalents	\$ 1,237,808
Restricted cash - maintenance reserve	546,453
Restricted cash - resident security deposits	124,859
Accounts receivable, net of allowance	9,909
Due from U.S. Department of HUD	628,440
Inventories, net of allowance of \$1,825	72,919
Prepaid expenses	11,233
Total current assets	<u>2,631,621</u>

Noncurrent assets

Capital assets

Not being depreciated	1,700,103
Depreciable, net	4,724,445

Total capital assets, net	<u>6,424,548</u>
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Other noncurrent assets

Insurance deposits	91,570
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Total noncurrent assets	<u>6,516,118</u>
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Total assets	<u>9,147,739</u>
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LIABILITIES

Current liabilities

Vendors and contractors payable	198,759
Accrued compensated absences	15,514
Due to other governments	58,944
Notes and bonds payable	287,865
Deferred revenues	1,960

Total current liabilities	<u>563,042</u>
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Current liabilities payable from restricted assets

Resident security deposits	152,846
Accrued interest payable	20,058

Total current liabilities payable from restricted assets	<u>172,904</u>
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Noncurrent liabilities

Notes and bonds payable	761,539
Accrued compensated absences	139,629
Family self sufficiency escrow	37,435

Total noncurrent liabilities	<u>938,603</u>
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Total liabilities	<u>1,674,549</u>
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NET ASSETS

Invested in capital assets	5,884,163
Unrestricted	1,589,027

Total net assets	<u>\$ 7,473,190</u>
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The accompanying notes are an integral part of these basic financial statements.

GAINESVILLE HOUSING AUTHORITY

Gainesville, Florida

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2007**

Operating revenues	
Rental revenue	\$ 1,644,846
Other revenue	248,951
Total operating revenues	<u>1,893,797</u>
Operating expenses	
Administrative	1,839,193
Tenant services	316,827
Utilities	1,013,346
Ordinary maintenance & operation	1,426,973
Protective services	68,664
General expenses	449,780
Housing assistance payments	6,309,425
Depreciation	1,203,430
Total operating expenses	<u>12,627,638</u>
Operating loss	<u>(10,733,841)</u>
Nonoperating revenues (expenses)	
HUD grants	9,776,088
Interest revenue	81,212
Interest expense	(81,323)
Loss on disposition of fixed assets	(494)
Casualty losses	(5,852)
Total nonoperating revenues	<u>9,769,631</u>
Loss before contributions	<u>(964,210)</u>
Capital contributions	<u>273,936</u>
Decrease in net assets	<u>(690,274)</u>
Net assets, beginning of year, restated	<u>8,163,464</u>
Net assets, end of year	<u><u>\$ 7,473,190</u></u>

The accompanying notes are an integral part of these basic financial statements.

GAINESVILLE HOUSING AUTHORITY
Gainesville, Florida

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2007

Cash Flows From Operating Activities	
Receipts from residents and other deposits	\$ 1,657,817
Other receipts	175,253
Payments to suppliers	(2,936,989)
Payments to/for employees	(1,993,609)
Payments to landlords	(6,309,425)
Net cash used by operating activities	<u>(9,406,953)</u>
 Cash Flows From Noncapital Financing Activities	
Operating grants	<u>9,316,362</u>
 Cash Flows From Capital and Related Financing Activities	
Capital contributions	273,936
Purchases of capital assets	(354,514)
Principal paid on capital debt	(270,933)
Interest paid on capital debt	(81,323)
Other receipts	(5,850)
Net cash used by capital and related financing activities	<u>(438,684)</u>
 Cash Flows From Investing Activities	
Interest	<u>76,982</u>
Net cash provided by investing activities	<u>76,982</u>
 Net decrease in cash and cash equivalents	 (452,293)
Balance - beginning of the year	<u>2,361,413</u>
Balance - end of the year	<u>\$ 1,909,120</u>
 Reconciliation of Cash Flows to Statement of Net Assets	
Cash and cash equivalents	\$ 1,237,808
Restricted cash - maintenance reserve	546,453
Restricted cash - resident security deposits	124,859
	<u>\$ 1,909,120</u>

There were no noncash investing, capital and financing activities.

GAINESVILLE HOUSING AUTHORITY

Gainesville, Florida

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2007
(Continued)**

**Reconciliation of Net Operating Loss to
Net Cash Used By Operating Activities**

Operating loss	\$ (10,733,841)
Adjustments to reconcile net operating loss to net cash used by operating activities:	
Depreciation elimination	1,203,430
Decrease in accounts receivable	10,267
Increase in inventory	(123)
Decrease in prepaid expenses	133,333
Increase in deposits	(91,570)
Increase in security deposits	7,984
Increase in accounts payable	41,283
Increase in compensated absences	11,135
Increase in accrued liabilities	4,783
Decrease in deferred credits	(5,280)
Adjustment to prior year	11,646
Net cash used by operating activities	<u><u>\$ (9,406,953)</u></u>

The accompanying notes are an integral part of these basic financial statements.

GAINESVILLE HOUSING AUTHORITY
Gainesville, Florida

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

A - Summary of Significant Accounting Policies and Organization:

1. **Organization:** Gainesville Housing Authority ("the Authority") is a public body corporate and politic pursuant to the Chapter 421 Laws of the State of Florida which was organized to provide low rent housing for qualified individuals in accordance with the rules and regulations prescribed by the U.S. Department of Housing and Urban Development (HUD) and other Federal Agencies.
2. **Reporting Entity:** In determining how to define the reporting entity, management has considered all potential component units. The decision to include a component unit in the reporting entity was made by applying the criteria set forth in Section 2100 and 2600 of the *Codification of Governmental Accounting and Financial Reporting Standards and Statement No. 14, (amended) of the Governmental Accounting Standards Board: The Financial Reporting Entity*. These criteria include manifestation of oversight responsibility including financial accountability, appointment of a voting majority, imposition of will, financial benefit to or burden on a primary organization, financial accountability as a result of fiscal dependency, potential for dual inclusion, and organizations included in the reporting entity although the primary organization is not financially accountable. Based upon the application of these criteria, the reporting entity has the component units.
 - Leased Housing of Gainesville, Inc.
 - Gainesville, Florida Housing Corporation

These component units have been blended for financial statement presentation as the Business Activities (Component Unit #1) and Section 8 New Construction (Component Unit #2) columns of the combining financial schedules.

3. **Summary of HUD Programs:** The accompanying financial statements consist of the activities of the housing programs subsidized by HUD. A summary of each of these programs and the related contracts with HUD is provided below.
 - a. **Annual Contributions Contract A-3327**
 - 1) **Low Rent Public Housing:** This type of housing consists of apartments and single-family dwellings owned and operated by the Authority. Funding is provided by tenant rent payments and subsidies provided by HUD.
 - 2) **Modernization and Development:** Substantially all additions to land, buildings, and equipment are accomplished through the Development Program, Comprehensive Grant Program or Capital Fund Program. These programs add to, replace or materially upgrade deteriorated portions of the Authority's housing units. Funding is provided through programs established by HUD.
 - 3) **Resident Opportunity and Supportive Services Program (ROSS):** The Authority will provide supportive services to its elderly and disabled housing residents in order to enhance their quality of life and to enable residents to maintain their independence as long as possible. Services will include a wellness program, transportation, congregate meals, housekeeping aid, employment assistance, recreational activities and case management.

GAINESVILLE HOUSING AUTHORITY
Gainesville, Florida

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007
(Continued)

A - Summary of Significant Accounting Policies and Organization: (Continued)

3. Summary of HUD Programs: (Continued)

a. Annual Contributions Contract A-3327 (Continued)

4) **Shelter Plus Care Program:** The Authority will serve as the grant recipient. Meridian and VETSPACE, Inc., will serve as the non-profit sponsor. The Authority and VETSPACE will administer the grant jointly. The Authority will manage the rental assistance for program participants. Meridian and VETSPACE will coordinate all clinical and case management functions. Case management and support services for homeless veterans will be provided by the Department of Veterans Affairs Medical Center (VA). Up to 10% of the program participants may be non-veterans who are homeless and disabled. These individuals will be provided supportive services/case management by the referring agency/organization.

b. Annual Contributions Contract A-2989 - Housing Assistance Payments Programs

1) **Housing Choice Vouchers:** This is a housing program wherein low rent tenants lease housing units directly from private landlords rather than through the Authority. HUD contracts with private landlords to make assistance payments for the difference between the approved contract rent and the actual rent paid by the low-rent tenants.

c. **Leased Housing of Gainesville, Inc. – Component Unit #1:** The Leased Housing of Gainesville, Inc. ("The Corporation") is a charitable, non-profit corporation formed under Chapter 617 of the laws of the State of Florida as an agency and instrument of the Authority for the purpose of providing housing for low-income families within the area of operation of the Authority. It is empowered to borrow money as necessary to finance the cost of such housing. By resolution adopted February 10, 1972, as amended, the Authority approved the formation of the Corporation. Upon termination of existence of the Corporation, all of its property and assets subject to the rights of its creditors, if any, become the property of the Authority or its successor.

d. **Gainesville, Florida Housing Corporation, Inc. – Component Unit #2:** The Gainesville, Florida Corporation, Inc. ("The Corporation") is a charitable, non-profit corporation formed under the laws of the State of Florida as an agency and an instrument of the Authority for the purpose of providing housing for low-income families within the area of operation of the Authority. It is empowered to borrow money as necessary to finance the cost of such housing. By resolution adopted November 17, 1977, as amended, the Authority approved the formation of the Corporation. Upon termination of existence of the Corporation, all its property and assets subject to the rights of its creditors, if any, become the property of the Authority or its successor.

4. **Basis of Presentation and Accounting:** In accordance with uniform financial reporting standards for HUD housing programs, the basic financial statements are prepared in accordance with U. S. generally accepted accounting principles (GAAP).

GAINESVILLE HOUSING AUTHORITY
Gainesville, Florida

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007
(Continued)

A - Summary of Significant Accounting Policies and Organization: (Continued)

4. Basis of Presentation and Accounting: (Continued)

Based upon compelling reasons offered by HUD, the Authority reports its basic financial statements as a special purpose government engaged solely in business-type activities, which is similar to the governmental proprietary fund type (enterprise fund), which uses the accrual basis of accounting and the flow of economic resources measurement focus. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. Pursuant to the election option made available by *GASB Statement No. 20, Pronouncements of the Financial Accounting Standards Board (FASB)* issued after November 30, 1989 are applied in the preparation of the basic financial statements, unless those pronouncements conflict with or contradicts GASB pronouncements.

Generally accepted accounting principles for state and local governments requires that resources be classified for accounting and reporting purposes into the following three net asset categories:

Invested in Capital Assets, Net of Related Debt – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Restricted - Net assets whose use by the Authority is subject to externally imposed stipulations that can be fulfilled by actions of the Authority pursuant to those stipulations or the expire by the passage of time. Such assets include assets restricted for capital acquisitions and debt service.

Unrestricted – Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Authority Board or may otherwise be limited by contractual agreements with outside parties.

5. **Budgets:** Budgets are prepared on an annual basis for each major operating program and are used as a management tool throughout the accounting cycle. The capital fund budgets are adopted on a “project length” basis. Budgets are not, however, legally adopted nor legally required for financial statement presentation.
6. **Cash and Cash Equivalents:** For purposes of the Statement of Cash Flows, the Authority considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased and non-negotiable certificates of deposit to be cash equivalents. There were no noncash investing, capital and financing activities during the year.
7. **Interprogram Receivables and Payables:** Interprogram receivables/payables, when present, are all current, and are the result of the use of the Public Housing Program as the common paymaster for shared costs of the Authority. Cash settlements are made periodically, and all interprogram balances net zero. Offsetting due to/due from balances are eliminated for the basic financial statement presentation.

GAINESVILLE HOUSING AUTHORITY
Gainesville, Florida

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007
(Continued)

A - Summary of Significant Accounting Policies and Organization: (Continued)

- 8. Investments:** Investments, when present, are recorded at fair value. Investment instruments consist only of items specifically approved for public housing agencies by HUD. Investments are either insured or collateralized using the dedicated method. Under the dedicated method of collateralization, all deposits and investments over the federal depository insurance coverage are collateralized with securities held by the Authority's agent in the Authority's name. It is the Authority's policy that all funds on deposit are collateralized in accordance with both HUD requirements and requirements of the State of Florida.
- 9. Inventories:** Inventories (consisting of materials and supplies) are valued at cost using the first in, first out (FIFO) method. If inventory falls below cost due to damage, deterioration or obsolescence, the Authority establishes an allowance for obsolete inventory. In accordance with the consumption method, inventory is expensed when items are actually placed in service.
- 10. Prepaid Items:** Payments made to vendors for goods or services that will benefit periods beyond the fiscal year end are recorded as prepaid items.
- 11. Use of Estimates:** The preparation of basic financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the basic financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.
- 12. Fair Value of Financial Instruments:** The carrying amount of the Authority's financial instruments at March 31, 2007 including cash, investments, accounts receivable, and accounts payable closely approximates fair value.
- 13. Capital Assets:**

 - a. Book Value:** All purchased fixed assets are valued at cost when historical records are available. When no historical records are available, fixed assets are valued at estimated historical cost.

Land values were derived from development closeout documentation.

Donated fixed assets are recorded at their fair value at the time they are received.

Donor imposed restrictions are deemed to expire as the asset depreciates.

All normal expenditures of preparing an asset for use are capitalized when they meet or exceed the capitalization threshold.
 - b. Depreciation:** The cost of buildings and equipment is depreciated over the estimated useful lives of the related assets on a composite basis using the straight-line method.

GAINESVILLE HOUSING AUTHORITY
Gainesville, Florida

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007
(Continued)

A - Summary of Significant Accounting Policies and Organization: (Continued)

13. Capital Assets: (Continued)

b. Depreciation: (Continued)

Depreciation commences on modernization and development additions in the year following completion.

The useful lives of buildings and equipment for purposes of computing depreciation are as follows:

Buildings	27 years
Building modernization	10 years
Office and other equipment	5 years

c. Maintenance and Repairs Expenditures: Maintenance and repairs expenditures are charged to operations when incurred. Betterments in excess of \$1,000 are capitalized. When buildings and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

14. Compensated Absences: Compensated absences are those absences for which employees will be paid, such as vacation and sick leave computed in accordance with *GASB Statement No. 16*. A liability for compensated absences that is attributable to services already rendered and that are not contingent on a specific event that is outside the control of the Authority and its employees, is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the Authority and its employees are accounted for in the period in which such services are rendered or in which such events take place.

15. Litigation Losses: The Authority recognizes estimated losses related to litigation in the period in which the occasion giving rise to the loss occurred, the loss is probable and the loss is reasonably estimable.

16. Annual Contribution Contracts: Annual Contribution contracts provide that HUD shall have the Authority to audit and examine the records of public housing authorities. Accordingly, final determination of the Authority's financing and contribution status for the Annual Contribution Contracts is the responsibility of HUD based upon financial reports submitted by the Authority.

17. Risk Management: The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial insurance for all property and equipment, employee health and accident insurance, general liability, fire and extended coverage, fidelity bond, automobile, and Director and Officers liability. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. Additionally, there have been no significant reductions in insurance coverage from the prior year.

GAINESVILLE HOUSING AUTHORITY
Gainesville, Florida

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007
(Continued)

A - Summary of Significant Accounting Policies and Organization: (Continued)

17. Risk Management: (Continued)

The Authority also participates in public entity risk pool (Housing Authority's Risk Retention Group, Inc.) for boiler and machinery, fidelity bond and Director and Officers liability. Settled claims resulting from these risks have not exceeded risk pool coverage in any of the past three fiscal years. Rights and responsibilities of the Authority and the pool are contained within the pool agreement and the scope of coverage documents.

18. Use of Restricted Assets: It is the Authority's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

19. Operating Revenues and Expenses: The principal operating revenues of the Authority's enterprise fund are charges to customers for rents and services. Operating expenses for the Authority's enterprise fund include the cost of providing housing and services, administrative expenses and depreciation on capital assets. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

B - Deposits and Investments: For purposes of the Statement of Cash Flows, the Authority considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased and non-negotiable certificates of deposit to be cash equivalents. There were no noncash investing, capital and financing activities during the year.

1. HUD Deposit and Investment Restrictions

HUD requires authorities to invest excess HUD program funds in obligations of the United States, certificates of deposit or any other federally insured instruments.

HUD also requires that deposits of HUD program funds be fully insured or collateralized at all times. Acceptable security includes FDIC/FSLIC insurance and the market value of securities purchased and pledged to the political subdivision. Pursuant to HUD restrictions, obligations of the United States are allowed as security for deposits. Obligations furnished as security must be held by the Authority or with an unaffiliated bank or trust company for the account of the Authority.

2. Risk Disclosures

a. Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy limits the Authority's investment portfolio to maturities not to exceed two years at time of purchase.

At March 31, 2007, the Authority's deposits and investments were not limited and all of which are either available on demand or have maturities of less than two years.

b. Credit Risk: This is risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The Authority's investment policy is that none of its total portfolio may be invested in securities of any single issuer, other than the US Government, its agencies and instrumentalities.

GAINESVILLE HOUSING AUTHORITY
Gainesville, Florida

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007
(Continued)

B - Deposits and Investments: (Continued)

2. Risk Disclosures (Continued)

- c. **Custodial Credit Risk:** This is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are held by the counterparty. All of the Authority's investments in securities are held in the name of the Authority. The Authority's custodial agreement policy prohibits counterparties holding securities not in the Authority's name.

The carrying amounts of the Authority's cash deposits were \$1,909,120 at March 31, 2007. Bank balances before reconciling items were \$2,028,802 at that date, the total amount of which was collateralized or insured with securities held by an unaffiliated banking institution in the Authority's name.

C - Accounts Receivable:

Dwelling rents (net of allowance for doubtful accounts of \$9,218)	\$ 9,664
Other Public Housing Authorities	<u>245</u>
	<u>\$ 9,909</u>

D - Land, Buildings and Equipment:

	Balance	Adjustment	Adjusted	Transfers			Balance
March	March	to restate	Beginning	and			March
31, 2006	31, 2006	Beginning	Balance	Additions	Deletions	Transfers	31, 2007
Not being depreciated:							
Land	\$ 670,846	\$ -	\$ 670,846	\$ -	\$ (494)	\$ -	\$ 670,352
Construction in process	1,540,748	-	1,540,748	273,936	-	(784,933)	1,029,751
Total not being depreciated	2,211,594	-	2,211,594	273,936	(494)	(784,933)	1,700,103
Depreciable:							
Buildings & improvements	24,479,366	-	24,479,366	69,605	-	784,933	25,333,904
Accumulated depreciation	(19,609,313)	-	(19,609,313)	(1,102,604)	-	-	(20,711,917)
Net buildings & improvements	4,870,053	-	4,870,053	(1,032,999)	-	784,933	4,621,987
Equipment	722,003	(1)	722,002	10,973	-	-	732,975
Accumulated depreciation	(529,691)	-	(529,691)	(100,826)	-	-	(630,517)
Net equipment	192,312	(1)	192,311	(89,853)	-	-	102,458
Net depreciable assets	5,062,365	(1)	5,062,364	(1,122,852)	-	784,933	4,724,445
TOTAL	\$ 7,273,959	\$ (1)	\$ 7,273,958	\$ (848,916)	\$ (494)	\$ -	\$ 6,424,548

GAINESVILLE HOUSING AUTHORITY
Gainesville, Florida

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007
(Continued)

E - Due to Other Governments:

Payment in Lieu of Taxes – City of Gainesville, Florida \$ 58,944

F - Long-Term Debt:

Mortgage Bond and Note Payable – Component Unit (Gainesville Housing Corporation, Inc.)

Mortgage bonds and note payable through a Trustee and Lending Institution of \$1,049,404 at March 31, 2007 consist of Mortgage bond and note issued in the amount of \$4,423,675 during the audit period and retirements in the amount of \$3,374,469, with annual principal reduction contributions of approximately \$1,049,404 over the next five years.

The above bond and note are secured by the land, buildings and equipment under signed Deeds of Trust. The Authority has signed a twenty-year Housing Assistance Payments Contract with HUD to support this financing arrangement with a twenty-year renewable option.

Monthly and semi-annual payments including interest of 7.0% -7.25% beginning 1980 through 2010	\$ 1,049,404
Less current portion of Long-term debt reclassified to current liabilities	<u>(287,865)</u>
	<u>\$ 761,539</u>

The following annual Bond and Note principal reductions are as follows:

<u>Year</u>	<u>Amount</u>	<u>Interest</u>	<u>Interest Rate</u>
2007	287,865	\$ 71,975	7.0%-7.25%
2008	310,301	50,375	7.0%-7.25%
2009	221,240	30,087	7.0%-7.25%
2010	<u>229,998</u>	<u>16,675</u>	7.0%-7.25%
	<u>\$1,049,404</u>	<u>\$ 169,112</u>	

Interest expense for the year ended March 31, 2007 was \$81,323. There was no capitalized interest expense for the year ended March 31, 2007.

The debt is secured by the property purchased in conjunction with the Authority's Section 8 New Construction Housing Assistance Payments Program Contract to cooperate in the development of Low Income Rental Housing in Gainesville, Florida.

G - Annual Contributions by Federal Agencies:

Annual Contributions Contract A-3327 - Pursuant to the Annual Contributions Contract, HUD contributes an operating subsidy approved in the operating budget under the Annual Contributions Contract. HUD operating subsidy contributions for the year ended March 31, 2007 were \$1,683,773. HUD also contributed additional finds for modernization and operations in the amount of \$601,954 for the year ended March 31, 2007.

GAINESVILLE HOUSING AUTHORITY
Gainesville, Florida

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007
(Continued)

G - Annual Contributions by Federal Agencies: (Continued)

Annual Contributions Contract A-2989 - Section 8 programs provide for housing assistance payments to private owners of residential units on behalf of eligible low or very low-income families. The program provides for such payments with respect to existing and moderately rehabilitated housing covering the difference between the maximum rental on a dwelling unit, and the amount of rent contribution by a participating family and related administrative expense. HUD contributions for the year ended March 31, 2007, were \$6,843,957.

HUD contributions for the year ended March 31, 2007, were as follows:

Shelter Plus Care	\$ 149,437
Housing Choice Vouchers	6,843,957
Section 8 New Construction (Gainesville, Florida Housing Corporation, Inc. – Component Unit #2)	<u>682,857</u>
	<u>\$ 7,676,251</u>

H - Defined Contribution Pension Plan: The Authority provides pension benefits for all its full-time employees through a defined contribution plan entitled "Gainesville Housing Authority Pension Plan". The plan is administered by Pension Specialist, Inc., 6271 DuPont Station Court East, Jacksonville, Florida 32217. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Board of Commissioners for the Authority is authorized to establish and amend plan benefits. Employees are eligible to participate from the date of employment. The Authority contributes 15% of the employee's base salary each month. The Authority's contributions for each employee (and interest allocated to the employee's account) are fully vested after five years of continuous service. Authority contributions for, and interest forfeited by, employees who leave employment before vesting are used to reduce the Authority's current-period contribution requirement.

The Authority's total payroll in fiscal year 2007 was \$1,517,559. The Authority's contributions were calculated using the base salary amount of \$1,324,500. The Authority made the required contributions amounting to \$198,624.

I - Deferred Compensation Plan:

The Gainesville Housing Authority provides employees the opportunity to make voluntary contributions to a 457 Deferred Compensation Plan. All contributions to the plan come from deductions by employees thru payroll administration. Generally, employees can contribute up to 100% of their earnings up to the amount prescribed in the Federal Regulations. For employees who meet the age requirement (within three years of age 62), there is a provision allowed by Federal Law to make additional catch-up contributions up to the amount that would have been allowed over the last three years. This plan is administered by Key Financial Group/Security Benefit Life Insurance Company.

Upon termination of employment, either by retirement or otherwise, the employee is entitled to the balance of the funds in his/her account. No withdrawals are allowed while the participant is still employed.

GAINESVILLE HOUSING AUTHORITY
Gainesville, Florida

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007
(Continued)

- J - Compensated Absences Payable:** The cost of current leave privileges computed in accordance with GASB Statement No. 16, "Compensated Absences", is recognized as a current year expenditure in the period in which it is earned, in accordance with U.S. generally accepted accounting principles.

At March 31, 2007 total leave to be paid upon termination is \$155,169 (Current portion \$15,544/ Long Term \$139,625)

Schedule of Changes in Long-Term Liabilities:

	March 31, 2006		Additions	Payments	Total	March 31, 2007	
	Long-term Portion	Current Portion				Current Portion	Long-term Portion
Notes payable	\$ 1,049,407	\$ 270,930	\$ -	\$ (270,933)	\$ 1,049,404	\$ 287,865	\$ 761,539
Family self sufficiency escrow	32,652	-	-	4,783	37,435	-	37,435
Compensated absences	129,607	14,401	11,135	-	155,143	15,514	139,629
	<u>\$ 1,211,666</u>	<u>\$ 285,331</u>	<u>\$ 11,135</u>	<u>\$ (266,150)</u>	<u>\$ 1,241,982</u>	<u>\$ 303,379</u>	<u>\$ 938,603</u>

- K - Economic Dependency:** The Authority receives approximately 84% of its revenues from HUD. If the amount of revenues received from HUD falls below critical levels, the Authority's reserves could be adversely affected.

L - Contingencies:

1. The Authority is subject to possible examinations made by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Authority in the current and prior years. There were no such examinations for the year ended March 31, 2007.
2. The Authority is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the Authority (and the Authority's attorney) that resolution of these matters will not have a material adverse effect on the financial condition of the Authority.

- M - Conduit Type Debt:** Debt related to the original acquisition and early modernization of the public housing developments is funded, guaranteed and serviced by HUD. There is no debt or pledge of faith and credit on part of the Authority. Accordingly, this debt has not been recorded in the financial statements of the Housing Authority. Additionally, HUD no longer provides debt service information to the Authority.

- N - Commitments:** The Authority is engaged in a modernization program funded by HUD. In this regard, the Authority has entered into construction-type grants with approximately \$69,605 remaining until completion.

GAINESVILLE HOUSING AUTHORITY
Gainesville, Florida

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007
(Continued)

- O - Leasing Activities (as Lessor):** The Authority is the lessor of dwelling units mainly to low-income residents. The rents under the leases are determined generally by the resident's income as adjusted for eligible deductions regulated by HUD, although the resident may opt for a flat rent. Leases may be cancelled by the lessee at any time. The Authority may cancel the lease only for cause.

Revenues associated with these leases are recorded in the financial statements and schedules as "Rental Revenue". Rental Revenue per dwelling unit generally remains consistent from year to year, but is affected by general economic conditions which impact personal income and local job availability.

- P - Net Loss - Current Year:** The net loss for the current year will be absorbed through operations in subsequent fiscal years, assisted by transfers from comprehensive grant programs. No fund deficit is expected as a result of the current year loss.

- Q - Interfund Transfer:** The Authority will make cash transfers between the Capital Fund Program, Low Rent Public Housing and/or Section 8 Housing Programs as outlined in the Federal Regulations and authorized and approved by the Authority's Board of Commissioners. There were no transfers during fiscal year 2007

- R - Schedule of Changes in Fund Equity:**

	Invested in			
	Capital Assets -			Total
	Net of Related Debt	Restricted Net Assets	Unrestricted Net Assets	
Balance - beginning of year	\$ 6,224,552	\$ 250,923	\$ 1,676,344	\$ 8,151,819
Adjustments to restate beginning balance	-	-	11,645	11,645
Balance - beginning of year, restated	6,224,552	250,923	1,687,989	8,163,464
Decrease in unrestricted net assets	-	-	(98,962)	(98,962)
Decrease in restricted net assets	-	(250,923)	-	(250,923)
Decrease in investment in capital assets	(340,389)	-	-	(340,389)
Balance - end of year	\$ 5,884,163	\$ -	\$ 1,589,027	\$ 7,473,190
Adjustments to restate beginning balance				
HUD Adjustment to HAP - 12/31/2004	\$ -	\$ -	\$ (82,423)	(82,423)
HUD Underpayment of HAP - 12/31/2005	-	-	94,068	94,068
Net adjustments to restate beginning balance	\$ -	\$ -	\$ 11,645	\$ 11,645

HOUSING AUTHORITY OF THE CITY OF GAINESVILLE
Gainesville, Florida

NOTES TO FINANCIAL STATEMENTS
March 31, 2007
(Continued)

S. - Subsequent Events

Refinancing the 400 Building \$3,000,000 Bond Issue: On August 22, 2007, the Gainesville, Florida Housing Corporation, Inc. refinanced the balance of the Bond Payable of \$645,000 on the 400 Building with a new mortgage of \$1,400,000. In addition, the mortgage on Seminary Lane, with a balance of \$185,906, was paid in full, using some of the proceeds from the new mortgage on the 400 Building.

Voluntary Compliance Agreement (VCA): During the week of May 16-20, 2005, HUD conducted a compliance review of GHA's public housing and multi-family housing sites. The review included a Fair Housing/Equal Opportunity Assessment of program operations to include the admission process, tenant selection process, occupancy, designated accessible units, the common areas and housing and non-housing programs and activities. The review concluded there were areas of deficiencies related to physical accessibility of common areas and individual housing units, as well as deficiencies in GHA policies and procedures. GHA acknowledged the findings and sent HUD a letter agreeing to negotiate a Voluntary Compliance Agreement (VCA) on October 26, 2005. On July 18, 2006, a corrective action order was issued by HUD that restricted the use of capital funds and ROSS grant funds. This seriously limited the use of these funds for operational projects. During the week of June 4-8, 2007, GHA and HUD met to negotiate the terms of the VCA. A settlement was reached on all issues except for the amount of funds available in the claims funds. During November 2007, HUD and GHA reached an agreement on the level of funding in the claims fund. This amount was set at \$125,000; this amount includes the combined funds available for GHA's public housing and Section 8 New Construction housing programs. GHA's attorney anticipates that all documents (VCA) will be signed during January 2008 and the process will be finalized.

SUPPLEMENTAL INFORMATION

GAINESVILLE HOUSING AUTHORITY
Gainesville, Florida

COMBINING SCHEDULE OF NET ASSETS
MARCH 31, 2007

	Business Activities	Low Rent Public Housing	Resident Opportunity and Supportive Services Program	Housing Choice Vouchers	Public Housing Capital Fund Program	N/C S/R Section 8 Programs Gainesville, Florida Housing Corporation, Inc	Shelter Plus Care	State / Local	Total
ASSETS									
Current assets									
Cash and cash equivalents	\$ 26,896	\$ 784,074	\$ -	\$ 358,288	\$ -	\$ 56,188	\$ -	\$ 12,362	\$ 1,237,808
Restricted cash - maintenance reserve	-	5,727	-	31,708	-	509,018	-	-	546,453
Restricted cash - resident security deposits	-	124,859	-	-	-	-	-	-	124,859
Accounts receivable, net of allowance	-	8,898	-	-	-	1,011	-	-	9,909
Due from U.S. Department of HUD	-	245	65,734	237,531	300,014	-	24,916	-	628,440
Due from/to other programs	1,027	372,272	(65,734)	(4,339)	(300,014)	15,352	(24,916)	6,352	-
Inventories, net of allowance of \$1,825	-	72,919	-	-	-	-	-	-	72,919
Prepaid expenses	-	4,073	-	3,268	-	3,892	-	-	11,233
Total current assets	27,923	1,373,067	-	626,456	-	585,461	-	18,714	2,631,621
Noncurrent assets									
Capital assets									
Not being depreciated	7,600	419,820	-	-	1,029,751	242,932	-	-	1,700,103
Depreciable, net	26,852	3,854,989	-	16,177	-	826,427	-	-	4,724,445
Total capital assets, net	34,452	4,274,809	-	16,177	1,029,751	1,069,359	-	-	6,424,548
Other noncurrent assets									
Insurance deposits	-	91,570	-	-	-	-	-	-	91,570
Total noncurrent assets	34,452	4,366,379	-	16,177	1,029,751	1,069,359	-	-	6,516,118
Total assets	62,375	5,739,446	-	642,633	1,029,751	1,654,820	-	18,714	9,147,739
LIABILITIES									
Current liabilities									
Vendors and contractors payable	-	104,943	-	262	-	93,554	-	-	198,759
Accrued compensated absences	-	8,463	-	4,498	-	2,553	-	-	15,514
Due to other governments	-	58,944	-	-	-	-	-	-	58,944
Notes and bonds payable	-	-	-	-	-	287,865	-	-	287,865
Deferred revenues	-	1,551	-	-	-	409	-	-	1,960
Total current liabilities	-	173,901	-	4,760	-	384,381	-	-	563,042
Current liabilities payable from restricted assets									
Resident security deposits	250	124,859	-	-	-	27,737	-	-	152,846
Accrued interest payable	-	-	-	-	-	20,058	-	-	20,058
Total current liabilities payable from restricted assets	250	124,859	-	-	-	47,795	-	-	172,904
Noncurrent liabilities									
Notes and bonds payable	-	-	-	-	-	761,539	-	-	761,539
Accrued compensated absences	-	76,164	-	40,487	-	22,978	-	-	139,629
Family self sufficiency escrow	-	5,727	-	31,708	-	-	-	-	37,435
Total noncurrent liabilities	-	81,891	-	72,195	-	784,517	-	-	938,603
Total liabilities	250	380,651	-	76,955	-	1,216,693	-	-	1,674,549
NET ASSETS									
Invested in capital assets	34,453	4,274,809	-	16,177	1,029,751	528,973	-	-	5,884,163
Unrestricted	27,672	1,083,986	-	549,501	-	(90,846)	-	18,714	1,589,027
Total net assets	\$ 62,125	\$ 5,358,795	\$ -	\$ 565,678	\$ 1,029,751	\$ 438,127	\$ -	\$ 18,714	\$ 7,473,190

GAINESVILLE HOUSING AUTHORITY
Gainesville, Florida

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2007

	<u>Business Activities</u>	<u>Low Rent Public Housing</u>	<u>Resident Opportunity and Supportive Services Program</u>	<u>Housing Choice Vouchers</u>	<u>Public Housing Capital Fund Program</u>	<u>N/C S/R Section 8 Programs Gainesville, Florida Housing Corporation, Inc</u>	<u>Shelter Plus Care</u>	<u>State / Local</u>	<u>Total</u>
Operating revenues									
Rental revenue	\$ 3,000	\$ 1,343,228	\$ -	\$ -	\$ -	\$ 298,618	\$ -	\$ -	\$ 1,644,846
Other revenue	85,771	124,997	-	26,101	-	10,693	-	1,389	248,951
Total operating revenues	88,771	1,468,225	-	26,101	-	309,311	-	1,389	1,893,797
Operating expenses									
Administrative	84,966	785,700	-	550,347	211,663	206,517	-	-	1,839,193
Tenant services	-	18,502	88,046	-	59,000	774	149,437	1,068	316,827
Utilities	-	849,208	-	-	-	164,138	-	-	1,013,346
Ordinary maintenance & operation	262	1,110,621	-	-	57,355	258,735	-	-	1,426,973
Protective services	-	15,931	-	-	-	52,733	-	-	68,664
General expenses	2,766	341,342	-	45,902	-	59,770	-	-	449,780
Housing assistance payments	-	-	-	6,309,425	-	-	-	-	6,309,425
Depreciation	1,852	1,078,419	-	6,461	-	116,698	-	-	1,203,430
Total operating expenses	89,846	4,199,723	88,046	6,912,135	328,018	859,365	149,437	1,068	12,627,638
Operating income (loss)	(1,075)	(2,731,498)	(88,046)	(6,886,034)	(328,018)	(550,054)	(149,437)	321	(10,733,841)
Nonoperating revenues (expenses)									
HUD grants	-	1,683,773	88,046	6,843,957	328,018	682,857	149,437	-	9,776,088
Interest revenue	1,061	36,304	-	18,673	-	25,161	-	13	81,212
Interest expense	-	-	-	-	-	(81,323)	-	-	(81,323)
Loss on disposition of fixed assets	-	-	-	-	-	(494)	-	-	(494)
Casualty losses	-	-	-	-	-	(5,852)	-	-	(5,852)
Total nonoperating revenues	1,061	1,720,077	88,046	6,862,630	328,018	620,349	149,437	13	9,769,631
Income (loss) before contributions	(14)	(1,011,421)	-	(23,404)	-	70,295	-	334	(964,210)
Capital contributions	-	-	-	-	273,936	-	-	-	273,936
Increase (decrease) in net assets	(14)	(1,011,421)	-	(23,404)	273,936	70,295	-	334	(690,274)
Net assets, beginning of year, restated	62,139	6,370,216	-	589,082	755,815	367,832	-	18,380	8,163,464
Net assets, end of year	\$ 62,125	\$ 5,358,795	\$ -	\$ 565,678	\$ 1,029,751	\$ 438,127	\$ -	\$ 18,714	\$ 7,473,190

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Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Shelter Plus Care	Low Rent Public Housing	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program
111	Cash - Unrestricted	\$26,896	\$56,188	\$0	\$784,074	\$0	\$358,288	\$0
113	Cash - Other Restricted	\$0	\$509,018	\$0	\$5,727	\$0	\$31,708	\$0
114	Cash - Tenant Security Deposits	\$0	\$0	\$0	\$124,859	\$0	\$0	\$0
100	Total Cash	\$26,896	\$565,206	\$0	\$914,660	\$0	\$389,996	\$0
121	Accounts Receivable - PHA Projects	\$0	\$0	\$24,916	\$0	\$65,734	\$0	\$0
122	Accounts Receivable - HUD Other Projects	\$0	\$0	\$0	\$0	\$0	\$237,531	\$300,014
124	Accounts Receivable - Other Government	\$0	\$0	\$0	\$245	\$0	\$0	\$0
126	Accounts Receivable - Tenants - Dwelling Rents	\$0	\$1,720	\$0	\$17,407	\$0	\$0	\$0
126.1	Allowance for Doubtful Accounts - Dwelling Rents	\$0	\$-709	\$0	\$-8,509	\$0	\$0	\$0
126.2	Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0
120	Total Receivables, net of allowances for doubtful accounts	\$0	\$1,011	\$24,916	\$9,143	\$65,734	\$237,531	\$300,014
142	Prepaid Expenses and Other Assets	\$0	\$3,892	\$0	\$4,073	\$0	\$3,268	\$0
143	Inventories	\$0	\$0	\$0	\$91,911	\$0	\$0	\$0
143.1	Allowance for Obsolete Inventories	\$0	\$0	\$0	\$-18,992	\$0	\$0	\$0
144	Interprogram Due From	\$1,027	\$15,521	\$0	\$391,985	\$0	\$0	\$0
150	Total Current Assets	\$27,923	\$585,630	\$24,916	\$1,392,780	\$65,734	\$630,795	\$300,014
161	Land	\$7,600	\$242,932	\$0	\$419,820	\$0	\$0	\$0
162	Buildings	\$50,000	\$4,172,757	\$0	\$21,111,147	\$0	\$0	\$0
164	Furniture, Equipment & Machinery - Administration	\$0	\$79,163	\$0	\$594,740	\$0	\$59,072	\$0
166	Accumulated Depreciation	\$-23,148	\$-3,425,493	\$0	\$-17,850,898	\$0	\$-42,895	\$0
167	Construction In Progress	\$0	\$0	\$0	\$0	\$0	\$0	\$1,029,751
160	Total Fixed Assets, Net of Accumulated Depreciation	\$34,452	\$1,069,359	\$0	\$4,274,809	\$0	\$16,177	\$1,029,751
174	Other Assets	\$0	\$0	\$0	\$91,570	\$0	\$0	\$0
180	Total Non-Current Assets	\$34,452	\$1,069,359	\$0	\$4,366,379	\$0	\$16,177	\$1,029,751
190	Total Assets	\$62,375	\$1,654,989	\$24,916	\$5,759,159	\$65,734	\$646,972	\$1,329,765

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Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Shelter Plus Care	Low Rent Public Housing	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program
312	Accounts Payable <= 90 Days	\$0	\$93,554	\$0	\$104,943	\$0	\$262	\$0
322	Accrued Compensated Absences - Current Portion	\$0	\$2,553	\$0	\$8,463	\$0	\$4,498	\$0
325	Accrued Interest Payable	\$0	\$20,058	\$0	\$0	\$0	\$0	\$0
333	Accounts Payable - Other Government	\$0	\$0	\$0	\$58,944	\$0	\$0	\$0
341	Tenant Security Deposits	\$250	\$27,737	\$0	\$124,859	\$0	\$0	\$0
342	Deferred Revenues	\$0	\$409	\$0	\$1,551	\$0	\$0	\$0
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	\$0	\$287,865	\$0	\$0	\$0	\$0	\$0
347	Interprogram Due To	\$0	\$169	\$24,916	\$19,713	\$65,734	\$4,339	\$300,014
310	Total Current Liabilities	\$250	\$432,345	\$24,916	\$318,473	\$65,734	\$9,099	\$300,014
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds	\$0	\$761,539	\$0	\$0	\$0	\$0	\$0
354	Accrued Compensated Absences - Non Current	\$0	\$22,978	\$0	\$76,164	\$0	\$40,487	\$0
353	Noncurrent Liabilities - Other	\$0	\$0	\$0	\$5,727	\$0	\$31,708	\$0
350	Total Noncurrent Liabilities	\$0	\$784,517	\$0	\$81,891	\$0	\$72,195	\$0
300	Total Liabilities	\$250	\$1,216,862	\$24,916	\$400,364	\$65,734	\$81,294	\$300,014
508	Total Contributed Capital	\$0	\$0	\$0	\$0	\$0	\$0	\$0
508.1	Invested in Capital Assets, Net of Related Debt	\$34,453	\$528,973	\$0	\$4,274,809	\$0	\$16,177	\$1,029,751
511	Total Reserved Fund Balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0

511.1	Restricted Net Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0
512.1	Unrestricted Net Assets	\$27,672	\$-90,846	\$0	\$1,083,986	\$0	\$549,501	\$0
513	Total Equity/Net Assets	\$62,125	\$438,127	\$0	\$5,358,795	\$0	\$565,678	\$1,029,751
600	Total Liabilities and Equity/Net Assets	\$62,375	\$1,654,989	\$24,916	\$5,759,159	\$65,734	\$646,972	\$1,329,765

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Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Shelter Plus Care	Low Rent Public Housing	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program
703	Net Tenant Rental Revenue	\$3,000	\$298,618	\$0	\$1,343,228	\$0	\$0	\$0
704	Tenant Revenue - Other	\$0	\$0	\$0	\$124,997	\$0	\$0	\$0
705	Total Tenant Revenue	\$3,000	\$298,618	\$0	\$1,468,225	\$0	\$0	\$0
706	HUD PHA Operating Grants	\$0	\$682,857	\$149,437	\$1,683,773	\$88,046	\$6,843,957	\$328,018
706.1	Capital Grants	\$0	\$0	\$0	\$0	\$0	\$0	\$273,936
711	Investment Income - Unrestricted	\$1,061	\$4,189	\$0	\$36,304	\$0	\$18,673	\$0
714	Fraud Recovery	\$0	\$0	\$0	\$0	\$0	\$25,901	\$0
715	Other Revenue	\$85,771	\$10,693	\$0	\$0	\$0	\$200	\$0
716	Gain/Loss on Sale of Fixed Assets	\$0	\$-494	\$0	\$0	\$0	\$0	\$0
720	Investment Income - Restricted	\$0	\$20,972	\$0	\$0	\$0	\$0	\$0
700	Total Revenue	\$89,832	\$1,016,835	\$149,437	\$3,188,302	\$88,046	\$6,888,731	\$601,954

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Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Shelter Plus Care	Low Rent Public Housing	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program
911	Administrative Salaries	\$53,620	\$130,109	\$0	\$432,124	\$0	\$348,648	\$153,618
912	Auditing Fees	\$0	\$2,862	\$0	\$11,707	\$0	\$11,447	\$0
914	Compensated Absences	\$0	\$703	\$0	\$-300	\$0	\$10,731	\$0
915	Employee Benefit Contributions - Administrative	\$9,375	\$44,011	\$0	\$144,601	\$0	\$113,681	\$57,867
916	Other Operating - Administrative	\$21,971	\$28,832	\$0	\$197,568	\$0	\$65,840	\$178
921	Tenant Services - Salaries	\$0	\$0	\$0	\$12,481	\$0	\$0	\$0
923	Employee Benefit Contributions - Tenant Services	\$0	\$0	\$0	\$2,539	\$0	\$0	\$0
924	Tenant Services - Other	\$0	\$774	\$149,437	\$3,482	\$88,046	\$0	\$59,000
931	Water	\$0	\$21,333	\$0	\$226,214	\$0	\$0	\$0
932	Electricity	\$0	\$95,051	\$0	\$449,521	\$0	\$0	\$0
933	Gas	\$0	\$8,073	\$0	\$166,623	\$0	\$0	\$0
938	Other Utilities Expense	\$0	\$39,681	\$0	\$6,850	\$0	\$0	\$0
941	Ordinary Maintenance and Operations - Labor	\$0	\$56,043	\$0	\$285,382	\$0	\$0	\$0
942	Ordinary Maintenance and Operations - Materials and Other	\$262	\$32,366	\$0	\$174,111	\$0	\$0	\$23,096
943	Ordinary Maintenance and Operations - Contract Costs	\$0	\$122,978	\$0	\$517,050	\$0	\$0	\$34,259
945	Employee Benefit Contributions - Ordinary Maintenance	\$0	\$19,922	\$0	\$106,493	\$0	\$0	\$0
952	Protective Services - Other Contract Costs	\$0	\$52,733	\$0	\$15,931	\$0	\$0	\$0
961	Insurance Premiums	\$2,766	\$56,940	\$0	\$252,783	\$0	\$24,709	\$0
962	Other General Expenses	\$0	\$2,112	\$0	\$0	\$0	\$21,193	\$0
963	Payments in Lieu of Taxes	\$0	\$0	\$0	\$58,944	\$0	\$0	\$0
964	Bad Debt - Tenant Rents	\$0	\$718	\$0	\$29,615	\$0	\$0	\$0
967	Interest Expense	\$0	\$81,323	\$0	\$0	\$0	\$0	\$0
969	Total Operating Expenses	\$87,994	\$796,564	\$149,437	\$3,093,719	\$88,046	\$596,249	\$328,018
970	Excess Operating Revenue over Operating Expenses	\$1,838	\$220,271	\$0	\$94,583	\$0	\$6,292,482	\$273,936
971	Extraordinary Maintenance	\$0	\$27,426	\$0	\$27,585	\$0	\$0	\$0
972	Casualty Losses - Non-Capitalized	\$0	\$5,852	\$0	\$0	\$0	\$0	\$0
973	Housing Assistance Payments	\$0	\$0	\$0	\$0	\$0	\$6,309,425	\$0
974	Depreciation Expense	\$1,852	\$116,698	\$0	\$1,078,419	\$0	\$6,461	\$0
900	Total Expenses	\$89,846	\$946,540	\$149,437	\$4,199,723	\$88,046	\$6,912,135	\$328,018
1010	Total Other Financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$-14	\$70,295	\$0	\$-1,011,421	\$0	\$-23,404	\$273,936

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Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Shelter Plus Care	Low Rent Public Housing	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1103	Beginning Equity	\$62,139	\$367,832	\$0	\$5,585,283	\$0	\$577,437	\$1,540,748
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	\$0	\$0	\$784,933	\$0	\$11,645	\$-784,933
1113	Maximum Annual Contributions Commitment (Per ACC)	\$0	\$0	\$0	\$0	\$0	\$5,907,362	\$0
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1115	Contingency Reserve, ACC Program Reserve	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1116	Total Annual Contributions Available	\$0	\$0	\$0	\$0	\$0	\$5,907,362	\$0
1120	Unit Months Available	12	1,848	316	7,240	0	14,238	0
1121	Number of Unit Months Leased	12	1,784	316	6,959	0	14,238	0
1117	Administrative Fee Equity	\$0	\$0	\$0	\$0	\$0	\$419,678	\$0
1118	Housing Assistance Payments Equity	\$0	\$0	\$0	\$0	\$0	\$146,000	\$0

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Line Item No.	Account Description	State/Local	Total
111	Cash - Unrestricted	\$12,362	\$1,237,808
113	Cash - Other Restricted	\$0	\$546,453
114	Cash - Tenant Security Deposits	\$0	\$124,859
100	Total Cash	\$12,362	\$1,909,120
121	Accounts Receivable - PHA Projects	\$0	\$90,650
122	Accounts Receivable - HUD Other Projects	\$0	\$537,545
124	Accounts Receivable - Other Government	\$0	\$245
126	Accounts Receivable - Tenants - Dwelling Rents	\$0	\$19,127
126.1	Allowance for Doubtful Accounts - Dwelling Rents	\$0	\$-9,218
126.2	Allowance for Doubtful Accounts - Other	\$0	\$0
120	Total Receivables, net of allowances for doubtful accounts	\$0	\$638,349
142	Prepaid Expenses and Other Assets	\$0	\$11,233
143	Inventories	\$0	\$91,911
143.1	Allowance for Obsolete Inventories	\$0	\$-18,992
144	Interprogram Due From	\$19,071	\$427,604
150	Total Current Assets	\$31,433	\$3,059,225
161	Land	\$0	\$670,352
162	Buildings	\$0	\$25,333,904
164	Furniture, Equipment & Machinery - Administration	\$0	\$732,975
166	Accumulated Depreciation	\$0	\$-21,342,434
167	Construction In Progress	\$0	\$1,029,751
160	Total Fixed Assets, Net of Accumulated Depreciation	\$0	\$6,424,548
174	Other Assets	\$0	\$91,570
180	Total Non-Current Assets	\$0	\$6,516,118
190	Total Assets	\$31,433	\$9,575,343

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Line Item No.	Account Description	State/Local	Total-
312	Accounts Payable <= 90 Days	\$0	\$198,759
322	Accrued Compensated Absences - Current Portion	\$0	\$15,514
325	Accrued Interest Payable	\$0	\$20,058
333	Accounts Payable - Other Government	\$0	\$58,944
341	Tenant Security Deposits	\$0	\$152,846
342	Deferred Revenues	\$0	\$1,960
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	\$0	\$287,865
347	Interprogram Due To	\$12,719	\$427,604
310	Total Current Liabilities	\$12,719	\$1,163,550
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds	\$0	\$761,539
354	Accrued Compensated Absences - Non Current	\$0	\$139,629
353	Noncurrent Liabilities - Other	\$0	\$37,435
350	Total Noncurrent Liabilities	\$0	\$938,603
300	Total Liabilities	\$12,719	\$2,102,153
508	Total Contributed Capital	\$0	\$0
508.1	Invested in Capital Assets, Net of Related Debt	\$0	\$5,884,163
511	Total Reserved Fund Balance	\$0	\$0
511.1	Restricted Net Assets	\$0	\$0
512.1	Unrestricted Net Assets	\$18,714	\$1,589,027
513	Total Equity/Net Assets	\$18,714	\$7,473,190
600	Total Liabilities and Equity/Net Assets	\$31,433	\$9,575,343

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Line Item No.	Account Description	State/Local	Total
703	Net Tenant Rental Revenue	\$0	\$1,644,846
704	Tenant Revenue - Other	\$0	\$124,997
705	Total Tenant Revenue	\$0	\$1,769,843
706	HUD PHA Operating Grants	\$0	\$9,776,088
706.1	Capital Grants	\$0	\$273,936
711	Investment Income - Unrestricted	\$13	\$60,240
714	Fraud Recovery	\$0	\$25,901
715	Other Revenue	\$1,389	\$98,053
716	Gain/Loss on Sale of Fixed Assets	\$0	\$-494
720	Investment Income - Restricted	\$0	\$20,972
700	Total Revenue	\$1,402	\$12,024,539

PHA: FL063 FYED: 03/31/2007

Line Item No.	Account Description	State/Local	Total
911	Administrative Salaries	\$0	\$1,118,119
912	Auditing Fees	\$0	\$26,016
914	Compensated Absences	\$0	\$11,134
915	Employee Benefit Contributions - Administrative	\$0	\$369,535
916	Other Operating - Administrative	\$0	\$314,389
921	Tenant Services - Salaries	\$0	\$12,481
923	Employee Benefit Contributions - Tenant Services	\$0	\$2,539
924	Tenant Services - Other	\$1,068	\$301,807
931	Water	\$0	\$247,547
932	Electricity	\$0	\$544,572
933	Gas	\$0	\$174,696
938	Other Utilities Expense	\$0	\$46,531
941	Ordinary Maintenance and Operations - Labor	\$0	\$341,425
942	Ordinary Maintenance and Operations - Materials and Other	\$0	\$229,835
943	Ordinary Maintenance and Operations - Contract Costs	\$0	\$674,287
945	Employee Benefit Contributions - Ordinary Maintenance	\$0	\$126,415
952	Protective Services - Other Contract Costs	\$0	\$68,664
961	Insurance Premiums	\$0	\$337,198
962	Other General Expenses	\$0	\$23,305
963	Payments in Lieu of Taxes	\$0	\$58,944
964	Bad Debt - Tenant Rents	\$0	\$30,333
967	Interest Expense	\$0	\$81,323
969	Total Operating Expenses	\$1,068	\$5,141,095
970	Excess Operating Revenue over Operating Expenses	\$334	\$6,883,444
971	Extraordinary Maintenance	\$0	\$55,011
972	Casualty Losses - Non-Capitalized	\$0	\$5,852
973	Housing Assistance Payments	\$0	\$6,309,425
974	Depreciation Expense	\$0	\$1,203,430
900	Total Expenses	\$1,068	\$12,714,813
1010	Total Other Financing Sources (Uses)	\$0	\$0
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$334	\$-690,274

PHA: FL063 FYED: 03/31/2007

Line Item No.	Account Description	State/Local	Total
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0
1103	Beginning Equity	\$18,380	\$8,151,819
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	\$11,645
1113	Maximum Annual Contributions Commitment (Per ACC)	\$0	\$5,907,362
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	\$0	\$0
1115	Contingency Reserve, ACC Program Reserve	\$0	\$0
1116	Total Annual Contributions Available	\$0	\$5,907,362
1120	Unit Months Available	0	23,654
1121	Number of Unit Months Leased	0	23,309
1117	Administrative Fee Equity	\$0	\$419,678
1118	Housing Assistance Payments Equity	\$0	\$146,000

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GAINESVILLE HOUSING AUTHORITY
Gainesville, Florida

CERTIFICATION OF ACTUAL CAPITAL FUND PROGRAM
COSTS AND ADVANCES
FOR THE YEAR ENDED MARCH 31, 2007

PROGRAM	<u>501-04</u>
BUDGET	<u><u>\$1,123,967</u></u>
ADVANCES:	
Cash receipts - prior years	\$1,091,496
Cash receipts - current year	<u>32,471</u>
Cumulative as of March 31, 2007	<u><u>\$1,123,967</u></u>
COSTS:	
Prior years	\$1,123,967
Current year	<u>-</u>
Cumulative as of March 31, 2007	<u><u>\$1,123,967</u></u>
Deficiency of advances due from HUD	<u><u>\$ -</u></u>
Actual Modernization Cost Certificate issued	<u><u>Yes</u></u>

The distribution of costs as shown on the Actual Modernization Cost Certificate submitted to HUD for approval is in agreement with the PHA's records.

All modernization costs have been paid and all related liabilities have been discharged through payment.

**SCHEDULE AND RECONCILIATION OF ACTUAL
CAPITAL FUND PROGRAM COSTS AND ADVANCES
FOR THE YEAR ENDED MARCH 31, 2007**

PROGRAM	501-04	501-05	501-06	Total
BUDGET	<u><u>\$1,123,967</u></u>	<u><u>\$1,096,351</u></u>	<u><u>\$974,136</u></u>	<u><u>\$3,194,454</u></u>
ADVANCES:				
Cash receipts - prior years	\$1,091,496	\$ 124,000	\$ -	\$1,215,496
Cash receipts - current year	32,471	378,694	-	411,165
Cumulative as of March 31, 2007	<u><u>\$1,123,967</u></u>	<u><u>\$ 502,694</u></u>	<u><u>\$ -</u></u>	<u><u>\$1,626,661</u></u>
COSTS:				
Prior years	1,123,967	\$ 200,754	\$ -	\$1,324,721
Current year	-	571,027	30,927	601,954
Cumulative as of March 31, 2007	<u><u>\$1,123,967</u></u>	<u><u>\$ 771,781</u></u>	<u><u>\$ 30,927</u></u>	<u><u>\$1,926,675</u></u>
Deficiency of advances due from HUD (net)	<u><u>\$ -</u></u>	<u><u>\$ (269,087)</u></u>	<u><u>\$ (30,927)</u></u>	<u><u>\$ (300,014)</u></u>
Modernization Cost Certificate issued?	<u>Yes</u>	<u>No</u>	<u>No</u>	
Soft costs				
Prior years	\$ 388,624	\$ 180,282	\$ -	\$ 568,906
Current year	-	297,091	30,927	328,018
Cumulative as of March 31, 2007	<u><u>\$ 388,624</u></u>	<u><u>\$ 477,373</u></u>	<u><u>\$ 30,927</u></u>	<u><u>\$ 896,924</u></u>
Hard costs				
Prior years	\$ 735,343	\$ 20,472	\$ -	\$ 755,815
Current year	-	273,936	-	273,936
Cumulative as of March 31, 2007	<u><u>\$ 735,343</u></u>	<u><u>\$ 294,408</u></u>	<u><u>\$ -</u></u>	<u><u>\$1,029,751</u></u>
Cumulative hard and soft costs	<u><u>\$1,123,967</u></u>	<u><u>\$ 771,781</u></u>	<u><u>\$ 30,927</u></u>	<u><u>\$1,926,675</u></u>

GAINESVILLE HOUSING AUTHORITY
Gainesville, Florida

**SCHEDULE AND RECONCILIATION OF ACTUAL
SHELTER PLUS CARE (SPC) COSTS AND ADVANCES
FOR THE YEAR ENDED MARCH 31, 2007**

PROGRAM	FLO29	FLO29	
BUDGET	C10-8001	C20-8001	TOTALS
	<u>\$ 497,280</u>	<u>\$ 332,100</u>	<u>\$ 829,380</u>
ADVANCES:			
Cash receipts - prior years	\$ 265,238	\$ 91,180	\$ 356,418
Prior year correction	(4,854)	(7,323)	(12,177)
Cash receipts - current year	89,330	60,106	149,436
Cumulative as of March 31, 2007	<u><u>\$ 349,714</u></u>	<u><u>\$ 143,963</u></u>	<u><u>\$ 493,677</u></u>
COSTS:			
Prior years	\$ 265,238	\$ 103,927	\$ 369,165
Prior year correction	8,116	(8,116)	-
Current year	89,330	60,106	\$ 149,436
Cumulative as of March 31, 2007	<u><u>\$ 362,684</u></u>	<u><u>\$ 155,917</u></u>	<u><u>\$ 518,601</u></u>
Deficiency of advances due from HUD (net)	<u><u>\$ (12,970)</u></u>	<u><u>\$ (11,954)</u></u>	<u><u>\$ (24,924)</u></u>
Soft costs			
Prior years	\$ 265,238	\$ 103,927	\$ 369,165
Prior year correction	8,116	(8,116)	-
Current year	89,330	60,106	149,436
Cumulative as of March 31, 2007	<u><u>\$ 362,684</u></u>	<u><u>\$ 155,917</u></u>	<u><u>\$ 518,601</u></u>
Hard costs			
Prior years	\$ -	\$ -	\$ -
Current year	-	-	-
Cumulative as of March 31, 2007	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Cumulative hard and soft costs	<u><u>\$ 362,684</u></u>	<u><u>\$ 155,917</u></u>	<u><u>\$ 518,601</u></u>

GAINESVILLE HOUSING AUTHORITY
Gainesville, Florida

**SCHEDULE AND RECONCILIATION OF ACTUAL
RESIDENT OPPORTUNITY AND SELF-SUFFICIENCY (ROSS)
COSTS AND ADVANCES
FOR THE YEAR ENDED MARCH 31, 2007**

PROGRAM BUDGET	FLO63REL 018A003
	<u>\$ 200,000</u>
ADVANCES:	
Cash receipts - prior years	\$ 69,098
Cash receipts - current year	59,392
Cumulative as of March 31, 2007	<u><u>\$ 128,490</u></u>
COSTS:	
Prior years	\$ 106,178
Current year	88,045
Cumulative as of March 31, 2007	<u><u>\$ 194,223</u></u>
Deficiency of advances due from HUD (net)	<u><u>\$ (65,733)</u></u>
Final SF-269a issued?	<u>No</u>
Soft costs	
Prior years	\$ 106,178
Current year	88,045
Cumulative as of March 31, 2007	<u><u>\$ 194,223</u></u>
Hard costs	
Prior years	\$ -
Current year	-
Cumulative as of March 31, 2007	<u><u>\$ -</u></u>
Cumulative hard and soft costs	<u><u>\$ 194,223</u></u>

SINGLE AUDIT SECTION

**GAINESVILLE HOUSING AUTHORITY
Gainesville, Florida**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MARCH 31, 2007**

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
~ Material weakness(es) identified?	No
~ Significant deficiency(s) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
~ Material weakness(es) identified?	Yes
~ Significant deficiency(s) identified that are not considered to be material weakness(es)?	Yes
Type of auditors' report issued on compliance for major programs:	Qualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	Yes

Identification of major programs:

CFDA Number	Name of Federal Program
14.850a	Low Rent Public Housing
14.871	Housing Choice Vouchers
14.182	N/C S/R Section 8 Program
14.238	Shelter Plus Care

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

GAINESVILLE HOUSING AUTHORITY
Gainesville, Florida

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MARCH 31, 2007
(Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS

There were no Financial Statement Findings.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2007-1	Condition:	Corrective Action Order
		<p>On July 18, 2006, HUD issued a Corrective Action Order (CAO) to the Gainesville Housing Authority, Florida (GHA) to remedy its noncompliance with fair housing laws and regulations.</p> <p>During 2005, HUD found GHA to be in noncompliance with fair housing laws and regulations in several program areas. Previously, HUD had issued letters of findings of noncompliance in GHA's Public Housing and Multifamily Housing programs with title VI of the Civil Rights Act, Section 504 of the Rehabilitation Act, and the Americans with Disabilities Act, and had charged GHA with violation the Fair Housing Act by failing to make a reasonable accommodation for a married couple with disabilities. GHA has not entered into a voluntary Compliance Agreement (VCA) or undertaken the necessary steps to remedy the noncompliance.</p>
	CFDA Numbers:	14.850a, 14.871
	Criteria:	HUD rules and regulations require compliance with Fair Housing Laws and Regulations.
	Recommendation:	The Authority should continue to discuss the voluntary compliance agreement with HUD.
	Reply:	We concur with this finding and the Auditor's recommendations. The Gainesville Housing Authority is continuing to make every effort to comply with all Fair Housing Laws and regulations. Substantive changes have already been made to a number of apartments to comply the ADA requirements.

GAINESVILLE HOUSING AUTHORITY
Gainesville, Florida

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MARCH 31, 2007
(Continued)

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
(Continued)

- 2007-2** **Condition:** **Violation of Standing Corrective Action Order Letters Dated July 18, 2006 and September 5, 2006**
- Since the HUD July 2006 letter instructing the Authority not to draw down funds, the Authority has continued to expend funds on the CFP and ROSS programs that HUD would not currently reimburse due to the freeze on funding outside of Authority low income operations.
- CFDA Numbers:** 14.872, 14.870
- Criteria:** HUD letters of July 18, 2006 and September 5, 2006, and compliance requirements with Fair Housing Laws and Regulations.
- Recommendation:** The Authority should make every attempt to relieve the Corrective Action Plan by curing the Title VI of the Civil Rights Act, Section 504 violations found by the Fair Housing Department. The Authority has not completed the Voluntary Compliance Agreement with the U.S. Department of Housing and Urban Development.
- Reply:** We concur with this finding and the Auditor's recommendations. The Gainesville Housing Authority will not charge any costs to either the Capital Fund program or the ROSS Grant prior to the signature of the VCA. However, because of the critical nature of several of the programs in each grant, including elderly programs and safety issues in the Capital Grant, the Authority viewed such items as necessary and continued to expend funds related to the grants on these line items.
- 2007-3** **Condition:** **No Detailed Physical Inventory of Fixed Assets**
- The Authority has not performed a periodic physical inventory of fixed assets in the last two (2) years by location. The Authority has listed all office equipment, computers, vehicles and property purchased by the Authority. However, the Housing Authority has not performed physical observation of locations so that a periodic review of the items can be performed. Such an inventory is necessary to ensure that assets secured with Federal Funds are controlled throughout their useful lives
- CFDA Number:** 14.850a
- Questioned Costs:** Undetermined
- Criteria:** OMB A-102 Common Rule, Section 32 Government Auditing Standards (Yellow Book)
- Cause/Effect:** Internal control procedures addressing this requirement have not been established.

**GAINESVILLE HOUSING AUTHORITY
Gainesville, Florida**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MARCH 31, 2007
(Continued)**

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
(Continued)**

- 2007-3 Condition:** **No Detailed Physical Inventory of Fixed Assets (Continued)**
- Recommendation:** We recommend that the Authority establish control policies and procedures in accordance with the "Common Rule" and to safeguard their fixed assets in accordance with the "Yellow Book". The Authority should assign the personnel necessary to achieve complete agreement between all components of the fixed assets control system. This would entail agreement among the Annual Physical Inventory Ledger, the Detailed Equipment Records and the Subsidiary and General Ledger.
- Reply:** We concur with this finding and the Auditor's recommendations, and will implement control procedures adequate to achieve the annual recording and reconciliation of the Property Ledger to the General Ledger.

SECTION IV - SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

- 2006-1 Condition:** **SEMAP Submission**
- The Authority submitted the SEMAP for FY 2007 within the time period.
- Current Status:** This finding is cleared.
- 2006-2 Condition:** **Corrective Action Order**
- Current Status:** See current audit finding number 2007-1.
- 2006-3 Condition:** **Deficiencies Noted in Maintenance of Section 8 Resident Files**
- Review of tenant files in FY 2007 revealed no reportable deficiencies.
- Current Status:** This finding is cleared.

SECTION V – FINDINGS FROM THE U.S. DEPARTMENT OF HUD MANAGEMENT REVIEW

In May and June of 2007, the U.S. Department of HUD conducted a management review of Gainesville Housing Authority. HUD issued eleven (11) findings in a report dated June 29, 2007. The Authority is in process of formulating its response and Action Plan pursuant to this report. As of the conclusion of our audit fieldwork on July 19, 2007, the Authority has not cleared any findings of the original eleven (11) issued. All clearance of these findings is under the purview of HUD.

GAINESVILLE HOUSING AUTHORITY
Gainesville, Florida

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

FEDERAL GRANTOR

<u>CFDA NUMBER</u>	<u>PROGRAM TITLE</u>	<u>PASS THRU ENTITY</u>	<u>FEDERAL EXPENDITURES</u>
U.S. Department of Housing and Urban Development			
14.850a	Low Rent Public Housing	NA	\$ 1,683,773
14.870	Resident Opportunity and Supportive Services	NA	88,046
14.871	Housing Choice Vouchers	NA	6,843,957
14.872	Public Housing Capital Fund Program	NA	601,954
14.182	N/C S/R Section 8 Programs	NA	682,857
14.238	Shelter Plus Care	NA	149,437
Total Federal Awards Expenditures			<u>\$ 10,050,024</u>

Notes to the Schedule of Expenditures of Federal Awards

A. Basis of Accounting

This schedule is prepared on the accrual basis of accounting.

B. 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".

C. Reconciliation of Total Federal Awards Expenditures to Financial Data Schedule

FDS line 706	HUD PHA Grants	\$ 9,776,088
FDS line 706.1	Capital Grants	273,936
		<u>\$ 10,050,024</u>

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

Board of Commissioners
Gainesville Housing Authority
Gainesville, Florida

HUD, Jacksonville Area Office
Office of Public Housing
301 W. Bay Street, Suite 2200
Jacksonville, Florida 32202

We have audited the basic financial statements of the Gainesville Housing Authority ("the Authority") as of and for the year ended March 31, 2007, and have issued our report thereon dated December 12, 2007, which included a disclaimer of opinion on Management's Discussion and Analysis. 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 Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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

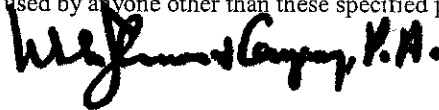
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the basic financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be 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 Authority's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provision of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of basic 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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Authority's Board of Commissioners, others within the entity, and the U.S. Department of HUD and is not intended to be and should not be used by anyone other than these specified parties.



Malcolm Johnson & Company, P.A.
Certified Public Accountants

DeBary, Florida
December 12, 2007

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

Board of Commissioners
Gainesville Housing Authority
Gainesville, Florida

HUD, Jacksonville Area Office
Office of Public Housing
301 W. Bay Street, Suite 2200
Jacksonville, Florida 32202

Compliance

We have audited the compliance of the Gainesville Housing Authority ("the Authority") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended March 31, 2007. The 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 its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit 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 the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

As described in items 2007-1, 2007-2 and 2007-3 in the accompanying Schedule of Findings and Questioned Costs, the Authority did not comply with requirements regarding: period of availability of federal funds that are applicable to the Low Rent Public Housing (CFDA#14.850a), Housing Choice Vouchers (CFDA #14.871), Resident Opportunity and Supportive Services (CFDA #14.870) and Public Housing Capital Fund Program (CFDA #14.872); and equipment and real property management that is applicable to Low Rent Public Housing (CFDA #14.850a). Compliance with such requirements is necessary, on our opinion, for the Authority to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance describe in the preceding paragraph, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2007.

Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose describe in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2007-1, 2007-2 and 2007-3 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, we consider items 2007-1, 2007-2 and 2007-3 to be material weaknesses.

The Authority's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Authority's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Commissioners, others within the entity, the U.S. Department of HUD 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.


Malcolm Johnson & Company, P.A.
Certified Public Accountants

