

THE HOUSING AUTHORITY OF THE CITY OF HUNTSVILLE
HUNTSVILLE, ALABAMA
REPORT ON EXAMINATION
OF
FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA
YEAR ENDED MARCH 31, 2009

THE HOUSING AUTHORITY OF THE CITY OF HUNTSVILLE

HUNTSVILLE, ALABAMA

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**HUNTSVILLE HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended March 31, 2009**

Huntsville Housing Authority's ("the Authority") management's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, (c) identify changes in the Authority's financial position, and (d) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current years activities, resulting changes, and currently known facts, please read it in conjunction with the Authority's financial statements (beginning on page 19).

FINANCIAL HIGHLIGHTS

- The Authority's net assets were \$27.9 million for 2009, a \$3 million increase from 2008.
- The Authority's revenues increased by \$5.2 million during 2009, and were \$22.1 million and \$16.9 million for 2009 and 2008 respectively.
- The total expenses of all Authority programs had a minimal increase of \$.7 million. Total expenses were \$19.1 million and \$18.4 million for 2009 and 2008 respectively.

Authority-Wide Financial Statements

The Authority-wide financial statements (see pages 19-22) are designed to be corporate-like in that all business type activities are consolidated into columns which add to a total for the entire Authority.

Statement of Net Assets

These Statements include a Statement of Net Assets, which is similar to a Balance Sheet. The Statement of Net Assets reports all financial and capital resources for the Authority. The statement is presented in the format where assets, minus liabilities, equals "Net Assets", formerly known as equity. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Non-current".

The focus of the Statement of Net Assets (the "Unrestricted Net Assets") is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net Assets are reported in three broad categories:

Net Assets, Invested in Capital Assets, Net of Related Debt: This component of Net Assets consists of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets: This component of Net Assets consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

Unrestricted Net Assets: Consists of Net Assets that do not meet the definition of "Net Assets Invested in Capital Assets, Net of Related Debt", or "Restricted Net Assets".

Statement of Revenues, Expenses, and Changes in Fund Net Assets

The Authority-wide financial statements also include a Statement of Revenues, Expenses and Changes in Fund Net Assets (similar to an Income Statement). This Statement includes Operating Revenues, such as rental income, Operating Expenses, such as administrative, utilities, and maintenance, and depreciation, and Non-Operating Revenue and Expenses, such as investment income and interest expense.

The focus of the Statement of Revenues, Expenses and Changes in Fund Net Assets is the "Change in Net Assets", which is similar to Net Income or Loss.

Statement of Cash Flows

Finally, a Statement of Cash Flows is included, which discloses net cash provided by, or used for operating activities, non-capital financing activities, and capital and related financing activities.

Notes to the Financial Statements

In addition to the authority wide financial statements, the Authority is required to disclose certain information in the Notes to the Financial Statements. Notes to the Financial Statements provide additional information essential to a complete understanding of the data provided. These notes give a greater understanding of the overall activity of the Authority. They explain how values are assigned to certain assets and liabilities and the longevity of these values. In addition, notes reflect the impact (if any) of any uncertainties the Authority may face.

Fund Financial Statements

The Authority is accounted for as an Enterprise Fund. Enterprise funds utilize the full accrual basis of accounting. The Enterprise method of accounting is similar to accounting utilized by the private sector.

Many of the programs maintained by the Authority are required by the Department of Housing and Urban Development. Others are segregated to enhance accountability and control.

The Authority's Funds

Conventional Public Housing – Under the Conventional Public Housing Program, the Authority rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy and Capital Grant funding to enable the PHA to provide the housing at a rent that is based upon 30% of household income. The Conventional Public Housing Program also includes the Capital Fund Program, which is the primary funding source for physical and management improvements to the Authority's properties.

Housing Choice Voucher Program – Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under and Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure a lease that sets the participants' rent at 30% of household income.

Other Programs – In addition to the significant programs above, the Authority also maintains the following programs.

Resident Opportunities and Self-Sufficiency Grant – a grant program funded by the Department of Housing and Urban Development that encourages self-sufficiency among the authority's resident population.

Shelter Plus Care – In a prior year, the Authority assumed a Shelter Plus Grant from the City of Huntsville. This grant provides funding to house 42 homeless and mentally ill participants. The Authority also receives a small Shelter Plus Grant to house an additional 8 homeless families.

Other Federal Programs – This year the Authority continued its participation in the Disaster Voucher Program (DVP). This program was created to provide housing assistance to those who lost their homes in the Hurricanes Katrina and Rita disaster areas. We also participated in the Disaster Housing Assistance Program (DHAP) designed to assist those disaster victims that were assisted with Federal Emergency Management Assistance (FEMA) rather than housing subsidies. The DVP program is expected to end in the near future; however, the DHAP program will remain open to be utilized in the event of future disasters.

Central Office Cost Center (COCC) – As part of its conversion to Asset Management, HHA established the COCC to manage and oversee the operations of the Public Housing Developments, Housing Choice Voucher Program, and other grant programs. Utilizing a "fee for service" approach, the COCC recognizes revenues through management and service fees charged to the other programs. Management fees cannot exceed the "safe harbor" amount established by HUD.

AUTHORITY-WIDE STATEMENTS

The following table reflects the condensed Statement of Net Assets compared to prior year. The Authority is engaged only in Business-Type Activities.

Table 1
Statement of Net Assets

| | 2009 (in millions of dollars) | 2008 (in millions of dollars) | Variance |
|--|--|--|------------------------|
| Assets | | | |
| Current & Restricted Assets | \$ 8.3 | \$ 7.1 | \$ 1.2 |
| Non-current Assets | <u>24.9</u> | <u>23.6</u> | <u>1.3</u> |
| Total Assets | <u>\$ 33.2</u> | <u>\$ 30.7</u> | <u>\$ 2.5</u> |
| Liabilities: | | | |
| Current Liabilities | \$ 2.1 | \$ 1.9 | \$ 0.2 |
| Non Current Liabilities | <u>3.2</u> | <u>3.9</u> | <u>(0.7)</u> |
| Total Liabilities | <u>\$ 5.3</u> | <u>\$ 5.8</u> | <u>\$ (0.5)</u> |
| Net Assets: | | | |
| Invested in Capital Assets | | | |
| Invested in Capital Assets net of related debt | \$ 21.1 | \$ 19.1 | \$ 2.0 |
| Restricted Net Assets | 0.5 | 0.8 | (0.3) |
| Unrestricted Net Assets | <u>6.3</u> | <u>5.0</u> | <u>1.3</u> |
| Total Net Assets | <u>\$ 27.9</u> | <u>\$ 24.9</u> | <u>\$ 3.0</u> |

For more detailed information see page 19-20 for the Statement of Net Assets.

Major Factors Affecting the Statement of Net Assets

As illustrated in the Statement of Net Assets, the overall Net Assets of the Authority had an increase of 3 million to \$27.9 million. "Invested in Capital Assets, Net of Related Debt" increased by \$2 million. This change in Capital Assets is explained in the section "Capital Assets and Debt Administration" found on Pages 7-8 of this report. "Unrestricted Net Assets" increased by \$1.3 million. Total revenues exceeded expenses by 3 million.

Below is a brief explanation of significant changes in various accounts relative to the Statement of Net Assets.

Current and restricted assets increased by \$1.2 million. The source of this increase is cash, which increased by \$1.2 million due to the net income for the year. Non-current assets increased by \$1.3 million due to the purchase of new properties during the year.

Current liabilities increased by .2 million, while non-current liabilities decreased by \$.7 million. This decrease was due to decreasing the bond debt.

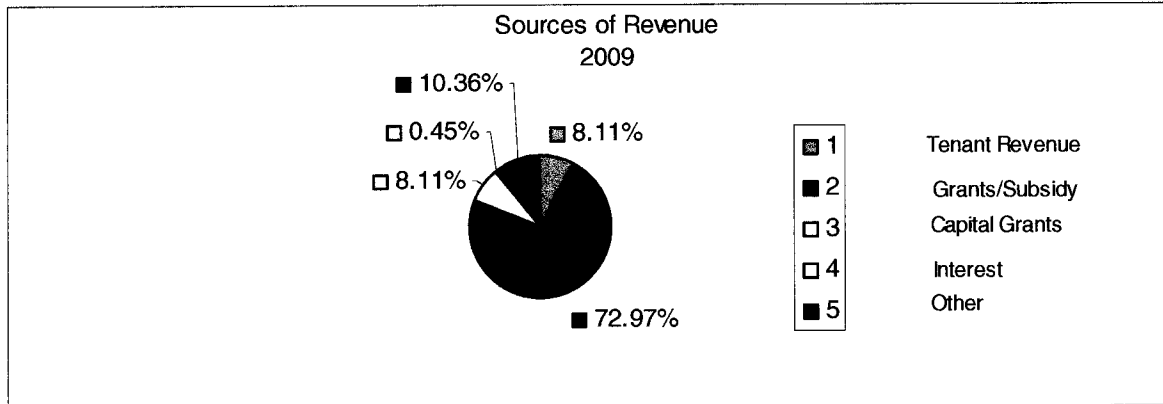
A breakdown of assets, liabilities, and equity by program can be found in the supplemental information on pages 30 – 31.

Table 2 compares the revenues and expenses for the current year and previous fiscal year. The Authority is engaged only in Business-Type Activities.

Table 2
Statement of Revenues, Expenses and Changes in Net Assets

| | 2009 (in millions of dollars) | 2008 (in millions of dollars) | Variance |
|--|-------------------------------------|-------------------------------------|----------------|
| Revenues: | | | |
| Tenant Revenue | \$ 1.8 | \$ 1.2 | \$ 0.6 |
| Program Grants and Subsidies | 16.2 | 14.9 | 1.3 |
| Capital Grants | 1.7 | 0.3 | 1.4 |
| Interest Income | 0.1 | 0.3 | (0.2) |
| Other Income | 2.3 | 0.2 | 2.1 |
| Total Revenues | \$ 22.1 | \$ 16.9 | \$ 5.2 |
| Expenses: | | | |
| Administrative | \$ 3.7 | \$ 3.5 | \$ 0.2 |
| Tenant Services | 0.7 | 0.5 | 0.2 |
| Utilities | 1.3 | 1.3 | - |
| Maintenance | 2.8 | 3.0 | (0.2) |
| Protective Services | 0.4 | 0.4 | - |
| General Expense | 0.7 | 0.6 | 0.1 |
| Housing Assistance Payments | 6.6 | 6.0 | 0.6 |
| Other Expenses | 0.3 | 0.2 | 0.1 |
| Depreciation | 2.6 | 2.9 | (0.3) |
| Total Expenses | \$ 19.1 | \$ 18.4 | \$ 0.7 |
| Excess Revenues Over Expenses | \$ 3.0 | \$ (1.5) | \$ 4.5 |
| Beginning Net Assets | \$ 24.9 | \$ 26.4 | \$ (1.50) |
| Ending Net Assets | <u>\$ 27.9</u> | <u>\$ 24.9</u> | <u>\$ 3.00</u> |

The pie chart below illustrates revenues by funding source. Please note that 81% of funding is derived from grants and subsidy payments (including capital grants) from the Department of Housing and Urban Development.



MAJOR FACTORS AFFECTING THE STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS

Capital Grant Revenue increased from \$.3 million to 1.7 million. This increase is related to the Authority's focus on redevelopment in the downtown area. HHA also purchased properties at Mahogany Row and Stone Manor utilizing Capital Funds.

Tenant revenue increased by \$.6 million dollars, from \$1.2 million to \$1.8 million as a result of decreased utility allowances. Operating grants and subsidies increased by \$1.3 million, from \$14.9 million to \$16.2 million. Other income increased 2.1 million from .2 to 2.3 million. This increase is due to the gain on the sale of 22 units at Searcy Homes.

The Housing Authority held expenses to a marginal increase of \$.7 million. The increase in tenant revenues, along with the increase in operating subsidies and the gain from the sale of the units at Searcy Homes, resulted in an increase of 3 million in net assets from the previous year.

A breakdown of revenues and expenses by program can be found on page 32 in the supplemental information.

Capital Assets and Debt Administration

Capital Assets

As of year-end, the Authority had \$24.8 million invested in a variety of capital assets as reflected in the following schedule, which represents a net increase (additions, deletions and depreciation) of \$1.3 million from the end of last year. This increase is primarily linked to the purchases of the properties at Mahogany Row and Stone Manor.

Table 3
Capital Assets at Year-End
(Net of Depreciation)

| | <u>2009</u> | <u>2008</u> | <u>Variance</u> | <u>% Change</u> |
|--------------------------|--------------------------|--------------------------|-------------------------|-----------------|
| Land | \$ 3,280,483 | \$ 2,501,434 | \$ 779,049 | 31% |
| Buildings | 64,509,854 | 62,105,962 | 2,403,892 | 4% |
| Furniture & Equipment | 1,865,094 | 1,845,042 | 20,052 | 1% |
| Accumulated Depreciation | (45,245,059) | (43,207,125) | (2,037,934) | 5% |
| Construction in Process | <u>364,348</u> | <u>179,590</u> | <u>184,758</u> | <u>103%</u> |
| Net Capital Assets | <u>\$ 24,774,720</u> | <u>\$ 23,424,903</u> | <u>\$ 1,349,817</u> | <u>6%</u> |

The following reconciliation summarizes the change in Capital Assets, which is presented in detail on 28 of the notes.

Table 4
Change in Capital Assets

| | |
|----------------------------------|----------------------|
| Beginning Balance, April 1, 2008 | \$ 23,424,903 |
| Additions | <u>4,168,274</u> |
| Retirements | 780,523 |
| Depreciation on Retirements | <u>(563,359)</u> |
| Net Retirements | <u>(217,164)</u> |
| Depreciation Expense | <u>(2,601,293)</u> |
| Ending Balance, March 31, 2009 | <u>\$ 24,774,720</u> |

Capital Assets - Continued

This year's major additions are:

| | |
|----------------------------|---------------------|
| Business - Type Activities | |
| Capital Improvements | \$ 4,117,646 |
| Equipment Purchases | <u>50,622</u> |
| Total Additions | <u>\$ 4,168,268</u> |

Debt Outstanding

As of year-end, the Authority had \$3.69 million in debt outstanding compared to \$4.35 million last year. The debt consists of bond issue obligations through the Public Housing Finance Corporation to be used for modernization of Public Housing developments. The repayment of this loan is to be made from the Capital Fund Program. In the event the Capital Fund Program ceases to exist, HUD will assume the balance of the loan.

Outstanding Debt at Year End

Table 5

| | <u>2009</u> | <u>2008</u> |
|---------------|---------------------|---------------------|
| Bonds Payable | \$ 3,690,000 | \$ 4,350,000 |
| Notes Payable | <u>-</u> | <u>4,400</u> |
| Total Debt | <u>\$ 3,690,000</u> | <u>\$ 4,354,400</u> |

FINANCIAL ANALYSIS OF THE AUTHORITY

The Real Estate Assessment Center performs a financial evaluation on the Public Housing Authority as it compares to its peers. This evaluation is known as the Financial Assessment SubSystem (FASS). Through regulation, the Authority is provided with the information needed to project its score. During the first year of Asset Management, authorities were scored based on the prior fiscal year score. Below is HHA's prior year score:

**Huntsville Housing Authority
Public Housing Assessment system
Financial Condition Indicators
March 31, 2009**

| Financial Indicator | Maximum Score | HHA Score |
|--|--------------------------|----------------------|
| Current Ratio | 9.00 | 9.00 |
| Number of Months Expendable Fund Balance | 9.00 | 9.00 |
| Days Receivables Outstanding | 4.50 | - |
| Occupancy Loss | 4.50 | 4.50 |
| Expense Management | 1.50 | 1.50 |
| Net Income | 1.50 | 1.50 |
| Total | 30.00 | 25.50 |

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- Federal funding of the Department of Housing and Urban Development: Public Housing – currently funded on a calendar year basis with the calendar year 2008 funded at 88.96%; calendar year 2009 is estimated at 88%. The FY 2010 spending bill introduced to the House and Senate appropriations committees in July, 2009 estimates full funding of the Public Housing Operating Subsidy.

Capital Fund – The 2008 Capital Fund was frozen at the 2006 and 2007 funding levels. For FY 2009, appropriations were 2.45 billion. For FY 2010, the House and Senate funding measures include an increase of .5 billion to \$2.95 billion, or 20%.

Section 8 – Calendar year 2008 included a significant change to the administrative fee calculation. The calculation was based on leaseup as of the first of each month (compared to a flat fee amount funded in calendar year 2004 through 2007). Calendar year 2009 continues this same method of funding. The administrative fee is also subject to proration. Subsequent to fiscal year end 2009, HHA has added 43 enhanced vouchers and 138 relocation vouchers to its portfolio. These new vouchers will result in increased administrative fees for the program.

Section 8 – CY 2008 Housing Assistance Payment Funding was calculated at \$5,659,955 and prorated at 101.453%, for a total funding of \$5,742,194, or an increase of 5.6% from 2007. For CY 2009, the total eligibility is \$6,575,187 and prorated at 99.1%. The amount was further reduced by \$37,235 of Net Restricted Assets (HAP Reserves), bringing the total HAP funding to \$6,478,775. This amount represents an increase of 13% above the prior year. Please note, however, that HHA added 64 vouchers in CY 2008 that were not included in the original 2008 funding amount stated above. HHA is adding 184 additional vouchers for Calendar Year 2009 which will also have a separate funding increment.

Average HAP for the program exceeds the amount funded; therefore, HHA will have a need to utilize reserves in order to fund the allotted number of families. The HAP funding is based on prior year data and does not consider an increase in rents due to unemployment or changes in the economy.

- Beginning 4/1/08, the Authority began its first compliance year under Asset Management mandated by HUD. The Central Office Cost Center (COCC) was established in accordance with HUD guidance. The COCC has begun a “fee for service” approach and is billing the asset management projects (AMPS) and other funds for its management service. These fees are in accordance with HUD regulation and meet the safe-harbor requirement of being reasonable. Therefore the funds are de-federalized.
- Local labor supply and demand may affect salary and wage rates.
- Local inflationary, recessionary and employment trends can affect resident incomes and therefore the amount of rental income. Unemployment in the Huntsville, Alabama area increased from 3.1% to 6.8% compared to the previous fiscal year.¹

¹ Bureau of Labor Statistics Data website www.bls.gov

- The Authority plans to cover its loss of funding due to congressional cuts and increased utility expenses by continuing to utilize the Capital Fund Program's operation funding (1406). The Authority has budgeted a need for 1406 operations money based on the calendar year 2009 projected funding levels. Should the calendar year 2010 funding level be at 100%, it is possible that the authority won't need to utilize these 1406 funds.
- The Authority was awarded a \$4 million dollar grant from the Alabama Department of Economic and Community Affairs (ADECA). This is a pass-through grant from the Department of Housing and Urban Development and its primary purpose is to purchase foreclosed, single-family, and multi-family homes throughout the City of Huntsville.
- Subsequent to year end, In June, 2009, the Authority received low-income tax-credits from the Alabama Housing Finance Authority totaling \$12,509,900.00. HHA will use these tax credits for the development of its 85-unit state-of-the art affordable housing facility for seniors to be located on the demolished section of Council Courts on Gallatin Street. This facility will be known as Gateway Place.

FINANCIAL CONTACT

The individual to be contacted regarding this report is Sandra Eddlemon, Director of Finance/CFO, of the Housing Authority of the City of Huntsville, Alabama, at (256) 532-5647. Specific requests may be submitted to Sandra Eddlemon, Director of Finance/CFO, Huntsville Housing Authority, P. O. Box 486, Huntsville, Alabama 35804-0486.

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Board of Commissioners
The Housing Authority of the City of Huntsville
Huntsville, Alabama

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the business-type activities of the Housing Authority of the City of Huntsville, Alabama, as of and for the year ended March 31, 2009, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Authority as of March 31, 2009, and the results of its operations 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 August 14, 2009 on our consideration of the Authority's internal control over financial reporting and 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 accompanying Management's Discussion and Analysis 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 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 performed for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. Other supplementary data as listed in the table of contents is presented for Department of Housing and Urban Development information and is not a required part of the financial statements. The accompanying schedule of expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations", and is not a required part of the basic financial statements. Such supplementary data, including the schedule of expenditures of federal awards, 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.

Birmingham, Alabama
August 14, 2009

Yeager & Boyd
Yeager & Boyd

THE HOUSING AUTHORITY OF THE CITY OF HUNTSVILLE
HUNTSVILLE, ALABAMA

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

Board of Commissioners
The Housing Authority of the City of Huntsville
Huntsville, Alabama

We have audited the financial statements of the business-type activities of the Authority as of and for the year ended March 31, 2009, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated August 14, 2009. 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 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 financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of the 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 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 financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the Board of Commissioners, management 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.

Birmingham, Alabama
August 14, 2009

Yeager & Boyd

THE HOUSING AUTHORITY OF THE CITY OF HUNTSVILLE

HUNTSVILLE, ALABAMA

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

Board of Commissioners
The Housing Authority of the City of Huntsville
Huntsville, Alabama

Compliance

We have audited the compliance of 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, 2009. 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.

In our opinion, 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, 2009.

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with the 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.

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 over compliance.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

This report is intended solely for the information and use of management, the Board of Commissioners, 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.

Birmingham, Alabama
August 14, 2009

Yeager & Boyd

THE HOUSING AUTHORITY OF THE CITY OF HUNTSVILLE, ALABAMA
 STATEMENT OF NET ASSETS
 MARCH 31, 2009

ASSETS

| | Enterprise Fund |
|----------------------------------|----------------------------|
| <u>Current Assets</u> | |
| Cash and Cash Equivalents | \$ 6,987,010 |
| Accounts Receivable | 278,861 |
| Tenants Accounts Receivable | 119,032 |
| Allowance for Doubtful Accounts | (13,224) |
| Prepaid Expenses and Assets | 161,842 |
| Total Current Assets | <u>7,533,521</u> |
| <u>Restricted Assets</u> | |
| Cash and Cash Equivalents | <u>794,369</u> |
| Total Restricted Assets | <u>794,369</u> |
| <u>Capital Assets</u> | |
| Land | 3,280,483 |
| Buildings and Improvements | 64,509,854 |
| Furniture & Equipment | 1,865,094 |
| Construction in Progress | 364,348 |
| | <u>70,019,779</u> |
| (Less): Accumulated Depreciation | <u>(45,245,059)</u> |
| Net Capital Assets | <u>24,774,720</u> |
| <u>Other Assets</u> | |
| Bond Costs net of Amortization | 73,294 |
| Other Assets | 35,226 |
| Total Other Assets | <u>108,520</u> |
| Total Assets | <u>\$ 33,211,130</u> |

See the accompanying notes to financial statements.

THE HOUSING AUTHORITY OF THE CITY OF HUNTSVILLE, ALABAMA
 STATEMENT OF NET ASSETS
 MARCH 31, 2009

LIABILITIES AND NET ASSETS

| | Enterprise Fund |
|--|----------------------------|
| <u>Liabilities</u> | |
| <u>Current Liabilities</u> | |
| Accounts Payable | \$ 507,686 |
| Accrued Wages and Payroll Taxes | 204,492 |
| Accrued Compensated Absences | 155,691 |
| Interest Payable | 35,670 |
| Accounts Payable Other Governments | 126,861 |
| Tenant Security Deposits | 175,984 |
| Deferred Revenues | 152,666 |
| Current Portion - Debt | 685,002 |
| Other Current Liabilities | 18,858 |
| Total Current Liabilities | <u>2,062,910</u> |
| <u>Long Term Liabilities</u> | |
| Capital Debt | 3,004,999 |
| Noncurrent Liabilities - Other | 240,765 |
| Total Long Term Liabilities | <u>3,245,764</u> |
| Total Liabilities | <u>5,308,674</u> |
| <u>Net Assets</u> | |
| Investment in Capital Assets net of Related Debt | 21,084,719 |
| Restricted Net Assets | 521,918 |
| Unrestricted Net Assets | 6,295,819 |
| Total Net Assets | <u>27,902,456</u> |
| Total Liabilities and Net Assets | <u>\$ 33,211,130</u> |

See the accompanying notes to financial statements.

**THE HOUSING AUTHORITY OF THE CITY OF HUNTSVILLE, ALABAMA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2009**

| | Enterprise Fund |
|--|----------------------------|
| <u>Operating Revenues</u> | |
| Dwelling Rent | \$ 1,819,661 |
| Operating Grants | 16,189,164 |
| Other Revenue | 192,849 |
| Total Operating Revenues | <u>18,201,674</u> |
| <u>Operating Expenses</u> | |
| Administrative | 3,694,397 |
| Tenant Services | 736,742 |
| Utilities | 1,328,702 |
| Maintenance and Operations | 2,862,321 |
| Protective Services | 417,507 |
| General Expense | 683,751 |
| Housing Assistance Payments | 6,553,977 |
| Depreciation | 2,601,293 |
| Total Operating Expenses | <u>18,878,690</u> |
| Operating Income (Loss) | <u>(677,016)</u> |
| <u>Non-Operating Revenues (Expenses)</u> | |
| Investment Income | 115,721 |
| Gain on Sale of Fixed Assets | 2,082,839 |
| Interest Expense | (158,762) |
| Casualty Loss | (111,444) |
| Total Non-Operating Rev/(Exp) | <u>1,928,354</u> |
| Increase (Decrease) in Net Assets before Capital Contributions | <u>1,251,338</u> |
| Capital Contributions | <u>1,755,610</u> |
| Increase (Decrease) in Net Assets | 3,006,948 |
| Net Assets, Beginning | <u>24,895,508</u> |
| Net Assets, Ending | <u>\$ 27,902,456</u> |

See the accompanying notes to financial statements.

THE HOUSING AUTHORITY OF THE CITY OF HUNTSVILLE, ALABAMA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2009

| | Enterprise Fund |
|--|----------------------------|
| <u>Cash flows from operating activities:</u> | |
| Cash Received from Dwelling Rent | \$ 1,641,270 |
| Cash Received from Grants | 16,129,186 |
| Cash Received from Other Sources | 300,930 |
| Cash Payments for Salaries and Benefits | (5,285,268) |
| Cash Payments to Vendors & Landlords | <u>(10,697,969)</u> |
| Net Cash flows provided (used) by Operating activities | <u>2,088,149</u> |
| <u>Cash flows from non-capital financing activities:</u> | |
| Net cash flows provided (used) by non-capital financing activities | <u>-</u> |
| <u>Cash flows from capital and related financing activities:</u> | |
| Capital Grants Received | 1,755,610 |
| Capital Outlay | (4,168,274) |
| Cash paid out on Casualty Losses | (111,444) |
| Proceeds from Sale of Capital Assets | 2,300,000 |
| Payment of Principal and Interest on Debt | <u>(829,120)</u> |
| Net cash flows provided (used) by capital and related financing activities | <u>(1,053,228)</u> |
| <u>Cash flows from investing activities:</u> | |
| Interest earned from cash and cash equivalents | <u>115,721</u> |
| Net cash flows provided (used) by investing activities | <u>115,721</u> |
| Net Increase (decrease) in cash and cash equivalents | <u>1,150,642</u> |
| <u>Cash and cash equivalents, beginning of year:</u> | <u>6,630,737</u> |
| <u>Cash and cash equivalents, end of year:</u> | <u>\$ 7,781,379</u> |
| <u>Reconciliation of operating income to net cash provided by (used in) operating activities:</u> | |
| Operating Income (Loss) | \$ (677,016) |
| Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities: | |
| Depreciation/Amortization Expense | 2,618,207 |
| Bad Debt Expense | 204,307 |
| Change in Tenants Accounts Receivable | (185,161) |
| Change in Accounts Receivable | (17,171) |
| Change in Deferred Revenue | (10,350) |
| Change in Prepaid Costs | (37,945) |
| Change in Accounts Payable | 24,775 |
| Change in Accrued Expenses and Other Current Liabilities | 86,109 |
| Change in FSS Escrows | 74,349 |
| Change in Tenant Security Deposits | 8,045 |
| Net cash provided by (used in) operating activities | <u>\$ 2,088,149</u> |

See the accompanying notes to financial statements.

THE HOUSING AUTHORITY OF THE CITY OF HUNTSVILLE
HUNTSVILLE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2009

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Housing Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority is a Special Purpose Government engaged only in business-type activities and therefore, presents only the financial statements required for the enterprise fund, in accordance with GASB Statement 34 paragraph 138.

The Authority has multiple programs which are accounted for in one enterprise fund, which is presented as the "enterprise fund" in the basic financial statements as follows:

Enterprise Fund – In accordance with the Enterprise Fund Method, activity is recorded using the accrual basis of accounting and the measurement focus is on the flow of economic resources. Under the accrual basis of accounting revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. This required the Housing Authority to account for operations in a manner similar to private business.

Governmental Accounting Standards – The Housing Authority has applied all applicable Governmental Accounting Standards Board pronouncements as well as pronouncements issued by the Financial Accounting Standards Board on or before November 30, 1989, and those issued after November 30, 1989 except for those that conflict with or contradict Governmental Accounting Standards Board pronouncements.

Cash

The Housing Authority considers cash on hand and cash in checking to be cash equivalents. Cash on hand is not included in calculation of collateral required.

Accounts Receivable

Tenant accounts receivables are carried at the amount considered by management to be collectible. Other accounts receivable consists of amounts due from HUD and State and Local governments for grant income.

Prepaid Items

Prepaid Items consists of payments made to vendors for services that will benefit future periods.

Deferred Revenue

The Authority recognizes revenues as earned. Amounts received in advance of the period in which it is earned is recorded as a liability under Deferred Revenue.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE A - SIGNIFICANT ACCOUNTING POLICIES- CONTINUED

Property and Equipment

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The costs of maintenance and repairs are expensed while significant renewals and betterments are capitalized. Small dollar value minor equipment items are expensed. Depreciation on assets has been expensed in the statement of income. Estimated useful lives are as follows:

| | |
|----------------------------------|---------------|
| Buildings | 15 - 30 years |
| Furniture fixtures and equipment | 5 - 7 years |

Revenue Accounting Policies

Dwelling rent income, HUD grants received for operations, other operating fund grants and operating miscellaneous income are shown as operating income. HUD grants received for capital assets and all other revenue is shown as non-operating revenue.

These financial statements do not contain material inter-fund revenues and expenses for internal activity. The policy is to eliminate any material inter-fund revenues and expenses for these financial statements.

Intangible Assets

In accordance with SFAS 142 intangible assets with finite useful lives will be amortized over their estimated useful life. Bond issuance costs consist primarily of unamortized revenue bond issuance costs. Expenses relating to the issuance of the capital program bonds are capitalized and amortized on a straight-line basis over the term of the bond's maturity.

Cost Allocation Plan

In accordance with OMB Circular A-87, the Authority utilizes a Cost Allocation Plan. The Authority allocates indirect costs to programs on the basis of one of the following methods: direct salaries and wages, percentage of office square footage, number of vouchers and/or units, estimated/actual time spent, number of checks processed or the allotment stipulated in contractual agreements.

NOTE B - REPORTING ENTITY DEFINITION

The Housing Authority is a separate non-profit corporation with a Board of Commissioners. The applicable jurisdictions appoint the Board of Commissioners. However, the Housing Authority has complete legislative and administrative authority and it recruits and employs personnel. The Authority adopts a budget that is approved by the Board of Commissioners. Subsidies for operations are received primarily from HUD. The Authority has substantial legal authority to control its affairs without local government approval; therefore, all operations of the Authority are a separate reporting entity as reflected in this report. The Authority has no other organizational units. No separate agency receives a financial benefit nor imposes a financial burden on the Authority.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE C - CASH AND INVESTMENT DEPOSITS

Custodial Credit Risk – The Housing Authority policy is to limit credit risk by adherence to the list of HUD permitted investments, which are backed by the full faith and credit of or a guarantee of principal and interest by the U.S. Government.

Interest Rate Risk – The Housing Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from interest rate volatility.

The Housing Authority's cash and cash equivalents consist of cash held in interest bearing checking accounts totaling \$6,298,108 and \$685,002 held for payment of current debt invested in short term US Treasury Money Market Funds. The restricted cash consists of \$483,728 held in an interest bearing checking account and \$310,641 held in US Treasury Money Market Funds. The remaining \$3,900 is held in petty cash funds at the Authority. Deposits with financial institutions are secured as follows:

| | |
|---|---------------------|
| Insured by FDIC | \$ 100,000 |
| Investments held in U.S. Treasury Obligations | 995,643 |
| Collateralized with specific securities in the Authority name which are held by the financial institution | 6,681,836 |
| Uncollateralized | - |
| | <u>\$ 7,777,479</u> |

All investments are carried at cost plus accrued interest, which approximates market. The Authority had no realized gains or losses on the sale of investments. The calculation of realized gains or losses is independent of a calculation of the net change in the fair value of investments.

NOTE D - CONTRACTUAL COMMITMENTS

The significant Outstanding Contractual Commitments as of the Balance Sheet Date are as follows:

Type Commitment

None of any Significance

NOTE E- RISK MANAGEMENT

The Housing Authority is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Housing Authority carries commercial insurance for all risks of loss, including workman's compensation and employee health and accident insurance. The Housing Authority has not had any significant reductions in insurance coverage or any claims not reimbursed.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE F – CONCENTRATION OF RISK

The Housing Authority receives most of its funding from HUD. These funds and grants are subject to modification by HUD depending on the availability of funding.

NOTE G – SIGNIFICANT ESTIMATES

The financial statements include some amounts that are based on management's best estimates and judgments. The most significant estimates relate to depreciation and useful lives and accounts receivable valuations. These estimates may be adjusted as more current information becomes available, and any adjustment could be significant.

NOTE H – COMPENSATED ABSENCES

Compensated absences are absences for which employees will be paid. The Authority accrues the liability for those absences that the employee has earned the rights to the benefits. Accrued amounts are based on a prescribed formula based on length of service. Full-time, permanent employees, depending on tenure with the Authority, are granted vacation and sick leave benefits in varying amounts to specified maximums. Vacation pay is recorded as an expense and related liability in the period earned by employees. Leave accrued but not yet paid as of March 31, 2009, is shown as a liability allocated between current and non-current.

NOTE I - EMPLOYEE BENEFIT PLANS

The Housing Authority has a defined contribution plan for all employees having at least three months of service. Participants do not contribute to the plan and become fully vested in employer contributions and investments earnings after five years of participation in the plan. Total employer contributions to the plan were \$554,099 for the year.

The Housing Authority sponsors a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits all employees to defer a portion of their salary until future years. Such amounts are not available to employees until termination, retirement, death, or unforeseeable emergency.

Assets in the plan are recorded at market value but are administered by a private corporation under contract with the Housing Authority. It is the opinion of the Authority's legal counsel that the Housing Authority has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor.

NOTE J – COMMITMENTS AND CONTINGENCIES

Amounts received or receivable from HUD are subject to audit and adjustment by grantor agencies. If expenses are disallowed as a result of these audits, the claims for reimbursement to the grantor agency would become a liability of the Authority. In the opinion of management, any such adjustments would not be significant.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE K – INTERPROGRAM ACTIVITY

The Housing Authority manages several programs. Many charges, i.e., payroll, benefits, insurance, etc. are paid by the Housing Authority's various funds and subsequently reimbursed by the Public Housing Program. Balances due for such charges are reflected in the Interprogram Due to/Due from account balances on the Financial Data Schedule. Interprograms at March 31, 2009 consisted of the following:

| | |
|--------------------------|--------------|
| COCC | \$ 1,118,988 |
| Disaster Voucher Program | 31,308 |
| DHAP | 167,836 |
| Low Rent Public Housing | (1,044,915) |
| Capital Fund Program | (6,925) |
| Housing Choice Vouchers | (254,102) |
| ROSS Program | (2,718) |
| Shelter Care Plus | (9,472) |
| | <u>\$ -</u> |

NOTE L – BONDS PAYABLE

The Housing Authority pledged a portion of its annual Capital Fund Grant from HUD to secure the Authority's allocable portion of Bonds issued jointly by the Authority and other participating Alabama housing authorities. The Authority's allocable share of the net proceeds, \$6,835,000 was used to acquire, construct, equip, renovate and improve public housing developments owned and operated by the Authority for rental to and occupancy by qualified tenants under the applicable HUD rules and regulations. The Bonds are designated "Capital Program Revenue Bonds, Series 2003." The entire proceeds of \$6,835,000 were deposited with the Trustee (Wachovia Bank), which was authorized and directed to apply and disburse such monies for the purposes and in the order specified in the Master Trust Indenture. The Bonds bear interest at a rate not to exceed six percent and are paid semi-annually. Interest paid and expensed during the year was \$158,762. Future bond payments are as follows:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Balance Due</u> |
|--------------------|---------------------|-------------------|--------------------|
| 2010 | 685,002 | 142,674 | 3,004,999 |
| 2011 | 709,999 | 118,699 | 2,295,000 |
| 2012 | 735,000 | 92,074 | 1,560,000 |
| 2013 | 765,000 | 63,593 | 795,000 |
| 2014 | 795,000 | 32,992 | - |
| Total Payments | <u>\$ 3,690,001</u> | <u>\$ 450,032</u> | |

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE L – BONDS PAYABLE - CONTINUED

Long-term debt consists of the following:

| | <u>Balance</u> <u>03/31/08</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance</u> <u>03/31/09</u> |
|------------------------------|-----------------------------------|------------------|------------------|-----------------------------------|
| Bonds Payable | \$ 4,350,000 | - | \$659,999 | \$ 3,690,001 |
| Mortgages Payable | 4,400 | - | 4,400 | - |
| Accrued Compensated Absences | 205,668 | 15,728 | - | 221,396 |
| FSS Escrows | 98,100 | 74,349 | - | 172,449 |
| Bond Premium | 3,213 | - | 602 | 2,611 |
| Total Debt | <u>4,661,381</u> | | | <u>4,086,457</u> |
| Less: Current Portion | <u>808,135</u> | | | <u>840,693</u> |
| Long Term Debt | <u>\$ 3,853,246</u> | | | <u>\$ 3,245,764</u> |

NOTE M – DEFERRED FINANCING COSTS

Cost relating to obtaining the Revenue Bond financing are capitalized and amortized over the term of the related debt using the straight line method. Accumulated amortization at March 31, 2009 was \$95,847. Amortization expense for the year was \$16,914. When a loan is paid in full, any unamortized financing costs are removed from the related accounts and charged to operations.

NOTE N – PROPERTY AND EQUIPMENT

A summary of property and equipment is as follows at March 31, 2009.

| | <u>Low Rent</u> | <u>Housing</u> <u>Choice</u> <u>Vouchers</u> | <u>Capital</u> <u>Fund</u> | <u>COCC</u> | <u>ROSS</u> | <u>Total</u> |
|--------------------------------------|----------------------|--|-------------------------------|--------------------|------------------|----------------------|
| Land | \$ 1,917,053 | \$ - | \$ 799,100 | \$ 564,330 | \$ - | \$ 3,280,483 |
| Building and Improvements | 61,683,435 | - | 1,525,142 | 1,301,277 | - | 64,509,854 |
| Furniture, Fixtures and Equipment | 940,356 | 60,263 | 277,147 | 534,077 | 53,251 | 1,865,094 |
| Construction in Process | - | - | 364,348 | - | - | 364,348 |
| Less Accumulated Depreciation | <u>(43,443,282)</u> | <u>(21,352)</u> | <u>(274,637)</u> | <u>(1,494,680)</u> | <u>(11,108)</u> | <u>(45,245,059)</u> |
| Total Property and Equipment | <u>\$ 21,097,562</u> | <u>\$ 38,911</u> | <u>\$ 2,691,100</u> | <u>\$ 905,004</u> | <u>\$ 42,143</u> | <u>\$ 24,774,720</u> |

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE N – PROPERTY AND EQUIPMENT- CONTINUED

| | April 1, 2008 <u>Balance</u> | <u>Additions</u> | <u>Transfers & Deletions</u> | March 31, 2009 <u>Balance</u> |
|------------------------------------|---------------------------------|---------------------|--------------------------------------|----------------------------------|
| Land | \$ 2,501,434 | \$ 799,100 | \$ (20,051) | \$ 3,280,483 |
| Construction in Process | <u>179,590</u> | <u>184,758</u> | <u>-</u> | <u>364,348</u> |
| Total Assets not being depreciated | 2,681,024 | 983,858 | (20,051) | 3,644,831 |
| Buildings and Improvements | 62,105,962 | 3,133,794 | (729,902) | 64,509,854 |
| Furniture and Equipment | <u>1,845,042</u> | <u>50,622</u> | <u>(30,570)</u> | <u>1,865,094</u> |
| Total Property and Equipment | 66,632,028 | 4,168,274 | (780,523) | 70,019,779 |
| Less Accumulated Depreciation | <u>(43,207,125)</u> | <u>(2,601,293)</u> | <u>563,359</u> | <u>(45,245,059)</u> |
| Net Book Value | <u>\$ 23,424,903</u> | <u>\$ 1,566,981</u> | <u>\$ (217,164)</u> | <u>\$ 24,774,720</u> |

On May 19, 2008, the Board of Commissioners of the Authority passed a resolution to sell twenty two units of Searcy Homes. The property which had a basis of \$217,161 was sold to the City of Huntsville for \$2.3 million dollars resulting in a gain of \$2,082,839.

NOTE O – RESTRICTED ASSETS AND RESTRICTED NET ASSETS

Restricted Assets consist of the following:

| | |
|-----------------------------------|-------------------|
| Restricted Bond Fund Proceeds | \$ 310,642 |
| Excess HAP Payments | 205,276 |
| Restricted Funds Section 8 Rental | 6,000 |
| Restricted Funds - Wachovia Grant | 100,000 |
| FSS Escrows | <u>172,451</u> |
| Total Restricted Assets | <u>\$ 794,369</u> |

There is no offsetting liability for the Restricted Bond Fund Proceeds, the Excess HAP Payments and the Section 8 Rental funds. Therefore \$521,918 of the Restricted Assets is shown as Restricted Net Assets in the equity section of the Statement of Net Assets.

THE HOUSING AUTHORITY OF THE CITY OF HUNTSVILLE, ALABAMA
 SCHEDULE OF ASSETS, LIABILITIES AND NET ASSETS BY PROGRAM
 MARCH 31, 2009

ASSETS

| | Public Housing Program | Capital Fund Program | COCC | Housing Choice Vouchers Program | Hope VI Program | Resident Opportunity & Supportive Services Program | Disaster Voucher Program | Disaster Housing Assistance Program | Shelter Plus Care | Elimination | Total |
|----------------------------------|------------------------|----------------------|---------------------|---------------------------------|-----------------|--|--------------------------|-------------------------------------|-------------------|-----------------------|----------------------|
| Current Assets | | | | | | | | | | | |
| Cash and Cash Equivalents | \$ 6,448,054 | \$ - | \$ - | \$ 538,956 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 6,987,010 |
| Accounts Receivable | 26,216 | 117,102 | 8,057 | 25,657 | - | 21,956 | - | - | 79,873 | - | 278,861 |
| Tenants Accounts Receivable | 119,032 | - | - | - | - | - | - | - | - | - | 119,032 |
| Allowance for Doubtful Accounts | (13,224) | - | - | - | - | - | - | - | - | - | (13,224) |
| Prepaid Expenses and Assets | 107,175 | 296 | 38,658 | 15,590 | - | 123 | - | - | - | - | 161,842 |
| Interprogram | - | - | 1,118,988 | - | - | - | 31,308 | 167,836 | - | (1,318,132) | - |
| Total Current Assets | 6,687,253 | 117,398 | 1,165,703 | 580,203 | - | 22,079 | 31,308 | 167,836 | 79,873 | (1,318,132) | 7,533,521 |
| Restricted Assets | | | | | | | | | | | |
| Cash and Cash Equivalents | 418,800 | - | 106,000 | 269,569 | - | - | - | - | - | - | 794,369 |
| Total Restricted Assets | 418,800 | - | 106,000 | 269,569 | - | - | - | - | - | - | 794,369 |
| Capital Assets | | | | | | | | | | | |
| Land | 1,917,053 | 799,100 | 564,330 | - | - | - | - | - | - | - | 3,280,483 |
| Buildings and Improvements | 61,683,435 | 1,525,142 | 1,301,277 | - | - | - | - | - | - | - | 64,509,854 |
| Furniture & Equipment | 940,356 | 277,147 | 534,077 | 60,263 | - | 53,251 | - | - | - | - | 1,865,094 |
| Construction in Progress | - | 364,348 | - | - | - | - | - | - | - | - | 364,348 |
| (Less): Accumulated Depreciation | (64,540,844) | (2,965,737) | (2,399,684) | (60,263) | - | (53,251) | - | - | - | - | (70,019,779) |
| Net Capital Assets | (43,443,282) | (274,637) | (1,494,680) | (21,352) | - | (11,108) | - | - | - | - | (45,245,059) |
| Total Assets | 21,097,562 | 2,691,100 | 905,004 | 38,911 | - | 42,143 | - | - | - | - | 24,774,720 |
| Other Assets | | | | | | | | | | | |
| Bond Costs net of Amortization | 73,294 | - | - | - | - | - | - | - | - | - | 73,294 |
| Other Assets | - | - | 32,965 | - | - | - | 2,261 | - | - | - | 35,226 |
| Total Other Assets | 73,294 | - | 32,965 | - | - | - | 2,261 | - | - | - | 108,520 |
| Total Assets | \$ 28,276,909 | \$ 2,808,498 | \$ 2,209,672 | \$ 886,683 | \$ - | \$ 64,222 | \$ 33,569 | \$ 167,836 | \$ 79,873 | \$ (1,318,132) | \$ 33,211,130 |

THE HOUSING AUTHORITY OF THE CITY OF HUNTSVILLE, ALABAMA
 SCHEDULE OF ASSETS, LIABILITIES AND NET ASSETS BY PROGRAM
 MARCH 31, 2009

LIABILITIES AND NET ASSETS

| | Public Housing Program | Capital Fund Program | COCC | Housing Choice Vouchers Program | Hope VI Program | Resident Opportunity & Supportive Services Program | Disaster Voucher Program | Disaster Housing Assistance Program | Shelter Plus Care | Elimination | Total |
|------------------------------------|------------------------|----------------------|--------------|---------------------------------|-----------------|--|--------------------------|-------------------------------------|-------------------|----------------|---------------|
| Liabilities | | | | | | | | | | | |
| Current Liabilities | | | | | | | | | | | |
| Accounts Payable | \$ 200,409 | \$ 94,889 | \$ 97,184 | \$ 31,730 | \$ - | \$ 13,073 | \$ - | \$ - | \$ 70,401 | \$ - | \$ 507,686 |
| Accrued Wages and Payroll Taxes | 106,395 | 15,584 | 60,436 | 15,789 | - | 6,288 | - | - | - | - | 204,492 |
| Accrued Compensated Absences | 91,067 | - | 50,845 | 13,779 | - | - | - | - | - | - | 155,691 |
| Interest Payable | 35,670 | - | - | - | - | - | - | - | - | - | 35,670 |
| Accounts Payable Other Governments | 42,653 | - | 2,108 | - | - | - | - | 82,100 | - | - | 126,861 |
| Tenant Security Deposits | 175,984 | - | - | - | - | - | - | - | - | - | 175,984 |
| Deferred Revenues | 33,819 | - | 100,000 | - | - | - | 469 | - | - | - | 152,666 |
| Current Portion - Debt | 685,002 | - | - | 18,378 | - | - | - | - | - | - | 685,002 |
| Other Current Liabilities | 18,858 | - | - | - | - | - | - | - | - | - | 18,858 |
| Interprogram Payable | 1,044,915 | 6,925 | - | 254,102 | - | 2,718 | - | - | 9,472 | (1,318,132) | - |
| Total Current Liabilities | 2,434,772 | 117,398 | 310,573 | 333,778 | - | 22,079 | 469 | 82,100 | 79,873 | (1,318,132) | 2,062,910 |
| Long Term Liabilities | | | | | | | | | | | |
| Capital Debt | 3,004,999 | - | - | - | - | - | - | - | - | - | 3,004,999 |
| Noncurrent Liabilities - Other | 146,001 | - | 26,469 | 68,295 | - | - | - | - | - | - | 240,765 |
| Total Long Term Liabilities | 3,151,000 | - | 26,469 | 68,295 | - | - | - | - | - | - | 3,245,764 |
| Total Liabilities | 5,585,772 | 117,398 | 337,042 | 402,073 | - | 22,079 | 469 | 82,100 | 79,873 | (1,318,132) | 5,308,674 |
| Net Assets | | | | | | | | | | | |
| Investment in Capital Assets | 17,407,561 | 2,691,100 | 905,004 | 38,911 | - | 42,143 | - | - | - | - | 21,084,719 |
| net of Related Debt | 310,642 | - | 6,000 | 205,276 | - | - | - | - | - | - | 521,918 |
| Restricted Net Assets | 4,972,934 | - | 961,626 | 242,423 | - | - | 33,100 | 85,736 | - | - | 6,295,819 |
| Unrestricted Net Assets | 22,691,137 | 2,691,100 | 1,872,630 | 486,610 | - | 42,143 | 33,100 | 85,736 | - | - | 27,902,456 |
| Total Liabilities and Net Assets | \$ 28,276,909 | \$ 2,808,498 | \$ 2,209,672 | \$ 889,683 | \$ - | \$ 64,222 | \$ 33,569 | \$ 167,836 | \$ 79,873 | \$ (1,318,132) | \$ 33,211,130 |

THE HOUSING AUTHORITY OF THE CITY OF HUNTSVILLE, ALABAMA
 SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS BY PROGRAM
 FOR THE YEAR ENDED MARCH 31, 2009

| | Public Housing Program | Capital Fund Program | COCC | Housing Choice Vouchers Program | Hope VI Program | Resident Opportunity & Supportive Services Program | Disaster Voucher Program | Disaster Housing Assistance Program | Shelter Plus Care | Elimination | Total |
|--|------------------------|----------------------|---------------------|---------------------------------|-----------------|--|--------------------------|-------------------------------------|-------------------|--------------------|----------------------|
| Operating Revenues | | | | | | | | | | | |
| Dwelling Rent | \$ 1,819,661 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,819,661 |
| Operating Grants | 6,348,157 | 2,485,503 | - | 6,769,492 | - | 288,776 | 7,197 | 46,057 | 243,982 | - | 16,189,164 |
| Other Revenue | 133,042 | - | 2,136,515 | 28,985 | - | - | - | - | - | (2,105,693) | 192,849 |
| Total Operating Revenues | 8,300,860 | 2,485,503 | 2,136,515 | 6,798,477 | - | 288,776 | 7,197 | 46,057 | 243,982 | (2,105,693) | 18,201,674 |
| Operating Expenses | | | | | | | | | | | |
| Administrative | 2,729,780 | 401,488 | 1,628,132 | 677,242 | - | 27,682 | 590 | 7,378 | 1,425 | (1,779,320) | 3,694,397 |
| Tenant Services | 78,409 | 393,447 | 2,065 | 1,727 | - | 261,094 | - | - | - | - | 736,742 |
| Utilities | 1,275,997 | - | 52,705 | - | - | - | - | - | - | - | 1,328,702 |
| Maintenance and Operations | 3,014,032 | 1,104 | 172,134 | 1,424 | - | - | - | - | - | (326,373) | 2,862,321 |
| Protective Services | 125,003 | 292,504 | - | - | - | - | - | - | - | - | 417,507 |
| General Expense | 605,004 | - | 37,407 | 41,340 | - | - | - | - | - | - | 683,751 |
| Housing Assistance Payments | - | - | - | 6,274,026 | - | - | 6,543 | 30,851 | 242,557 | - | 6,553,977 |
| Depreciation | 2,369,155 | 121,656 | 98,232 | 4,757 | - | 7,493 | - | - | - | - | 2,601,293 |
| Total Operating Expenses | 10,197,380 | 1,210,199 | 1,990,675 | 7,000,516 | - | 296,269 | 7,133 | 38,229 | 243,982 | (2,105,693) | 18,878,690 |
| Operating Income (Loss) | (1,896,520) | 1,275,304 | 145,840 | (202,039) | - | (7,493) | 64 | 7,828 | - | - | (677,016) |
| Non-Operating Revenues (Expenses) | | | | | | | | | | | |
| Investment Income | 95,447 | - | 6,744 | 13,530 | - | - | - | - | - | - | 115,721 |
| Gain on Sale of Fixed Assets | 2,082,839 | - | - | - | - | - | - | - | - | - | 2,082,839 |
| Interest Expense | (158,762) | - | - | - | - | - | - | - | - | - | (158,762) |
| Casualty Loss | (111,444) | - | - | - | - | - | - | - | - | - | (111,444) |
| Total Non-Operating Rev/(Exp) | 1,908,080 | - | 6,744 | 13,530 | - | - | - | - | - | - | 1,928,354 |
| Increase (decrease) before transfers and Contributions | 11,560 | 1,275,304 | 152,584 | (188,509) | - | (7,493) | 64 | 7,828 | - | - | 1,251,338 |
| Operating Transfers In (Out) | 1,373,072 | (1,396,960) | 23,888 | - | - | - | - | - | - | - | 1,755,610 |
| Capital Contributions | - | 1,752,962 | - | - | - | 2,648 | - | - | - | - | 3,006,948 |
| Increase (Decrease) in Net Assets | 1,384,632 | 1,631,306 | 176,472 | (188,509) | - | (4,845) | 64 | 7,828 | - | - | 3,006,948 |
| Net Assets, Beginning | 22,538,814 | 1,059,794 | 122,580 | 679,340 | 337,048 | 46,988 | 33,036 | 77,908 | - | - | 24,895,508 |
| Net Asset Transfers | (1,302,309) | - | 1,643,578 | (4,221) | (337,048) | - | - | - | - | - | 27,907,456 |
| Net Assets, Ending | \$ 22,621,137 | \$ 2,691,100 | \$ 1,942,630 | \$ 466,610 | \$ - | \$ 42,143 | \$ 33,100 | \$ 85,736 | \$ - | \$ - | \$ 27,907,456 |

**THE HOUSING AUTHORITY OF THE CITY OF HUNTSVILLE, ALABAMA
STATEMENT AND CERTIFICATION OF PROGRAM COSTS - CAPITAL FUND PROGRAM
MARCH 31, 2009**

| | AL09P04750104 | AL09R04750106 | AL09R04750107 |
|--------------------------|----------------------|----------------------|----------------------|
| Funds Approved | \$ 2,961,689 | \$ 25,043 | \$ 27,580 |
| Funds Expended | 2,961,689 | 25,043 | 27,580 |
| Excess of Funds Approved | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| | | | |
| Funds Advanced | \$ 2,961,689 | \$ 25,043 | \$ 27,580 |
| Funds Expended | 2,961,689 | 25,043 | 27,580 |
| Excess of Funds Advanced | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| | | | |
| | AL09R04750207 | AL09R04750108 | AL09R04750206 |
| Funds Approved | \$ 72,509 | \$ 30,643 | \$ 98,139 |
| Funds Expended | 72,509 | 30,643 | 98,139 |
| Excess of Funds Approved | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| | | | |
| Funds Advanced | \$ 72,509 | \$ 30,643 | \$ 98,139 |
| Funds Expended | 72,509 | 30,643 | 98,139 |
| Excess of Funds Advanced | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| | | | |
| | | | AL09R04750208 |
| Funds Approved | | | \$ 79,318 |
| Funds Expended | | | 79,318 |
| Excess of Funds Approved | | | <u>\$ -</u> |
| | | | |
| Funds Advanced | | | \$ 79,318 |
| Funds Expended | | | 79,318 |
| Excess of Funds Advanced | | | <u>\$ -</u> |

1. The distribution of costs as shown on the Actual Modernization Cost Certificates submitted to HUD for approval are in agreement with the Housing Authority's records.
2. All modernization costs have been paid and all related liabilities have been discharged through payment.

THE HOUSING AUTHORITY OF THE CITY OF HUNTSVILLE, ALABAMA
STATEMENT AND CERTIFICATION OF PROGRAM COSTS
SHELTER PLUS CARE
MARCH 31, 2009

AL009C6-3004

| | |
|--------------------------|------------------|
| Funds Approved | \$ 258,504 |
| Funds Expended | 188,474 |
| Excess of Funds Approved | <u>\$ 70,030</u> |
| | |
| Funds Advanced | \$ 188,474 |
| Funds Expended | 188,474 |
| Excess of Funds Advanced | <u>\$ -</u> |

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

THE HOUSING AUTHORITY OF THE CITY OF HUNTSVILLE
HUNTSVILLE, ALABAMA
SUMMARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED MARCH 31, 2009

EXPENDITURES

| | |
|--|----------------------|
| Shelter Care Plus | |
| Total CFDA Number 14.238 | <u>\$ 243,982</u> |
| Low Rent Public Housing | |
| Total CFDA Number 14.850a | <u>6,348,157</u> |
| Resident Opportunity and Supportive Services | |
| Total CFDA Number 14.870 | <u>291,424</u> |
| Housing Choice Vouchers | |
| Total CFDA Number 14.871 | <u>6,769,492</u> |
| Public Housing Capital Fund Program | |
| Total CFDA Number 14.872 | <u>4,238,465</u> |
| Disaster Voucher Program | |
| Total CFDA Number 14.DVP | <u>7,197</u> |
| Total HUD Expenditures | <u>17,898,717</u> |
| Disaster Housing Assistance Program | |
| Total CDFA Number 97.109 | <u>46,057</u> |
| Total Federal Emergency Management Agency Expenditures | <u>46,057</u> |
| TOTAL FEDERAL EXPENDITURES | <u>\$ 17,944,774</u> |

Accounting Policies:

The information on this schedule is prepared in accordance with accounting principles as described in the footnotes to this report.

THE HOUSING AUTHORITY OF THE CITY OF HUNTSVILLE

HUNTSVILLE, ALABAMA

SCHEDULE OF FINDINGS
AND QUESTIONED COSTS

MARCH 31, 2009

Section I: Summary of Auditor's Results:

FINANCIAL STATEMENTS

Type of auditor's report issued: Unqualified

Internal Control over financial reporting:
Are material weaknesses identified? Yes No

Are significant deficiencies that are not considered
to be material weaknesses identified? Yes None
Reported

Is noncompliance that could have a material effect
on the financial statements identified? Yes No

FEDERAL AWARDS

Internal control over major programs:
Are material weaknesses identified? Yes No

Are significant deficiencies that are not considered
to be material weaknesses identified? Yes None
Reported

Type of report issued on compliance with requirements
applicable to each major program: Unqualified

Are there any audit findings that are required to be
reported in accordance with Section 510(a) of OMB
Circular A-133? Yes No

Identification of major programs:

| <u>Name of Federal Program</u> | <u>CFDA No.</u> |
|--|-----------------|
| Resident Opportunity and Supportive Services | 14.870 |
| Public Housing Capital Fund | 14.872 |

Dollar threshold used to distinguish between type A and type B programs: \$538,343

Is the auditee identified as a low-risk auditee? Yes No

THE HOUSING AUTHORITY OF THE CITY OF HUNTSVILLE

HUNTSVILLE, ALABAMA

SCHEDULE OF FINDINGS
AND QUESTIONED COSTS

MARCH 31, 2009

Section II: Financial Statement Findings:

Prior Year Findings and Questioned Costs

None

Current Year Findings and Questioned Costs

None

Section III: Federal Award Findings and Questioned Costs:

Prior Year Findings and Questioned Costs

None

Current Year Findings and Questioned Costs

None