

GAINESVILLE HOUSING AUTHORITY
Gainesville, Florida

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

FOR THE YEAR ENDED MARCH 31, 2008

TABLE OF CONTENTS

	PAGE
Independent Auditor's Report on Financial Statements and Other Supplemental Information	1
Management's Discussion and Analysis (MD&A)	i-x
Financial Statements	
Combined Balance Sheet	2
Combined Statement of Revenues, Expenses and Changes in Equity	3
Combined Statement of Cash Flows	4-5
Notes to Financial Statements.....	6-16
Supplemental Information	
Combining Schedule of Assets, Liabilities and Equity	17
Combining Schedule of Revenue, Expenses and Changes in Equity	18
Financial Data Schedule (FDS) Electronic Submission of Annual Financial Statements	19-28
Certification of Actual Capital Fund Program Costs and Advances	29
Schedule and Reconciliation of Actual Capital Fund Program Costs and Advances	30
Schedule and Reconciliation of Actual Shelter Plus Care (SPC) Costs and Advances	31
Schedule and Reconciliation of Actual Resident Opportunity and Self-Sufficiency (ROSS) Costs and Advances	32
Single Audit Section	
Schedule of Findings and Questioned Costs.....	33-44
Schedule of Expenditures of Federal Awards.....	35
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standard	36
Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	37-38

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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, 2008, 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.

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 Authority as of March 31, 2008, 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 9, 2008, 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, the Schedule of Expenditures of Federal Awards, and state financial assistance 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.

DeBary, Florida
December 9, 2008

HOUSING AUTHORITY OF THE CITY OF GAINESVILLE
Gainesville, Florida

MANAGEMENT DISCUSSION & ANALYSIS

March 31, 2008

(Continued)

Housing Authority Activities and Highlights

Making Customer Service a High Priority

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, 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 1.5 children. The average family has an income of \$9,644 per year. Approximately 50% of all clients are elderly (age 62 or older) or are persons with a disability(ies). The average tenant rent is \$210 per month, which may include utilities. Efforts to reach persons least likely to apply for public housing are continuing via radio, newsletters, newspapers, flyers, festivals and expos. The targeted population includes Native Americans, Asians, Pacific Islanders, Hispanics and Whites.

The participants in 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 average family's annual income is \$10,842 with an average tenant rent of \$148.00. 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 396 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, GHA received a standard rating on the Section Eight Management Assessment Program (SEMAP) for the 2007 Fiscal Year End. For Fiscal Year 2008, the GHA earned 145 points out of 145 points on the SEMAP, earning the overall score of 100%, which is considered a high performance.

GHA continues to use the Enterprise Income Verification (EIV) 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, 2008

(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, occasional congregate meals, transportation to special events, referral services, and wellness programs, educational and recreational activities.

GHA's ROSS partners include: University of Florida College of Nursing and College of Medicine, 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, Florida Works, Gainesville Police Department, Three Rivers Legal Services, Black on Black Crime Task Force, Life's Gateway Ministry, Corner Drug Store, Inc, Girl Scouts of Gateway Council, CWA Local Union 3170, Senior and Law Enforcement Together (SALT), Gamma Eta Sorority, Pi Lambda Phi Fraternity and several local community churches.

VETPORT is a HUD funded Shelter Plus Care program that serves homeless veterans with chronic substance abuse or mental health issues. GHA operates this program in partnership with VETSPACE, a 501(c)(3) that provides supportive services to veterans. VETPORT served on the average of 17 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. GHA 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 (13 adult women, 13 children, and 4 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.

HOUSING AUTHORITY OF THE CITY OF GAINESVILLE
Gainesville, Florida

MANAGEMENT DISCUSSION & ANALYSIS
March 31, 2008
(Continued)

	<u>March 31, 2008</u>	<u>March 31, 2007</u>	<u>Net Change</u>
Assets:			
Current Assets	\$ 4,010,486	\$ 2,631,621	\$ 1,378,865
Other Assets	131,155	91,570	39,585
Capital Assets	<u>6,089,396</u>	<u>6,424,548</u>	<u>(335,152)</u>
Total Assets	<u>10,231,037</u>	<u>9,147,739</u>	<u>1,083,298</u>
Liabilities:			
Current Liabilities	662,239	735,946	(73,707)
Noncurrent Liabilities	<u>1,534,414</u>	<u>938,603</u>	<u>595,811</u>
Total Liabilities	<u>2,196,653</u>	<u>1,674,549</u>	<u>522,104</u>
Total Net Assets	<u>\$ 8,034,384</u>	<u>\$ 7,473,190</u>	<u>\$ 561,194</u>
Net Assets			
Investment in Capital Assets	\$ 4,739,332	\$ 5,884,163	\$(1,144,831)
Restricted Net Assets	524,292	-	524,292
Unrestricted Net Assets	<u>2,770,760</u>	<u>1,589,027</u>	<u>1,181,733</u>
Total Net Assets	<u>\$ 8,034,384</u>	<u>\$ 7,473,190</u>	<u>\$ 561,194</u>

Financial Position and Results of Operations

The Authority's net assets increased from \$7,473,190 in 2007 to \$8,034,384 in 2008. HUD PHA Operating Grants increased by \$988,413 due primarily to the increase in funding for Section 8 Vouchers in the amount \$606,673 and an increase in Public Housing operating subsidy in the amount of \$363,358. Total Operating Expense increased by only \$22,395, which can be attributed to an increase in the cost of Housing Assistance Payments to residents and landlords and for the increasing cost of energy. During the current fiscal year, utility costs totaled approximately \$1,013,346, an increase of \$94,508 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.

HOUSING AUTHORITY OF THE CITY OF GAINESVILLE
Gainesville, Florida

MANAGEMENT DISCUSSION & ANALYSIS
March 31, 2008
(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, 2007	\$6,424,548
Total Fixed Assets net of Depreciation Mar 31, 2008	<u>\$6,089,396</u>
Net decreased in Total Fixed Assets	<u>\$ (335,152)</u>

Analysis of Change in Total Capital Assets:

Capital Assets Capital Fund March 31, 2007	\$ 1,029,751	
Addition to Capital Fund current year	488,400	
Capital Assets projects completed	<u>(735,343)</u>	
Capital Assets Capital Fund March 31, 2008	<u>782,808</u>	
Net decrease in Capital Fund for current year		(246,943)
MST Housing Software		136,500
Capital Fund completed projects		735,343
Purchase of Fixed Assets in the normal course of Business		11,791
Increase in Depreciation		<u>(971,843)</u>
Net Change in Total Fixed Assets		<u>\$ 335,152</u>

Debt Administration

The largest liability of GHA consists of the conventional mortgage with MS Bank of Gainesville for the refinance of the original bonds issued in 1977, for the construction of The 400 Building. Both The 400 Building and Seminary Lane are owned by the Gainesville, Florida, Housing Corp., Inc., a component unit of GHA. The following is a table of outstanding revenue bonds and Mortgage balances as of March 31, 2008:

	<u>Purpose of Issue</u>	<u>In Thousands Amount Issued</u>	<u>Amount Outstanding</u>	<u>Interest Rates</u>
1977 Mortgage				
Revenue Bonds-400 Bldg	Purchase	\$3,000	\$ -	7.25%
Mortgage-Seminary Lane	Purchase	\$1,422.4	\$ -	7.00%
8/22/2007 Mortgage				
Mortgage-400 Building	Refinance	\$1,400.0	\$ 1.381	7.00% 12 Mo 7.25% 48 Mo

HOUSING AUTHORITY OF THE CITY OF GAINESVILLE
Gainesville, Florida

MANAGEMENT DISCUSSION & ANALYSIS

March 31, 2008

(Continued)

Subsequent Events

Voluntary Compliance Agreement (VCA): During May 16-20, 2005, HUD conducted a compliance review of GHA's public housing program and its multi-family project-based Section 8 (The 400/Seminary Lane), housing programs. This review included a Fair Housing/Equal opportunity Assessment of program operations, too. The review concluded there were deficiencies related to physical accessibility of housing units and common areas, as well as deficiencies in operational policies and procedures. GHA acknowledged the findings and consented to negotiating a Voluntary Compliance Agreement (VCA). During the period of negotiations HUD restricted the use of capital funds and ROSS grant funds. In November 2007, HUD and GHA reached an agreement on the terms of the VCA for the public housing and multi-family housing programs.

The VCA was formally signed on January 17, 2008. Capital funds and ROSS grant funding was restored. The VCA covers a six year period with requirements for GHA to amend its operational policies and procedures for Fair Housing/Equal Opportunity compliance plus renovate common areas, office buildings and housing units for full accessibility (32 public housing units of various bedroom sizes and six multi-family units at The 400 [all one bedroom]). GHA is proceeding with meeting VCA compliance issues at this time.

The refinance of The 400 Building for \$1,400,000 on August 22, 2007 paid off the bonds on The 400 Building and the mortgage on Seminary Lane. This has placed the properties in a unique situation, i.e., there is significant savings on the monthly payments of principal and interest, to improve the cash status of the corporation. Also, there is the option to renegotiate (increase) the monthly HAP payments by HUD on The 400 Building since the HAP contract expires in 2009. The plan is to continue The 400 Building operations as a low income subsidized property with a HAP contract renewal. Also, at this time, the plan for Seminary Lane is to terminate the HAP contract at its expiration during May 2009, but retain the property for redevelopment. The Seminary Lane property has not produced sufficient revenue to sustain itself. The property has incurred significant renovation costs that have been ongoing since the property was first developed. The property has been operating at a deficit for years.

Title to both properties may revert to the Gainesville Housing Authority at the expiration of the HAP contracts. In June 2008, the Authority was notified by U.S. Bank, that the original deed of trust for The 400 property was lost in the collapse of the World Trade Center.

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

**COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2008**

Operating revenues	
Rental revenue	\$ 1,715,290
Other revenue	263,583
Total operating revenues	<u>1,978,873</u>
Operating expenses	
Administrative	1,834,692
Tenant services	463,594
Utilities	1,107,854
Ordinary maintenance & operation	1,276,987
Protective services	3,590
General expenses	487,501
Housing assistance payments	6,496,805
Depreciation	971,843
Total operating expenses	<u>12,642,866</u>
Operating loss	<u>(10,663,993)</u>
Nonoperating revenues (expenses)	
Government grants	10,752,332
Interest revenue	77,108
Interest expense	(92,189)
Loss on disposition of fixed assets	385
Casualty losses	(850)
Total nonoperating revenues	<u>10,736,786</u>
Income before contributions	<u>72,793</u>
Capital contributions	<u>488,401</u>
Increase in net assets	<u>561,194</u>
Net assets, beginning of year	<u>7,473,190</u>
Net assets, end of year	<u>\$ 8,034,384</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, 2008
(Continued)

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

Operating loss	\$ (10,663,993)
Adjustments to reconcile net operating loss to net cash used by operating activities:	
Depreciation elimination	971,843
Increase in accounts receivable	(2,745)
Decrease in inventory	8,206
Increase in prepaid expenses	(7,150)
Increase in deposits	(39,585)
Increase in security deposits	4,220
Increase in accounts payable	98,578
Increase in accrued wages	881
Increase in compensated absences	20,015
Increase in accrued liabilities	25,656
Increase in deferred credits	2,361
Net cash used by operating activities	<u>\$ (9,581,713)</u>

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

GAINESVILLE HOUSING AUTHORITY
Gainesville, Florida

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008
(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, 2008
(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, 2008 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, 2008
(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, 2008, 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, 2008
(Continued)

F - Due to Other Governments:

Payment in Lieu of Taxes – City of Gainesville, Florida \$ 115,508

G - Long-Term Debt:

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

Mortgage bonds and note payable through a Lending Institution of \$1,381,071 at March 31, 2008 consist of Mortgage bond and note issued in the amount of \$1,400,000 during the audit period and retirements in the amount of \$18,929.

The above note is 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 2009 through 2012	\$ 1,381,071
Less current portion of Long-term debt reclassified to current liabilities	<u>(35,500)</u>
	<u>\$ 1,345,571</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>
2009	287,865	\$ 71,975	7.0%-7.25%
2010	310,301	50,375	7.0%-7.25%
2011	221,240	30,087	7.0%-7.25%
2012	<u>561,665</u>	<u>16,675</u>	7.0%-7.25%
	<u>\$1,381,071</u>	<u>\$ 169,112</u>	

Interest expense for the year ended March 31, 2008 was \$92,189. There was no capitalized interest expense for the year ended March 31, 2008.

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.

H - 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, 2008 were \$2,047,131. HUD also contributed additional funds for modernization and operations in the amount of \$842,300 for the year ended March 31, 2008.

GAINESVILLE HOUSING AUTHORITY
Gainesville, Florida

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008
(Continued)

K - 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, 2008 total leave to be paid upon termination is \$175,158 (Current portion \$17,516/ Long Term \$157,642)

L - Schedule of Changes in Long-Term Liabilities:

	<u>March 31, 2007</u>			<u>March 31, 2008</u>			
	<u>Long-term Portion</u>	<u>Current Portion</u>	<u>Additions</u>	<u>Payments</u>	<u>Total</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
Notes payable	\$ 761,539	\$ 287,865	\$ 1,381,071	\$ 1,049,404	\$ 1,381,071	\$ 35,500	\$ 1,345,571
Family self sufficiency escrow	37,435	-	-	6,234	31,201	-	31,201
Compensated absences	139,629	15,514	145,024	125,009	175,158	17,516	157,642
	<u>\$ 938,603</u>	<u>\$ 303,379</u>	<u>\$ 1,526,095</u>	<u>\$ 1,180,647</u>	<u>\$ 1,587,430</u>	<u>\$ 53,016</u>	<u>\$ 1,534,414</u>

M - Economic Dependency: The Authority receives approximately 85% 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.

N - 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, 2008.
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.

O - 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.

P - 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 \$32,452 remaining until completion.

SUPPLEMENTAL INFORMATION

GAINESVILLE HOUSING AUTHORITY
Gainesville, Florida

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2008

	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
Operating revenues									
Rental revenue	\$ 3,000	\$ 1,411,913	\$ -	\$ -	\$ -	\$ 300,377	\$ -	\$ -	\$ 1,715,290
Other revenue	89,049	130,454	-	28,958	-	14,122	-	1,000	263,583
Total operating revenues	92,049	1,542,367	-	28,958	-	314,499	-	1,000	1,978,873
Operating expenses									
Administrative	83,636	817,075	-	564,599	172,015	197,367	-	-	1,834,692
Tenant services	-	20,707	50,069	-	181,885	776	209,384	773	463,594
Utilities	-	923,833	-	-	-	184,021	-	-	1,107,854
Ordinary maintenance & operation	-	1,077,536	-	-	-	199,451	-	-	1,276,987
Protective services	-	2,318	-	-	-	1,272	-	-	3,590
General expenses	2,821	366,018	-	53,327	-	65,335	-	-	487,501
Housing assistance payments	-	-	-	6,496,805	-	-	-	-	6,496,805
Depreciation	1,852	865,312	-	5,153	-	99,526	-	-	971,843
Total operating expenses	88,309	4,072,799	50,069	7,119,884	353,900	747,748	209,384	773	12,642,866
Operating income (loss)	3,740	(2,530,432)	(50,069)	(7,090,926)	(353,900)	(433,249)	(209,384)	227	(10,663,993)
Nonoperating revenues (expenses)									
Government grants	-	2,047,131	50,069	7,450,630	353,899	641,219	209,384	-	10,752,332
Interest revenue	1,335	21,496	-	25,447	-	28,816	-	14	77,108
Interest expense	-	-	-	-	-	(92,189)	-	-	(92,189)
Loss on disposition of fixed assets	-	-	-	-	-	385	-	-	385
Casualty losses	-	(850)	-	-	-	-	-	-	(850)
Total nonoperating revenues	1,335	2,067,777	50,069	7,476,077	353,899	578,231	209,384	14	10,756,786
Income (loss) before contributions	5,075	(462,655)	-	385,151	(1)	144,982	-	241	72,793
Capital contributions									
Increase (decrease) in net assets	5,075	(462,655)	-	385,151	488,401	144,982	-	241	488,401
Net assets, beginning of year	62,125	6,094,138	-	565,678	294,408	438,127	-	18,714	7,473,190
Net assets, end of year	67,200	\$ 5,631,483	\$ -	\$ 950,829	\$ 782,808	\$ 583,109	\$ -	\$ 18,955	\$ 8,034,384

508.1	Invested in Capital Assets, Net of Related Debt	\$32,600	\$-380,231	\$0	\$4,293,131	\$0	\$11,024	\$782,808
511	Total Reserved Fund Balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0
511.1	Restricted Net Assets	\$0	\$125,385	\$0	\$0	\$0	\$398,907	\$0
512.1	Unrestricted Net Assets	\$34,600	\$837,955	\$0	\$1,338,352	\$0	\$540,898	\$0
513	Total Equity/Net Assets	\$67,200	\$583,109	\$0	\$5,631,483	\$0	\$950,829	\$782,808
600	Total Liabilities and Equity/Net Assets	\$67,450	\$2,065,156	\$18,856	\$6,282,038	\$82,255	\$1,039,067	\$782,808

PHA: FL063 FYED: 03/31/2008

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	\$58,796	\$125,521	\$0	\$457,883	\$0	\$355,974	\$124,367
912	Auditing Fees	\$0	\$3,038	\$0	\$12,450	\$0	\$10,032	\$0
914	Compensated Absences	\$0	\$881	\$0	\$11,711	\$0	\$7,424	\$0
915	Employee Benefit Contributions - Administrative	\$11,133	\$43,284	\$0	\$150,929	\$0	\$122,435	\$47,648
916	Other Operating - Administrative	\$13,707	\$24,643	\$0	\$184,102	\$0	\$68,734	\$0
921	Tenant Services - Salaries	\$0	\$0	\$0	\$12,264	\$0	\$0	\$0
923	Employee Benefit Contributions - Tenant Services	\$0	\$0	\$0	\$2,169	\$0	\$0	\$0
924	Tenant Services - Other	\$0	\$776	\$209,384	\$6,274	\$50,069	\$0	\$181,885
931	Water	\$0	\$28,273	\$0	\$251,229	\$0	\$0	\$0
932	Electricity	\$0	\$97,733	\$0	\$469,712	\$0	\$0	\$0
933	Gas	\$0	\$9,794	\$0	\$196,292	\$0	\$0	\$0
938	Other Utilities Expense	\$0	\$48,221	\$0	\$6,600	\$0	\$0	\$0
941	Ordinary Maintenance and Operations - Labor	\$0	\$38,492	\$0	\$250,332	\$0	\$0	\$0
942	Ordinary Maintenance and Operations - Materials and Other	\$0	\$35,636	\$0	\$214,070	\$0	\$0	\$0
943	Ordinary Maintenance and Operations - Contract Costs	\$0	\$109,387	\$0	\$469,276	\$0	\$0	\$0
945	Employee Benefit Contributions - Ordinary Maintenance	\$0	\$9,049	\$0	\$84,695	\$0	\$0	\$0
952	Protective Services - Other Contract Costs	\$0	\$1,272	\$0	\$2,318	\$0	\$0	\$0
961	Insurance Premiums	\$2,821	\$49,736	\$0	\$238,793	\$0	\$26,411	\$0
962	Other General Expenses	\$0	\$4,926	\$0	\$17,672	\$0	\$19,484	\$0
963	Payments in Lieu of Taxes	\$0	\$0	\$0	\$56,565	\$0	\$0	\$0
964	Bad Debt - Tenant Rents	\$0	\$10,673	\$0	\$52,988	\$0	\$0	\$0
966	Bad Debt - Other	\$0	\$0	\$0	\$0	\$0	\$7,432	\$0
967	Interest Expense	\$0	\$92,189	\$0	\$0	\$0	\$0	\$0
969	Total Operating Expenses	\$86,457	\$733,524	\$209,384	\$3,148,324	\$50,069	\$617,926	\$353,900
970	Excess Operating Revenue over Operating Expenses	\$6,927	\$251,395	\$0	\$462,670	\$0	\$6,887,109	\$488,400
971	Extraordinary Maintenance	\$0	\$6,887	\$0	\$59,163	\$0	\$0	\$0
972	Casualty Losses - Non-Capitalized	\$0	\$0	\$0	\$850	\$0	\$0	\$0
973	Housing Assistance Payments	\$0	\$0	\$0	\$0	\$0	\$6,496,805	\$0
974	Depreciation Expense	\$1,852	\$99,526	\$0	\$865,312	\$0	\$5,153	\$0
900	Total Expenses	\$88,309	\$839,937	\$209,384	\$4,073,649	\$50,069	\$7,119,884	\$353,900
1010	Total Other Financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$5,075	\$144,982	\$0	\$-462,655	\$0	\$385,151	\$488,400

PHA: FL063 FYED: 03/31/2008

Line Item No.	Account Description	State/Local	Total
111	Cash - Unrestricted	\$12,078	\$3,104,058
113	Cash - Other Restricted	\$0	\$549,582
114	Cash - Tenant Security Deposits	\$0	\$156,816
100	Total Cash	\$12,078	\$3,810,456
122	Accounts Receivable - HUD Other Projects	\$0	\$104,052
124	Accounts Receivable - Other Government	\$0	\$228
126	Accounts Receivable - Tenants - Dwelling Rents	\$0	\$34,442
126.1	Allowance for Doubtful Accounts - Dwelling Rents	\$0	\$-21,788
126.2	Allowance for Doubtful Accounts - Other	\$0	\$0
128	Fraud Recovery	\$0	\$7,432
128.1	Allowance for Doubtful Accounts - Fraud	\$0	\$-7,432
120	Total Receivables, net of allowances for doubtful accounts	\$0	\$116,934
142	Prepaid Expenses and Other Assets	\$0	\$18,383
143	Inventories	\$0	\$114,091
143.1	Allowance for Obsolete Inventories	\$0	\$-49,378
144	Interprogram Due From	\$19,569	\$138,240
150	Total Current Assets	\$31,647	\$4,148,726
161	Land	\$0	\$670,352
162	Buildings	\$0	\$26,069,247
163	Furniture, Equipment & Machinery - Dwellings	\$0	\$79,163
164	Furniture, Equipment & Machinery - Administration	\$0	\$802,103
166	Accumulated Depreciation	\$0	\$-22,314,277
167	Construction In Progress	\$0	\$782,808
160	Total Fixed Assets, Net of Accumulated Depreciation	\$0	\$6,089,396
174	Other Assets	\$0	\$131,155
180	Total Non-Current Assets	\$0	\$6,220,551
190	Total Assets	\$31,647	\$10,369,277

PHA: FL063 FYED: 03/31/2008

Line Item No.	Account Description	State/Local	Total
312	Accounts Payable <= 90 Days	\$0	\$297,337
321	Accrued Wage/Payroll Taxes Payable	\$0	\$881
322	Accrued Compensated Absences - Current Portion	\$0	\$17,516
325	Accrued Interest Payable	\$0	\$2,220
333	Accounts Payable - Other Government	\$0	\$115,508
341	Tenant Security Deposits	\$0	\$157,066
342	Deferred Revenues	\$0	\$4,321
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	\$0	\$35,500
345	Other Current Liabilities	\$0	\$31,890
347	Interprogram Due To	\$12,692	\$138,240
310	Total Current Liabilities	\$12,692	\$800,479
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds	\$0	\$1,345,571
354	Accrued Compensated Absences - Non Current	\$0	\$157,642
353	Noncurrent Liabilities - Other	\$0	\$31,201
350	Total Noncurrent Liabilities	\$0	\$1,534,414
300	Total Liabilities	\$12,692	\$2,334,893
508	Total Contributed Capital	\$0	\$0
508.1	Invested in Capital Assets, Net of Related Debt	\$0	\$4,739,332
511	Total Reserved Fund Balance	\$0	\$0
511.1	Restricted Net Assets	\$0	\$524,292
512.1	Unrestricted Net Assets	\$18,955	\$2,770,760
513	Total Equity/Net Assets	\$18,955	\$8,034,384

PHA: FL063 FYED: 03/31/2008

Line Item No.	Account Description	State/Local	Total
703	Net Tenant Rental Revenue	\$0	\$1,715,290
704	Tenant Revenue - Other	\$0	\$130,454
705	Total Tenant Revenue	\$0	\$1,845,744
706	HUD PHA Operating Grants	\$0	\$10,752,332
706.1	Capital Grants	\$0	\$488,401
711	Investment Income - Unrestricted	\$14	\$68,115
714	Fraud Recovery	\$0	\$28,558
715	Other Revenue	\$1,000	\$104,571
720	Investment Income - Restricted	\$0	\$9,378
700	Total Revenue	\$1,014	\$13,297,099

PHA: FL063 FYED: 03/31/2008

Line Item No.	Account Description	State/Local	Total
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0
1103	Beginning Equity	\$18,714	\$7,473,190
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	\$0
1120	Unit Months Available	0	22,629
1121	Number of Unit Months Leased	0	23,309
1117	Administrative Fee Equity	\$0	\$551,922
1118	Housing Assistance Payments Equity	\$0	\$398,907

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| Top of Page |

GAINESVILLE HOUSING AUTHORITY

Gainesville, Florida

**SCHEDULE AND RECONCILIATION OF ACTUAL
CAPITAL FUND PROGRAM COSTS AND ADVANCES**

FOR THE YEAR ENDED MARCH 31, 2008

PROGRAM	<u>501-05</u>	<u>501-06</u>	<u>501-07</u>	<u>Total</u>
BUDGET	<u>\$ 1,096,351</u>	<u>\$ 1,002,916</u>	<u>\$ 989,301</u>	<u>\$ 3,088,568</u>
ADVANCES:				
Cash receipts - prior years	\$ 502,694	\$ -	\$ -	\$ 502,694
Cash receipts - current year	593,657	450,756	97,901	1,142,314
Cumulative as of March 31, 2008	<u>\$ 1,096,351</u>	<u>\$ 450,756</u>	<u>\$ 97,901</u>	<u>\$ 1,645,008</u>
COSTS:				
Prior years	771,781	\$ 30,927	\$ -	\$ 802,708
Current year	324,570	419,829	97,901	842,300
Cumulative as of March 31, 2008	<u>\$ 1,096,351</u>	<u>\$ 450,756</u>	<u>\$ 97,901</u>	<u>\$ 1,645,008</u>
Deficiency of advances due from HUD (net)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Modernization Cost Certificate issued?	<u>Yes</u>	<u>No</u>	<u>No</u>	
Soft costs				
Prior years	\$ 477,373	\$ 30,927	\$ -	\$ 508,300
Current year	-	255,998	97,901	353,899
Cumulative as of March 31, 2008	<u>\$ 477,373</u>	<u>\$ 286,925</u>	<u>\$ 97,901</u>	<u>\$ 862,199</u>
Hard costs				
Prior years	\$ 294,408	\$ -	\$ -	\$ 294,408
Current year	324,570	163,831	-	488,401
Cumulative as of March 31, 2008	<u>\$ 618,978</u>	<u>\$ 163,831</u>	<u>\$ -</u>	<u>\$ 782,809</u>
Cumulative hard and soft costs	<u>\$ 1,096,351</u>	<u>\$ 450,756</u>	<u>\$ 97,901</u>	<u>\$ 1,645,008</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, 2008**

PROGRAM	FLO63REL 018A003	FLO63REL 018A005	TOTALS
BUDGET	<u>\$ 200,000</u>	<u>\$ 349,995</u>	<u>\$ 549,995</u>
ADVANCES:			
Cash receipts - prior years	\$ 128,490	\$ -	\$ 128,490
Cash receipts - current year	-	33,548	33,548
Cumulative as of March 31, 2008	<u><u>\$ 128,490</u></u>	<u><u>\$ 33,548</u></u>	<u><u>\$ 162,038</u></u>
COSTS:			
Prior years	\$ 194,223	\$ -	\$ 194,223
Current year	5,777	44,293	50,070
Cumulative as of March 31, 2008	<u><u>\$ 200,000</u></u>	<u><u>\$ 44,293</u></u>	<u><u>\$ 244,293</u></u>
Deficiency of advances due from HUD (net)	<u><u>\$ (71,510)</u></u>	<u><u>\$ (10,745)</u></u>	<u><u>\$ (82,255)</u></u>
Final SF-269a issued?	<u>No</u>	<u>No</u>	
Soft costs			
Prior years	\$ 194,223	\$ -	\$ 194,223
Current year	5,777	44,293	50,070
Cumulative as of March 31, 2008	<u><u>\$ 200,000</u></u>	<u><u>\$ 44,293</u></u>	<u><u>\$ 244,293</u></u>
Hard costs			
Prior years	\$ -	\$ -	\$ -
Current year	-	-	-
Cumulative as of March 31, 2008	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Cumulative hard and soft costs	<u><u>\$ 200,000</u></u>	<u><u>\$ 44,293</u></u>	<u><u>\$ 244,293</u></u>

SINGLE AUDIT SECTION

GAINESVILLE HOUSING AUTHORITY
Gainesville, Florida

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MARCH 31, 2008
(Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS

There were no Financial Statement Findings.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2008-1 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 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.

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

2007-1 Condition: Corrective Action Order

Current Status: This finding is cleared.

2007-2 Condition: Violation of Standing Corrective Action Order Letters Dated July 18, 2006 and September 5, 2006

Current Status: This finding is cleared.

MALCOLM JOHNSON & COMPANY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2008, and have issued our report thereon dated December 9, 2008, 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.

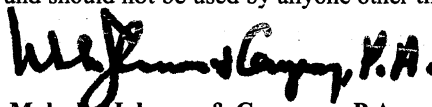
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

We noted certain matters that we reported to management of the Authority in a separate letter dated December 9, 2008.

This report is intended solely for the information and use of the Authority's 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.

DeBary, Florida
December 9, 2008

MALCOLM JOHNSON & COMPANY, P.A.

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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 each of its major federal programs for the year ended March 31, 2008. 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 each of 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 2008-1 in the accompanying schedule of findings and questioned costs, the Authority did not comply with requirements regarding eligibility that are applicable to its Low Rent Public Housing (CFDA # 14.850a). Compliance with such requirements is necessary, in our opinion, for the Authority to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Authority complied, in all material respects, with the requirements referred above that are applicable to each of its major federal programs for the year ended March 31, 2008.

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 an 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 deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2008-1 to be a significant deficiency.

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 deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, we consider item 2008-1 to be a material weakness.

The Authority's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Authority's response and, accordingly, we express no opinion on it.

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.

DeBary, Florida
December 9, 2008