Child,
Van Wagoner &
Bradshaw, PLLC

Davis Community Housing Authority

Independent Auditors' Reports, Management's Discussion and Analysis, and Supplemental Information

September 30, 2005

With Independent Auditors' Report Thereon

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Davis Community Housing Authority

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Independent Auditors' Report on Financial Statements and Supplementary Schedules

To the Board of Commissioners
Davis Community Housing Authority
Farmington, Utah

We have audited the accompanying financial statements of the business-type activity and major fund of the Davis Community Housing Authority (the Authority), as of and for the year ended September 30, 2005, 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 respective financial position of the business-type activity and major fund of the Authority as of September 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 10 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.

Board of Commissioners
Davis Community Housing Authority

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2006, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying Financial Data Schedules I and II on pages 27 through 36 are presented for purposes of additional analysis, as required by the U.S. Department of Housing and Urban Development. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These Schedules are not a required part of the basic financial statements of the Authority. 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.

Child, Van Wagoner & Bradshaw
Child, Van Wagoner & Bradshaw, PLLC
Kaysville, Utah
June 23, 2006

Davis Community Housing Authority
Management's Discussion and Analysis (MD&A)
Year Ended September 30, 2005

This section of the Davis Community Housing Authority's (Authority) annual financial report presents our management's discussion and analysis of the Authority's financial performance during the fiscal year ended on September 30, 2005. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. Please read and consider the information presented in conjunction with the financial statements as a whole.

For accounting purposes, the Housing Authority is classified as an enterprise fund. Enterprise funds account for activities similar to those found in the private business sector, where the determination of net income is necessary or useful to sound financial administration. Enterprise funds are reported using the full accrual method of accounting in which all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The focus of enterprise funds is on income measurement, which, together with the maintenance of equity, is an important financial indication.

FINANCIAL HIGHLIGHTS

The term "net assets" refers to the difference between assets and liabilities. The Authority's total net assets as of September 30, 2005 were $9,825,457. The net assets increased by $173,412, an increase of 1.2% over the prior year.

The Authority had a net increase of $22,131 in Substantial Rehabilitation (Rosewood Villa), $50,537 net increase in Low Rent Public Housing & Capital Fund Programs, $3,383 net decrease in Moderate Rehabilitation, $2,924 net decrease in Housing Choice Vouchers, and $51,052 net increase in various CDBG, Rental Rehab Projects, and other Business Activities.

Revenues for the Authority were $8,541,054 for the year ended September 30, 2005. This was a decrease of $180,716 or 2.1% from the prior year.

Expenses for the Authority were $8,329,577 for the year ended September 30, 2005. This was a decrease of $463,281 or 5.2% from the prior year.

Rental revenue for the Authority was $550,173 for the year ended September 30, 2005, an increase of $29,921 or 5.8% over the prior year. HUD operating subsidy for the Authority was $278,099 for the year ended September 30, 2005, an increase of $61,433 or 28.4% over the prior year. Revenue reported from capital fund grants for the year ended September 30, 2005 were $427,860, an increase of $328,487 or 330.6% over the prior year. The Authority also had revenue of voucher assistance from HUD in the amounts of $155,093, $653,119 and $6,271,371 for the Substantial Rehabilitation, Moderate Rehabilitation and Housing Choice Voucher Programs, respectively, for the year ended September 30, 2005.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes this *Management Discussion and Analysis* report, the *Basic Financial Statements* and the *Notes to the Financial Statements*. This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information Required by HUD.* The Authority's financial statements are presented as fund level financial statements because the Authority only has proprietary funds.

Required Financial Statements

The financial statements of the Housing Authority report information of the Authority using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Statement of Net Assets includes all the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the Authority creditors (liabilities). It also provides the basis for evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Fund Net Assets. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

Supplemental Information

This report also contains the Financial Data Schedules (FDS) as referenced in the section of *Supplemental Information Required by HUD.* HUD has established the *Uniform Financial Reporting Standards* that require Housing Authority's to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) (a division of HUD) for the year ended September 30, 2005 and is required to be included in the audit reporting package.

FINANCIAL ANALYSIS

Net assets may serve, over time, as a useful indicator of a government's financial position. As stated in the table on the following page, assets exceeded liabilities by $9,825,457 at the close of the year ended September 30, 2005 up from $9,652,044 in fiscal year 2004. The increase in net assets of $173,413 was due to an increase in current and other assets, and capital assets.

Current and other assets include cash, investments, receivables, prepaid expenses and amortizable costs. Significant changes in this category include a $200,215 net increase in cash and investments, $133,802 net decrease in notes receivable from loans made with community development block grants, and a $106,864 net increase in receivable due from HUD. Capital assets increased $177,214 because current year capital asset additions exceeded current year depreciation. See Section titled "Capital Asset and Debt Administration" of this analysis for an explanation of change in capital assets.

CONDENSED STATEMENTS OF NET ASSETS

	FY 2005	FY 2004	Dollar Change	Percent Change
Current and other assets	$ 3,730,043	$ 3,620,640	$ 109,403	3.0%
Capital assets	7,919,273	7,742,059	177,214	2.3%
Total Assets	11,649,316	11,362,699	286,617	2.5%
Current liabilities	641,081	396,743	244,338	61.6%
Noncurrent liabilities	1,238,778	1,313,912	(75,134)	-5.7%
Total Liabilities	1,879,859	1,710,655	169,204	9.9%
Net Assets				
Invested in capital assets, net of related debt	6,633,664	6,378,373	255,291	4.0%
Restricted	2,037,631	2,043,323	(5,692)	-0.3%
Unrestricted	1,154,162	1,230,348	(76,186)	-6.2%
Total Net Assets	$ 9,825,457	$ 9,652,044	$ 173,413	1.8%

Current liabilities increased $244,338 mainly due to a $150,880 increase in overpayment due HUD in the Housing Choice Voucher Program. The overpayment due HUD was $263,900 in FY 2005 and $113,020 in FY 2004. Noncurrent liabilities decreased $75,134 primarily due to current year principal payments on long-term notes payable.

The unrestricted net assets were $1,154,162 as of September 30, 2005. This amount may be used to meet the Authority's ongoing obligations. The Authority has sufficient funds to meet requirements for cash outlays for six months. The restricted net assets were $2,037,631 as of September 30, 2005. This amount may not be used to meet the Authority's ongoing obligations and is subject to external restrictions on how they may be used.

FINANCIAL ANALYSIS (CONTINUED)

The largest portion of the Authority's net assets reflects its investment in capital assets (e.g. land, buildings and equipment) less accumulated depreciation. The Authority uses these capital assets to provide services and consequently these assets are not available to liquidate liabilities or other spending.

The 2003 approved capital grant (501-03) totals $240,041 and was 100.0% expended as of September 30, 2005. The following is a summary of individual grant line items, budget amount, percent expended as of 9/30/05, and development account:

Line No.	Amount	Percent	Development Account
1408	$ 14,663	100.0%	Management Improvements
1410	$ 24,004	100.0%	Administration
1460	$ 156,985	100.0%	Dwelling Structures
1475	$ 44,389	100.0%	Non-Dwelling Equipment

The 2003 approved bonus capital grant (502-03) totals $47,839 and was 100.0% expended as of September 30, 2005. The following is a summary of individual grant line items, budget amount, percent expended as of 9/30/05, and development account:

Line No.	Amount	Percent	Development Account
1408	$ 278	100.0%	Management Improvements
1410	$ 4,784	100.0%	Administration
1460	$ 40,557	100.0%	Dwelling Structures
1475	$ 2,220	100.0%	Non-Dwelling Equipment

The 2004 approved capital grant (501-04) totals $277,994 and was 47.0% expended as of September 30, 2005. The following is a summary of individual grant line items, budget amount, percent expended as of 9/30/05, and development account:

Line No.	Amount	Percent	Development Account
1406	$ 59,583	100.0%	Operations
1408	$ 72,012	51.6%	Management Improvements
1410	$ 27,799	106.3%	Administration
1450	$ 63,100	0.0%	Site Improvements
1460	$ 50,000	8.9%	Dwelling Structures
1470	$ 2,500	0.0%	Non-Dwelling Structures
1475	$ 3,000	0.0%	Non-Dwelling Equipment

FINANCIAL ANALYSIS (CONTINUED)

The 2005 approved capital grant (501-05) totals $246,748 and was 14.4% expended as of September 30, 2005. The following is a summary of individual grant line items, budget amount, percent expended as of 9/30/05, and development account:

Line No.	Amount	Percent	Development Account
1406	$ 35,514	100.0%	Operations
1408	$ 5,160	0.0%	Management Improvements
1410	$ 24,675	0.0%	Administration
1450	$ 8,023	0.0%	Site Improvements
1460	$ 133,558	0.0%	Dwelling Structures
1465	$ 15,910	0.0%	Dwelling Equipment
1470	$ 23,908	0.0%	Non-Dwelling Structures

While the Statement of Net Assets shows the change in financial position of net assets, the Statements of Revenues, Expenses, and Changes in Net Assets provides answers as to the nature and source of these changes.

As can be seen in the table on the following page, total revenues decreased $180,716 primarily due to a decrease in HUD PHA operating grant revenue. The $349,067 net decrease in operating grant revenue, is due to a 4.0% decrease in the number of housing choice vouchers issued and outstanding during FY 2005 as compared to FY 2004 offset partially by an increase in HUD PHA operating grants. The Authority also had a 3.0% decrease in the average housing assistance payment per unit.

Davis Community Housing Authority
Management's Discussion and Analysis (MD&A) - Continued
Year Ended September 30, 2005

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	FY 2005	FY 2004	Dollar Change	Percent Change
Revenues and Contributions				
Operating - non-operating - capital contributions:				
Rental revenue	$ 550,173	$ 520,252	$ 29,921	5.8%
HUD PHA operating grants	7,579,609	7,928,676	(349,067)	-4.4%
HUD PHA capital grants	332,763	93,444	239,319	256.1%
Other government grants	7,093	2,525	4,568	180.9%
Other income	71,416	187,272	(115,856)	-61.9%
Interest income	35,011	22,193	12,818	57.8%
Loss on sale of fixed assets	(2,600)	(181)	(2,419)	1336.5%
Total Revenues	8,573,465	8,754,181	(180,716)	-2.1%
Expenses				
Administrative	1,008,258	921,949	86,309	9.4%
Utilities	142,278	120,650	21,628	17.9%
Ordinary maintenance & operations	343,812	362,332	(18,520)	-5.1%
General expenses	93,849	268,012	(174,163)	-65.0%
Insurance	60,169	49,640	10,529	21.2%
Housing assistance payments	6,298,531	6,720,516	(421,985)	-6.3%
Depreciation	381,055	364,879	16,176	4.4%
Interest expense	72,101	55,356	16,745	30.2%
Total Expenses	8,400,053	8,863,334	(463,281)	-5.2%
Change in net assets	173,412	(109,153)	282,565	
Beginning net assets	9,652,045	9,331,197	320,848	
Prior period adjustments	-	430,000	(430,000)	
Beginning net assets, adjusted	9,652,045	9,761,197	(109,152)	
Ending net assets	$ 9,825,457	$ 9,652,044	$ 173,413	

HUD PHA capital grant revenue was lower in the prior fiscal year due to a construction contract in FY 2004 for which the contractor did not request payment until after the end of the prior fiscal year. The Authority received a new American Dream Downpayment Initiative (ADDI) grant totaling $100,000 and reported revenue from this grant of $58,131 in FY 2005.

FINANCIAL ANALYSIS (CONTINUED)

Total expenses decreased $463,281 mainly due to a decrease in housing assistance payments. Housing assistance payments decreased $421,985 due to issuance of fewer vouchers and decreased per unit cost. Increase in administrative expenses of $86,309 was mostly due to a $55,355 increase in administrative wage and benefits expense. General expenses decreased $174,163 mostly due to an decrease in grant expense for the State Assistance Program.

Low Rent Public Housing's occupancy rate as of September 30, 2005 was 97.7%, down from 98.9% in FY 2004. Housing Management's occupancy rate as of September 30, 2005 was 91.0%, down from 95.5% in FY 2004. Rosewood Villa's occupancy rate as of September 30, 2005 was 94.9%, no change from 94.9% in FY 2004.

The Authority is authorized to assist 1,036 households with the Housing Choice Voucher Rental Assistance Program. The lease-up rate for FY 2005 was 95.2%, down from 99.2% in FY 2004. The Authority is also authorized to assist 83 households with the Section 8 Moderate Rehabilitation Program. The lease-up rate for FY 2005 was 98.0%, up from 94.7% in FY 2004.

CAPITAL ASSET AND DEBT ADMINISTRATION

The Davis Community Housing Authority's investment in capital assets, net of related debt, as of September 30, 2005 amounts to $6,633,664 (net of accumulated depreciation). The investment in capital assets includes land, buildings, improvements, equipment and construction in progress.

Capital Assets – The total increase in the Authority's capital assets for the current fiscal year was 2.3% in terms of net book value. Actual expenditures to purchase or construct capital assets were $532,987 for the year. Of this amount, $332,763 was used from HUD capital grants, $13,401 was used from Low Rent Public Housing residual receipts, and $186,823 was used to purchase the Clinton House and make improvements to office building and Villa in Housing Management. The Authority has various contract commitments with contractors for the implementation of the HUD capital grants as outlined by the HUD approved Capital Grant Budget. Depreciation charges for the year totaled $381,055. Additional information on the Authority's capital assets can be found in the notes to the financial statements of this report.

Debt Administration - The Authority has several mortgages that were used to purchase apartment complexes and an office building. Total mortgage debt as of September 30, 2005 amounts to $1,285,609, down from $1,363,686 in FY 2004. Additional information on the Authority's long-term debt can be found in the notes to the financial statements of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Board of Commissioners and Management of the Housing Authority considered many factors when approving the Public Housing fiscal year 2006 budget. The user charges are based on a tenant's income as established by HUD guidelines and are not adjustable. Operating subsidy is based on rental income, other income and utility consumption and costs. The amount of funding is also established and approved by HUD. In projecting the amount of rental income, the Authority considered prior year rental income and occupancy rates. The Low Rent Public Housing occupancy rate as of September 30, 2005 was 97.7% and is projected to remain constant. Most operating expenses are expected to increase by the economy's inflation rate.

The Authority is eligible to receive $5,999,336 for housing assistance payments and $521,777 for administrative fees during FY 2006 in the Housing Choice Voucher Program. Based on the average housing assistance payment per unit of $480.35 for FY 2005, the Authority will have sufficient funding to lease 100.0% of its authorized vouchers during the next fiscal year.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Jane Wilson, Executive Director, Davis Community Housing Authority address.

Davis Community Housing Authority
Statement of Net Assets
September 30, 2005

Assets

Current assets:	
Cash - unrestricted (note 2)	$ 1,422,869
Accounts receivable - HUD	106,961
Accounts receivable - other government	35,362
Accounts receivable - tenants	8,669
Notes receivable - current portion (note 10)	60,647
Accrued interest receivable	63,789
Prepaid expenses	6,698
Total current assets	1,704,995
Restricted deposits: (note 2)	
Cash - tenants' security deposits	41,828
Cash - restricted	372,973
Investments - restricted	65,103
Total restricted deposits	479,904
Fixed assets: (note 8)	
Land	2,341,521
Buildings	9,389,267
Furniture, equipment and machinery - dwellings	125,629
Furniture, equipment and machinery - administration	471,314
Leasehold improvements	774,349
Construction in progress	103,500
Total fixed assets	13,205,580
Less: accumulated depreciation	(5,286,307)
Net fixed assets	7,919,273
Other assets:	
Notes receivable - less current portion, net of allowance for doubtful accounts of $5,000 (note 10)	1,587,414
Loan costs, net of amortization of $2,520	13,730
Total other assets	1,601,144
Total assets	$ 11,705,316

See accompanying notes to basic financial statements.

Davis Community Housing Authority
Statement of Net Assets (continued)
September 30, 2005

Liabilities	
Current liabilities:	
Accounts payable	$ 102,243
Accounts payable - HUD	305,232
Accounts payable - other government	19,686
Accrued payroll taxes payable	11,126
Accrued compensated absences - current portion	35,821
Accrued interest payable	4,882
Mortgages payable - current portion (note 5)	82,496
Deferred revenue	47,257
Total current liabilities	608,743
Deposits and prepaid liabilities:	
Tenants' security deposits	32,338
Long-term liabilities:	
Mortgages payable - less current portion (note 5)	1,203,113
Accrued compensated absences - less current portion	3,139
FSS escrow liability	32,526
Total noncurrent liabilities	1,238,778
Total liabilities	1,879,859
Net Assets	
Invested in capital assets, net of related debt	6,633,664
Restricted net assets	2,037,631
Unrestricted net assets	1,154,162
Total net assets	9,825,457
Total liabilities and net assets	$ 11,705,316

See accompanying notes to basic financial statements.

Davis Community Housing Authority
Statement of Activities,
and Changes in Net Assets
Year Ended September 30, 2005

Operating revenues:	
Dwelling rentals	$ 550,173
HUD PHA operating grants	7,579,609
Capital grants	332,763
Other government grants	7,093
Other operating revenues	71,416
Total operating revenues	8,541,054
Operating expenses:	
Administration	1,008,258
Utilities	142,278
Ordinary maintenance and operations	343,812
General	93,849
Insurance	60,169
Housing assistance payments	6,298,531
Depreciation	381,055
Total operating expenses	8,327,952
Operating income	213,102
Nonoperating revenues (expenses):	
Interest income	35,011
Interest expense	(72,101)
Loss on the sale of fixed assets	(2,600)
Nonoperating revenues (expenses)	(39,690)
Change in net assets	173,412
Net assets at beginning of year	9,652,045
Net assets at end of year	$ 9,825,457

See accompanying notes to basic financial statements.

Davis Community Housing Authority
Statement of Cash Flows
Year Ended September 30, 2005

Cash flows from operating activities:	
Dwelling rentals	$ 545,312
HUD PHA operating grants	7,579,609
Capital grants	252,007
Other government grants	5,361
Other operating revenues	48,459
Interest income	62,285
Total receipts	8,493,033
Administration	(949,072)
Utilities	(142,278)
Ordinary maintenance and operations	(343,812)
General	(93,849)
Insurance	(60,169)
Housing assistance payments	(6,143,790)
Tenant security deposits	(645)
FSS escrow deposits	698
Interest	(70,723)
Total disbursements	(7,803,640)
Net cash used in operating activities	689,393
Cash flows from investing activities:	
Purchase of fixed assets	(560,869)
Payments received on notes receivable	77,802
Net deposits to debt service fund	(10,900)
Net deposits to residual receipts account	(1,535)
Net deposits to reserve for replacement account	(4,572)
Net cash used in investing activities	(500,074)
Cash flows from noncapital financing activities:	-
Cash flows from capital financing activities:	
Principal payments on long-term debt	(78,077)
Net cash provided by capital financing activities	(78,077)
Net decrease in cash and cash equivalents	111,242
Cash and cash equivalents at beginning of year	1,311,627
Cash and cash equivalents at end of year	$ 1,422,869

See accompanying notes to basic financial statements.

Davis Community Housing Authority
Statement of Cash Flows (continued)
Year Ended September 30, 2005

Reconciliation of change in net assets to net cash used in operating activities:		
Change in net assets	$	173,412
Adjustments to reconcile change in net assets to net cash used operating activities:		
Depreciation		381,055
Amortization		1,625
Loss on the disposal of fixed assets		2,600
(Increase) decrease in:		
Accounts receivable - HUD		(106,864)
Accounts receivable - other government		(22,957)
Accounts receivable - tenants		(4,861)
Accrued interest receivable		27,274
Prepaid expenses		(2,310)
FSS escrow - cash		(6,855)
Tenants' security deposits		(8)
Increase (decrease) in:		
Accounts payable		59,537
Accounts payable - HUD		154,741
Accounts payable - other government		(1,732)
Accrued payroll taxes payable		4,411
Accrued compensated absences		(2,452)
Accrued interest payable		(247)
Unearned revenue		26,108
FSS escrow liability		7,553
Tenants' security deposits		(637)
Net cash used in operating activities	$	689,393

See accompanying notes to basic financial statements.

Davis Community Housing Authority
Notes to Financial Statements
Year Ended September 30, 2005

1. Summary of Significant Accounting Policies

Organization and History

The Davis Community Housing Authority (the Authority) was created under the laws of the State of Utah, and certified by the Department of Housing and Urban Development (HUD). The Authority is not considered a component unit of Davis County (the County) since the County exercises no responsibility either financially or administratively over the Authority. The purpose of the Authority is to administer programs under the Housing Act of 1937, as amended. The programs are subsidized by the Federal Government through the U.S. Department of Housing and Urban Development.

Rosewood Villa is a multifamily HUD Subsidized project, which consists of 28 units, and is regulated under Section 221 (d)(3) of the National Housing Act of 1959, as amended. Rosewood Villa is regulated by HUD as to rent charges and operating methods. Rosewood Villa's financial statements are included in the Authority's combined financial statements.

Financial Reporting Entity

The Governmental Accounting Standards Board (GASB) has issued Statement No. 14, *"The Financial Reporting Entity,"* as amended by GASB Statement No. 39, *"Determining Whether Certain Organizations Are Component Units,"* which describes those entities that are considered component units for financial reporting purposes. The Authority is not considered a component unit of Davis County (the County), or any other government entity under the criteria of GASB Statement No. 14, as amended by GASB Statement No. 39, since the County exercises no oversight responsibility either financially or administratively over the Authority. No entity is considered a component unit of the Authority.

Basis of Presentation

In order to insure observance of limitations and restrictions placed on the use of resources available to the Authority, the accounts are maintained in accordance with the principles of fund accounting. The Authority participates in HUD programs on an enterprise fund basis. All of the Authority's programs are accounted for as one business-type activity for financial reporting purposes and neither fiduciary funds nor component units that are fiduciary in nature are included. The financial statement presentation provides an indication of the financial performance of the Authority as a whole. In addition, the Authority adopts the budget that has been approved by its Board.

In accordance with HUD prescribed accounting practices, the Authority has adopted GASB Statement No. 20, *"Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting."* The Authority has elected to apply all applicable FASB pronouncements and Accounting Principle Board (APB) opinions issued on or before November 30, 1989. The Authority also elects to apply all FASB pronouncements after November 30, 1989 as long as they do not conflict with or contradict GASB pronouncements.

1. Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

In June 1999, the GASB issued Statement No. 34, "*Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments.*" This statement, known as the "Reporting Model" statement, affects the way the Authority prepares and presents financial information. GASB Statement No. 34 established new requirements and a new reporting model for the annual financial reports of state and local governments and had no impact on beginning net assets. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions and includes:

Management's Discussion and Analysis (new in the current year) – GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to analysis the private sector provides in their annual reports and is included as required supplementary information.

Statement of Net Assets – The Balance Sheet is designed to display the financial position of the primary government (business-type activities). There are no discretely presented component units. Governments report all capital assets in the government-wide Balance Sheet and report depreciation expense – the cost of "using up" capital assets – in the Statement of Revenues, Expenses and Changes in Net Assets. There is no infrastructure. The net assets of the Authority will be broken down into three categories – 1) invested in capital assets, net of related debt, 2) restricted net assets, and 3) unrestricted net assets.

Statement of Cash Flows – The direct method is required by GASB Statement No. 34.

Basis of Accounting

The Authority's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Under the accrual basis, revenues are recorded when earned and expenses are recorded when incurred. Revenues that have been received but not earned before the fiscal year end are recorded as deferred revenues.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. Principal operating revenues are dwelling rentals and intergovernmental revenues. Operating expenses include administration, maintenance, insurance, depreciation, utilities, and housing assistance payments. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses. This includes interest income and interest expense amounts, not discussed above.

1. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

The Authority considers all highly liquid debt and equity instruments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents at September 30, 2005 consist of cash and certificates of deposit. Not included as cash and cash equivalents are tenants' security deposits, reserve for replacement deposits, residual receipt deposits, debt service deposits, and FSS escrow deposits, which are presented as restricted deposits.

Fixed Assets

Property and equipment are recorded at cost and depreciated using the straight-line method of depreciation over the estimated useful lives of the assets, as shown below. When assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period. Maintenance and repairs, including the replacement of minor items, are expensed as incurred, and major additions to buildings, furnishings, and equipment are capitalized Construction in progress commences depreciation when the construction is complete and related assets placed in service.

Major Groupings	Useful Lives (years)
Buildings	5-40
Furniture and equipment, dwellings	3-15
Furniture and equipment, administration	3-15
Leasehold improvements	5-15

Use of Estimates

The preparation of 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 assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between the Authority and the tenants of the property are operating leases. Capital Funds are requested by HUD and recognized when received. Housing Assistance Payments are recognized when received from HUD.

Recently Issued Accounting Pronouncements

In May 2005, the FASB issued SFAS No. 154, *Accounting Changes and Error Corrections*, a replacement of APB Opinion No. 20 and FASB Statement No. 3. This statement changes the requirements for the accounting for and reporting of a change in accounting principle. Previously, Opinion 20 required that most voluntary changes in accounting principle be recognized by including in net income of the period of change the cumulative effect of changing to a new principle. This statement requires retrospective application to prior periods' financial statements of changes in accounting principle, when practicable. The adoption of SFAS No. 154 did not have a material impact on the Authority's financial condition or results of operations.

2. Deposits and Investments

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the State, and review the rules adopted under the authority of the State of Utah Money Management Act (the Act) that relate to the deposit and investment of public funds.

The Authority follows the requirements of the Act (*Utah Code*, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of Authority funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority does not have a formal deposit policy for custodial credit risk. As of September 30, 2005, $1,874,426 of the Authority's bank balances $300,000 were by the FDIC, the remaining $1,574,426 were collateralized with securities held by pledging financial institution's trust department or agent in the Authority's name.

Investments

For the year ended September 30, 2005, the Authority had investments of $65,103 held by the Authority's fiscal agent, Zions Bank. These investments were primarily with U.S. Treasury Securities.

The Act defines the types of securities authorized as appropriate investments for the Authority and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with the issuers of the investments securities.

Statutes authorize the Authority to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Service or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act.

2. Deposits and Investments (continued)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority's policy for reducing its exposure to credit risk is to comply with the Act as previously discussed. At September 30, 2005, all Authority investments were unrated.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Authority's policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. Rule 2 of the Money Management Council limits investments in equity securities and fixed income securities to no more than 5 percent of all funds in any one issuer and no more than 25 percent of all funds in any one industry. No more than 5 percent of all funds may be invested in securities of a corporation that has been in continuous operation for less than 3 years. No more than 5 percent of the outstanding voting securities of any one corporation may be held. In addition, Rule 2 limits investment concentrations in certain types of investments.

3. Commitments and Contingencies

The Authority leases certain office equipment under non-cancelable operating leases. Minimum future lease payments under non-cancelable operating leases with remaining terms in excess of one year as of September 30, 2005 in the aggregate and for each of the four succeeding fiscal years are as follows:

2006	$ 7,488
2007	7,488
2008	6,168
Total minimum future lease payments	$ 21,144

Total lease expense was $7,488 for the year ended September 30, 2005.

4. Economic Dependency

A majority of the revenues received by the Authority come from HUD. Programs operated by the Authority depend upon continued funding by the U.S. Government.

5. Long-Term Debt

Long-term debt at September 30, 2005 consists of the following:

1- A mortgage payable due to the State of Utah Division of Finance. The mortgage note is collateralized with a first lien on the land and buildings of the Villa Apartments complex (see item 2 below), with a carrying value of $219,800 and bears an interest rate of 0% per annum. Principal and interest are payable in equal monthly payments of $486. The mortgage note is due December, 2024, and began with a balance of $122,635.	$ 110,968
2- A mortgage note payable due to an unrelated individual. The mortgage note is collateralized with a second lien on the land and buildings of the Villa Apartments complex (see item 1 above) and bears an interest rate of 9% per annum. Principal and interest are payable in equal monthly payments of $1,575. The mortgage note is due June, 2014, and began with a balance of 129,865.	114,138
3- A mortgage note payable due to a financial institution. The mortgage note is collateralized with a first lien on the land and buildings of the Hillside Apartments complex (see item 4 below), with a carrying value of $300,080 and bears an interest rate of 8.75% per annum. Principal and interest are payable in equal monthly payments of $2,665. The mortgage note is due November, 2025, and began with a balance of $313,156.	302,917
4- A mortgage note payable due to the State of Utah Division of Finance. The mortgage note is collateralized with a second lien on the land and buildings of the Hillside Apartments complex (see item 3 above) and bears an interest rate of 5% per annum. Principal and interest are payable in equal monthly payments of $537. The mortgage note is due July, 2041, and began with a balance of $96,218.	93,678
5- A mortgage note payable due to the State of Utah Division of Finance. The mortgage note is collateralized by the land and buildings of the Hawthorne Apartments complex, with a carrying value of $70,875 and bears an interest rate of 0% per annum. Principal and interest are payable in equal monthly payments of $254. The mortgage note is due September, 2028, and began with a balance of $76,008.	69,908

5. Long-Term Debt (continued)

6- A mortgage note revenue bond payable to a financial institution. The mortgage revenue bond is collateralized by the land and an office building, with a carrying value of $1,092,972 and bears variable interest rates ranging from 2.15% to 4.65% per annum. Annual principal and interest payments range from $79,026 to $79,814, with principal paid annually and interest paid semiannually. The mortgage revenue bond is due January, 2014.	594,000
Total mortgages payable	1,285,609
Current portion	82,496
Long-term portion	$ 1,203,113

Future maturities of long-term debt are as follows:

Year Ending September 30	Principal	Interest
2006	82,496	63,068
2007	84,961	59,869
2008	88,556	56,254
2009	93,295	52,207
2010	97,192	47,747
2011-2015	461,897	160,788
2016-2020	198,604	77,934
2021-2025	167,050	31,577
2026-2030	11,558	15
Total future maturities	$1,285,609	$ 549,459

As is customary in the low-income housing industry, interest rates on loans used to finance the purchase of low-income housing are, in some cases, substantially below usual prevailing market rates in other industries and many loans bear interest rate subsidies and longer terms than what is customary. As a result, debt discounts based on the future value of the cumulative differences between actual interest rates and prevailing market rates for this industry have not been recorded on the Authority's financial statements as the difference between actual interest rates and interest rates that are customary in the industry are not considered material. Management is of the opinion that recording substantial debt discounts based on differences from prevailing rates in other industries would make the financial statements misleading.

6. Retirement Plans

The Authority contributes to the Local Government Contributory Retirement System (Contributory System), a cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). The Systems provide retirement and survivor benefits to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

6. Retirement Plans (continued)

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

The Authority is legally obligated to contribute to the retirement systems as long as it has employees meeting membership requirements. The contribution rates are actuarially determined. The contribution rates in effect for the year ending September 30, 2005, and the two previous fiscal years, calculated on the applicable salary for the eligible employees, are as follows:

Year Ended September 30,	Employee Paid	Paid by Employer for Employee	Employer Contribution Rates
2005	N/A	6.00%	7.08%
2004	N/A	6.00%	7.08%
2003	N/A	6.00%	5.61%

The contributions made by the Authority for the year ended September 30, 2005 were paid by the due dates or within 30 days thereafter and were equal to the required contributions.

The required contributions and amounts received for the year ended September 30, 2005 and the two previous fiscal years are as follows:

	Year Ended September 30,	Employee Paid	Paid by Employer for Employee	Employer Contributions	Salary Subject to Retirement Contributions
Contributory System:					
Local Governmental Division					
	2005	$ -	$ 37,816	$ 44,623	$ 630,261
	2004	$ -	$ 38,347	$ 38,223	$ 639,117
	2003	$ -	$ 37,830	$ 30,924	$ 630,498
Defined Contributory System:					
401(K) Plan					
	2005	$ 11,073	$ -		
	2004	$ 6,086	$ -		
	2003	$ 3,746	$ -		

7. Risk Management and Concentrations of Credit Risk

The Authority is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Various insurance policies have been purchased to cover the risks described above. The insurance policies require minimal deductible amounts that the Authority pays in the event of any loss. The Authority also has purchased a worker compensation policy. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The Authority's customers are primarily low-income rental tenants in the Davis County area that may be affected by changing economic conditions. Management believes that its credit review procedures and tenant deposits have adequately provided for usual and customary credit-related losses. The Authority's policy for charging off tenant receivables is to consider write-down of receivables extending beyond 120 days after significant collection efforts have been made or when the financial condition of tenants warrant charge-off. Tenant receivables are determined to be past due after 30 days regardless of whether partial payments have been received.

8. Changes in Fixed Assets

A summary of changes in fixed assets for the year ended September 30, 2005 is as follows:

	Balance 9/30/2004	Additions	Retirements	Transfers	Balance 9/30/2005
Land	$ 2,322,661	$ 18,860	$ -	$ -	$ 2,341,521
Buildings	9,042,876	346,391	-	-	9,389,267
Furniture & Equipment-dwellings	125,993	-	(364)	-	125,629
Furniture & Equipment-administrative	393,288	91,304	(13,278)	-	471,314
Leasehold Improvements	749,434	24,915	-	-	774,349
Construction in Progress	24,101	79,399	-	-	103,500
Total Fixed Assets	$ 12,658,354	$ 560,869	$ (13,642)	$ -	$ 13,205,580
Accumulated Depreciation					(5,286,307)
Net Fixed Assets					$ 7,919,273

9. Interprogram Eliminations

The Authority has interprogram receivables and payables totaling $146,211 that have been eliminated on the basic financial statements.

10. Notes Receivable under Community Development Block Grants

The Authority makes loans for home improvements to low-income homeowners and to owners of qualified rental properties secured by trust deeds on the owner's property. Home improvement loans totaled $1,653,061, with the current portion totaling $60,647, at September 30, 2005. The loans bear interest at rates ranging from 0% to 5% per annum depending on the borrower's income level and family size. Certain loans are due in monthly installments, while others are due on the sale or transfer of the secured property. Management estimates that the carrying value of the notes receivable approximates the fair value of the underlying collateral. The home improvement program is funded principally under HUD's CDBG program through grants from the State of Utah. Payments received by the Authority on loans made from CDBG grants after 1987 must be used for the same purpose for which they were originally granted. The Authority received payments in the amount of $162,783 on existing loans. The funds are to be paid back to the State of Utah if the Authority does not comply with the regulations of the contracts in which the funds were originally granted. Appropriately, the funds are classified as restricted.

Supplementary Schedules

Davis Community Housing Authority
Financial Data Schedule I – Balance Sheet
September 30, 2005

PHA: **UT009** *FYED:* **09/30/2005**

Line Item No.	Account Description	Business Activities	Mortgage Insurance_Rental and Cooperative Housing for Moderate Income	Community Development Block Grants/Small Cities Program	Community Development Block Grants/State's Program	Housing Opportunities for Persons with AIDS	Low Rent Public Housing	Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitat UT009MR0001
111	Cash - Unrestricted	$234,256	$30,701	$0	$0	$0	$278,405	$109,612
113	Cash - Other Restricted	$0	$300,871	$0	$0	$0	$0	$0
114	Cash - Tenant Security Deposits	$5,718	$5,347	$0	$0	$0	$30,763	$0
100	Total Cash	$239,974	$336,919	$0	$0	$0	$309,168	$109,612
122	Accounts Receivable - HUD Other Projects	$0	$0	$1,354	$4,880	$0	$0	$0
124	Accounts Receivable - Other Government	$0	$0	$0	$0	$5,831	$0	$0
126	Accounts Receivable - Tenants - Dwelling Rents	$2,207	$38	$0	$0	$0	$6,424	$0
126.1	Allowance for Doubtful Accounts - Dwelling Rents	$0	$0	$0	$0	$0	$0	$0
126.2	Allowance for Doubtful Accounts - Other	$0	$0	$0	$0	$0	$0	$0
127	Notes, Loans, & Mortgages Receivable - Current	$0	$0	$0	$0	$0	$0	$0
129	Accrued Interest Receivable	$0	$0	$0	$0	$0	$0	$0
120	Total Receivables, net of allowances for doubtful accounts	$2,207	$38	$1,354	$4,880	$5,831	$6,424	$0
132	Investments Restricted	$85,103	$0	$0	$0	$0	$0	$0
142	Prepaid Expenses and Other Assets	$0	$0	$0	$0	$0	$6,698	$0
144	Interprogram Due From	$0	$30	$0	$0	$0	$99,938	$0
150	Total Current Assets	$307,284	$336,987	$1,354	$4,880	$5,831	$422,228	$109,612
161	Land	$609,925	$48,348	$0	$0	$0	$1,683,248	$0
162	Buildings	$1,584,463	$764,137	$0	$0	$0	$6,799,555	$0
163	Furniture, Equipment & Machinery - Dwellings	$8,516	$105,441	$0	$0	$0	$11,672	$0
164	Furniture, Equipment & Machinery - Administration	$6,296	$42,417	$0	$0	$0	$243,558	$1,835
165	Leasehold Improvements	$24,915	$0	$0	$0	$0	$749,434	$0
166	Accumulated Depreciation	$-460,112	$-911,995	$0	$0	$0	$-3,823,808	$-1,835
167	Construction In Progress	$51,170	$0	$0	$0	$0	$0	$0
160	Total Fixed Assets, Net of Accumulated Depreciation	$1,825,174	$48,348	$0	$0	$0	$5,663,659	$0
171	Notes, Loans, & Mortgages Receivable - Non Current	$0	$0	$0	$0	$0	$0	$0
174	Other Assets	$13,730	$0	$0	$0	$0	$0	$0
180	Total Non-Current Assets	$1,838,903	$48,348	$0	$0	$0	$5,663,659	$0
190	Total Assets	$2,146,187	$385,335	$1,354	$4,880	$5,831	$6,085,887	$109,612

Davis Community Housing Authority
Financial Data Schedule I – Balance Sheet (continued)
September 30, 2005

PHA: **UT009** *FYED:* **09/30/2005**

Line Item No.	Account Description	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
111	Cash - Unrestricted	$529,521	$0	$240,374	$1,422,869
113	Cash - Other Restricted	$53,506	$0	$18,596	$372,973
114	Cash - Tenant Security Deposits	$0	$0	$0	$41,828
100	Total Cash	$583,027	$0	$258,970	$1,837,670
122	Accounts Receivable - HUD Other Projects	$0	$100,727	$0	$106,961
124	Accounts Receivable - Other Government	$0	$0	$29,531	$35,362
126	Accounts Receivable - Tenants - Dwelling Rents	$0	$0	$0	$8,669
126.1	Allowance for Doubtful Accounts - Dwelling Rents	$0	$0	$0	$0
126.2	Allowance for Doubtful Accounts - Other	$0	$0	$-5,000	$-5,000
127	Notes, Loans, & Mortgages Receivable - Current	$0	$0	$60,647	$60,647
129	Accrued Interest Receivable	$0	$0	$63,789	$63,789
120	Total Receivables, net of allowances for doubtful accounts	$0	$100,727	$148,967	$270,428
132	Investments Restricted	$0	$0	$0	$65,103
142	Prepaid Expenses and Other Assets	$0	$0	$0	$6,698
144	Interprogram Due From	$8,082	$0	$38,161	$146,211
150	Total Current Assets	$591,109	$100,727	$446,098	$2,326,110
161	Land	$0	$0	$0	$2,341,521
162	Buildings	$0	$241,112	$0	$9,389,267
163	Furniture, Equipment & Machinery - Dwellings	$0	$0	$0	$125,629
164	Furniture, Equipment & Machinery - Administration	$57,858	$83,056	$36,294	$471,314
165	Leasehold Improvements	$0	$0	$0	$774,349
166	Accumulated Depreciation	$-57,214	$-9,178	$-22,165	$-5,286,307
167	Construction In Progress	$0	$30,450	$21,880	$103,500
160	Total Fixed Assets, Net of Accumulated Depreciation	$644	$345,440	$36,009	$7,919,273
171	Notes, Loans, & Mortgages Receivable - Non Current	$0	$0	$1,592,414	$1,592,414
174	Other Assets	$0	$0	$0	$13,730
180	Total Non-Current Assets	$644	$345,440	$1,628,423	$9,525,417
190	Total Assets	$591,753	$446,167	$2,074,521	$11,851,527

Davis Community Housing Authority
Financial Data Schedule I – Balance Sheet (continued)
September 30, 2005

PHA: **UT009** *FYED:* **09/30/2005**

Line Item No.	Account Description	Business Activities	Mortgage Insurance_Rental and Cooperative Housing for Moderate Income	Community Development Block Grants/Small Cities Program	Community Development Block Grants/State's Program	Housing Opportunities for Persons with AIDS	Low Rent Public Housing	Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitat UT009MR0001
312	Accounts Payable <= 90 Days	$6,055	$4,830	$0	$0	$0	$50,061	$879
321	Accrued Wage/Payroll Taxes Payable	$6,497	$0	$0	$0	$0	$0	$0
322	Accrued Compensated Absences - Current Portion	$1,204	$4,883	$0	$0	$0	$13,739	$1,516
325	Accrued Interest Payable	$4,882	$0	$0	$0	$0	$0	$0
331	Accounts Payable - HUD PHA Programs	$0	$0	$0	$0	$0	$0	$41,332
333	Accounts Payable - Other Government	$2,525	$0	$0	$0	$0	$17,161	$0
341	Tenant Security Deposits	$4,951	$5,346	$0	$0	$0	$22,041	$0
342	Deferred Revenues	$787	$59	$0	$0	$0	$664	$0
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	$82,496	$0	$0	$0	$0	$0	$0
347	Interprogram Due To	$2,310	$0	$1,354	$4,880	$5,831	$0	$1
310	Total Current Liabilities	$111,707	$15,118	$1,354	$4,880	$5,831	$103,666	$43,728
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds	$1,203,113	$0	$0	$0	$0	$0	$0
354	Accrued Compensated Absences - Non Current	$105	$425	$0	$0	$0	$1,195	$132
353	Noncurrent Liabilities - Other	$0	$0	$0	$0	$0	$0	$0
350	Total Noncurrent Liabilities	$1,203,218	$425	$0	$0	$0	$1,195	$132
300	Total Liabilities	$1,314,925	$15,543	$1,354	$4,880	$5,831	$104,861	$43,860
508	Total Contributed Capital	$0	$0	$0	$0	$0	$0	$0
508.1	Invested in Capital Assets, Net of Related Debt	$539,564	$48,348	$0	$0	$0	$5,663,659	$0
511	Total Reserved Fund Balance	$0	$0	$0	$0	$0	$0	$0
511.1	Restricted Net Assets	$65,103	$300,871	$0	$0	$0	$0	$0
512.1	Unrestricted Net Assets	$226,595	$20,573	$0	$0	$0	$317,367	$65,752
513	Total Equity/Net Assets	$831,262	$369,792	$0	$0	$0	$5,981,026	$65,752
600	Total Liabilities and Equity/Net Assets	$2,146,187	$385,335	$1,354	$4,880	$5,831	$6,085,887	$109,612

Davis Community Housing Authority
Financial Data Schedule I – Balance Sheet (continued)
September 30, 2005

PHA: **UT009** *FYED:* **09/30/2005**

Line Item No.	Account Description	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
312	Accounts Payable <= 90 Days	$10,375	$819	$29,224	$102,243
321	Accrued Wage/Payroll Taxes Payable	$0	$0	$4,629	$11,126
322	Accrued Compensated Absences - Current Portion	$14,479	$0	$0	$35,821
325	Accrued Interest Payable	$0	$0	$0	$4,882
331	Accounts Payable - HUD PHA Programs	$263,900	$0	$0	$305,232
333	Accounts Payable - Other Government	$0	$0	$0	$19,686
341	Tenant Security Deposits	$0	$0	$0	$32,338
342	Deferred Revenues	$0	$0	$45,747	$47,257
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	$0	$0	$0	$82,496
347	Interprogram Due To	$0	$99,908	$31,927	$146,211
310	Total Current Liabilities	$288,754	$100,727	$111,527	$787,292
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds	$0	$0	$0	$1,203,113
354	Accrued Compensated Absences - Non Current	$1,259	$0	$23	$3,139
353	Noncurrent Liabilities - Other	$32,526	$0	$0	$32,526
350	Total Noncurrent Liabilities	$33,785	$0	$23	$1,238,778
300	Total Liabilities	$322,539	$100,727	$111,550	$2,026,070
508	Total Contributed Capital	$0	$0	$0	$0
508.1	Invested in Capital Assets, Net of Related Debt	$644	$345,440	$36,009	$6,633,664
511	Total Reserved Fund Balance	$0	$0	$0	$0
511.1	Restricted Net Assets	$0	$0	$1,671,657	$2,037,631
512.1	Unrestricted Net Assets	$268,570	$0	$255,305	$1,154,162
513	Total Equity/Net Assets	$269,214	$345,440	$1,962,971	$9,825,457
600	Total Liabilities and Equity/Net Assets	$591,753	$446,167	$2,074,521	$11,851,527

Davis Community Housing Authority
Financial Data Schedule II – Statement of Revenues, Expenses and Changes in Net Assets
Year Ended September 30, 2005

PHA: **UT009** *FYED:* **09/30/2005**

Line Item No.	Account Description	Business Activities	Mortgage Insurance_Rental and Cooperative Housing for Moderate Income	Community Development Block Grants/Small Cities Program	Community Development Block Grants/State's Program	Housing Opportunities for Persons with AIDS	Low Rent Public Housing	Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitat UT009MR0001
703	Net Tenant Rental Revenue	$234,440	$29,060	$0	$0	$0	$286,673	$0
704	Tenant Revenue - Other	$0	$2,048	$0	$0	$0	$4,096	$0
705	Total Tenant Revenue	$234,440	$31,108	$0	$0	$0	$290,769	$0
706	HUD PHA Operating Grants	$0	$155,093	$3,609	$65,089	$36,971	$278,099	$653,119
706.1	Capital Grants	$0	$0	$0	$0	$0	$0	$0
708	Other Government Grants	$0	$0	$4,211	$0	$0	$0	$0
711	Investment Income - Unrestricted	$4,957	$558	$0	$0	$0	$6,429	$2,117
714	Fraud Recovery	$0	$0	$0	$0	$0	$0	$904
715	Other Revenue	$10,546	$2,517	$0	$0	$0	$9,437	$100
716	Gain/Loss on Sale of Fixed Assets	$0	$0	$0	$0	$0	$-2,600	$0
720	Investment Income - Restricted	$0	$1,535	$0	$0	$0	$0	$0
700	Total Revenue	$249,943	$190,811	$7,820	$65,089	$36,971	$582,134	$656,240

Davis Community Housing Authority
Financial Data Schedule II – Statement of Revenues, Expenses and Changes in Net Assets (continued)
Year Ended September 30, 2005

PHA: **UT009** *FYED:* **09/30/2005**

Line Item No.	Account Description	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
703	Net Tenant Rental Revenue	$0	$0	$0	$550,173
704	Tenant Revenue - Other	$0	$0	$0	$6,144
705	Total Tenant Revenue	$0	$0	$0	$556,317
706	HUD PHA Operating Grants	$6,234,400	$95,097	$58,131	$7,579,608
706.1	Capital Grants	$0	$332,763	$0	$332,763
708	Other Government Grants	$0	$0	$2,882	$7,093
711	Investment Income - Unrestricted	$8,126	$0	$11,289	$33,476
714	Fraud Recovery	$13,132	$0	$0	$14,036
715	Other Revenue	$2,000	$0	$26,636	$51,236
716	Gain/Loss on Sale of Fixed Assets	$0	$0	$0	$-2,600
720	Investment Income - Restricted	$0	$0	$0	$1,535
700	Total Revenue	$6,257,658	$427,860	$98,938	$8,573,464

Davis Community Housing Authority
Financial Data Schedule II – Statement of Revenues, Expenses and Changes in Net Assets (continued)
Year Ended September 30, 2005

PHA: **UT009** *FYED:* **09/30/2005**

Line Item No.	Account Description	Business Activities	Mortgage Insurance_Rental and Cooperative Housing for Moderate Income	Community Development Block Grants/Small Cities Program	Community Development Block Grants/State's Program	Housing Opportunities for Persons with AIDS	Low Rent Public Housing	Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitat UT009MR0001
911	Administrative Salaries	$4,261	$43,144	$0	$0	$5,401	$97,650	$27,416
912	Auditing Fees	$66	$288	$0	$0	$0	$1,096	$250
914	Compensated Absences	$417	$5,307	$0	$0	$0	$-3,454	$40
915	Employee Benefit Contributions - Administrative	$1,626	$27,956	$0	$0	$0	$31,768	$10,055
916	Other Operating - Administrative	$8,006	$25,107	$0	$0	$0	$106,769	$8,917
931	Water	$4,715	$12,033	$0	$0	$0	$26,116	$0
932	Electricity	$1,172	$2,398	$0	$0	$0	$47,631	$0
933	Gas	$2,005	$699	$0	$0	$0	$22,858	$0
938	Other Utilities Expense	$4,192	$0	$0	$0	$0	$18,459	$0
941	Ordinary Maintenance and Operations - Labor	$14,479	$15,685	$0	$0	$0	$96,780	$0
942	Ordinary Maintenance and Operations - Materials and Other	$14,862	$16,306	$0	$0	$0	$47,515	$0
943	Ordinary Maintenance and Operations - Contract Costs	$17,149	$14,118	$0	$0	$0	$56,806	$0
945	Employee Benefit Contributions - Ordinary Maintenance	$5,526	$0	$0	$0	$0	$31,768	$0
961	Insurance Premiums	$12,023	$5,415	$0	$0	$0	$29,889	$276
962	Other General Expenses	$0	$17	$7,820	$5,505	$31,570	$0	$0
963	Payments in Lieu of Taxes	$0	$0	$0	$0	$0	$17,161	$0
964	Bad Debt - Tenant Rents	$1,417	$207	$0	$0	$0	$3,582	$0
967	Interest Expense	$72,101	$0	$0	$0	$0	$0	$0
969	Total Operating Expenses	$164,017	$168,680	$7,820	$5,505	$36,971	$632,394	$46,954
970	Excess Operating Revenue over Operating Expenses	$85,926	$22,131	$0	$59,584	$0	$-50,260	$609,286
973	Housing Assistance Payments	$0	$0	$0	$0	$0	$0	$612,670
974	Depreciation Expense	$49,959	$0	$0	$0	$0	$317,193	$0
900	Total Expenses	$213,976	$168,680	$7,820	$5,505	$36,971	$949,587	$659,624
1001	Operating Transfers In	$0	$0	$0	$0	$0	$94,197	$0
1002	Operating Transfers Out	$0	$0	$0	$-59,584	$0	$0	$0
1010	Total Other Financing Sources (Uses)	$0	$0	$0	$-59,584	$0	$94,197	$0
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	$35,967	$22,131	$0	$0	$0	$-273,256	$-3,384

Davis Community Housing Authority
Financial Data Schedule II – Statement of Revenues, Expenses and Changes in Net Assets (continued)
Year Ended September 30, 2005

PHA: **UT009** *FYED:* **09/30/2005**

Line Item No.	Account Description	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
911	Administrative Salaries	$323,495	$0	$35,748	$537,115
912	Auditing Fees	$7,800	$0	$0	$9,500
914	Compensated Absences	$213	$0	$-347	$2,176
915	Employee Benefit Contributions - Administrative	$127,622	$0	$17,484	$216,511
916	Other Operating - Administrative	$89,611	$900	$9,048	$248,358
931	Water	$0	$0	$0	$42,864
932	Electricity	$0	$0	$0	$51,201
933	Gas	$0	$0	$0	$25,562
938	Other Utilities Expense	$0	$0	$0	$22,651
941	Ordinary Maintenance and Operations - Labor	$0	$0	$0	$126,944
942	Ordinary Maintenance and Operations - Materials and Other	$12,818	$0	$0	$91,501
943	Ordinary Maintenance and Operations - Contract Costs	$0	$0	$0	$88,073
945	Employee Benefit Contributions - Ordinary Maintenance	$0	$0	$0	$37,294
961	Insurance Premiums	$12,566	$0	$0	$60,169
962	Other General Expenses	$0	$0	$21,166	$66,078
963	Payments in Lieu of Taxes	$0	$0	$0	$17,161
964	Bad Debt - Tenant Rents	$0	$0	$0	$5,206
967	Interest Expense	$0	$0	$0	$72,101
969	Total Operating Expenses	$574,125	$900	$83,099	$1,720,465
970	Excess Operating Revenue over Operating Expenses	$5,683,533	$426,960	$15,839	$6,852,999
973	Housing Assistance Payments	$5,685,861	$0	$0	$6,298,531
974	Depreciation Expense	$595	$8,969	$4,339	$381,055
900	Total Expenses	$6,260,581	$9,869	$87,438	$8,400,051
1001	Operating Transfers In	$0	$0	$59,584	$153,781
1002	Operating Transfers Out	$0	$-94,197	$0	$-153,781
1010	Total Other Financing Sources (Uses)	$0	$-94,197	$59,584	$0
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	$-2,923	$323,794	$71,084	$173,413

Davis Community Housing Authority
Financial Data Schedule II – Statement of Revenues, Expenses and Changes in Net Assets (continued)
Year Ended September 30, 2005

PHA: **UT009** *FYED:* **09/30/2005**

Line Item No.	Account Description	Business Activities	Mortgage Insurance_Rental and Cooperative Housing for Moderate Income	Community Development Block Grants/Small Cities Program	Community Development Block Grants/State's Program	Housing Opportunities for Persons with AIDS	Low Rent Public Housing	Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitat UT009MR0001
1102	Debt Principal Payments - Enterprise Funds	$0	$0	$0	$0	$0	$0	$0
1103	Beginning Equity	$608,472	$347,661	$0	$0	$0	$5,989,189	$69,136
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	$186,823	$0	$0	$0	$0	$265,093	$0
1113	Maximum Annual Contributions Commitment (Per ACC)	$0	$0	$0	$0	$0	$0	$163,373
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	$0	$0	$0	$0	$0	$0	$456,071
1115	Contingency Reserve, ACC Program Reserve	$0	$0	$0	$0	$0	$0	$194,090
1116	Total Annual Contributions Available	$0	$0	$0	$0	$0	$0	$813,534
1120	Unit Months Available	432	336	0	0	0	1,896	996
1121	Number of Unit Months Leased	393	319	0	0	0	1,852	976

Davis Community Housing Authority
Financial Data Schedule II – Statement of Revenues, Expenses and Changes in Net Assets (continued)
Year Ended September 30, 2005

PHA: **UT009** *FYED:* **09/30/2005**

Line Item No.	Account Description	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
1102	Debt Principal Payments - Enterprise Funds	$0	$0	$0	$0
1103	Beginning Equity	$272,137	$286,739	$2,078,710	$9,652,044
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	$0	$-265,093	$-186,823	$0
1113	Maximum Annual Contributions Commitment (Per ACC)	$6,520,952	$0	$0	$6,684,325
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	$0	$0	$0	$456,071
1115	Contingency Reserve, ACC Program Reserve	$1,159,576	$0	$0	$1,353,666
1116	Total Annual Contributions Available	$7,680,528	$0	$0	$8,494,062
1120	Unit Months Available	12,432	0	0	16,092
1121	Number of Unit Months Leased	11,837	0	0	15,377

Davis Community Housing Authority
Notes to Financial Data Schedule
Year Ended September 30, 2005

1. Basis of Presentation

The Financial Data Schedules have been prepared using the basis of accounting required by HUD's Real Estate Assessment Center.

2. Reconciliation to Basic Financial Statements

The following reconciles combined balances of total assets, total liabilities, total equity (net assets) and net income (changes in net assets) per the Financial Data Schedules to the basic financial statements:

	Total assets	Total liabilities	Total equity	Net income
Balances per Financial Data Schedules	$11,851,527	$2,026,070	$9,825,457	$ 173,412
Elimination of interprogram balances	(146,211)	(146,211)	-	-
Balances per basic financial statements	$11,705,316	$1,879,859	$9,825,457	$ 173,412

Schedule of Expenditures of Federal Awards and Other Audit Reports and Schedules

Davis Community Housing Authority
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2005

Federal Assistance Programs Agency/Program Grant Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Housing & Urban Development (HUD)		
Direct Programs:		
Mortgage Insurance – Rental and Cooperative Housing for Moderate Income Families and Elderly	14.135	$ 155,093
Low-Rent Public Housing	14.850	278,099
Section 8 Moderate Rehabilitation	14.856	653,119
Section 8 Housing Choice Vouchers	14.871	6,234,400
Public Housing Capital Fund	14.872	427,860
Housing Opportunities for Persons With Aids	14.241	36,971
Passed Through from the Utah State Department of Community and Economic Development:		
Community Development Block Grants/ State's Program	14.228	65,089
HOME Program	14.239	58,131
Passed Through from Clearfield City:		
Community Development Block Grants/ Small Cities Program	14.219	3,609
Total expenditures of federal awards		$ 7,912,371

Davis Community Housing Authority
Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2005

1. Scope of Audit Pursuant to OMB Circular A-133

The Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of all federal award programs of the Authority. All federal awards received directly from federal agencies as well as federal awards passed through other governmental agencies or other entities are included in the Schedule.

2. Basis of Presentation

The Authority's Schedule of Expenditures of Federal Awards has been prepared using the same basis of accounting as the September 30, 2005 financial statements of the Authority. The Authority reports to HUD using the accrual basis of accounting. A complete description of the basis of accounting is included in note 1 to those financial statements.

3. Contingencies

In connection with various federal grant programs, the Authority is obligated to administer related programs and spend the funds in accordance with regulatory restrictions, and is subject to audit by grantor agencies and other auditors. In cases of noncompliance, the agencies involved may require the Authority to refund program funds.

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Report on Internal Control over Financial Reporting and Compliance based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Commissioners
Davis Community Housing Authority
Farmington, Utah

We have audited the financial statements of the business activity and major fund of the Davis Community Housing Authority (the Authority) as of and for the year ended September 30, 2005, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated June 23, 2006. That report noted that the Authority implemented Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* for the year ended September 30, 2005. 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 in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grants and other 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 or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to management of the Authority, in a separate letter dated June 23, 2006.

This report is intended solely for the information of the audit committee, Board of Commissioners, management, others within the organization, 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.

Child, Van Wagoner & Bradshaw

Child, Van Wagoner & Bradshaw
Kaysville, Utah
June 23, 2006

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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
Davis Community Housing Authority
Farmington, Utah

Compliance

We have audited the compliance of the Davis Community 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 September 30, 2005. 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 September 30, 2005.

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Board of Commissioners
Davis Community Housing Authority

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 requirements that could have a direct and material effect on major federal programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Child, Van Wagoner & Bradshaw

Child, Van Wagoner & Bradshaw, PLLC
Kaysville, Utah
June 23, 2006

Davis Community Housing Authority
Schedule of Findings and Questioned Costs
Year Ended September 30, 2005

SECTION I - Summary of Auditors' Results

Financial Statements
Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____Yes __X__ No
- Reportable conditions(s) identified that are not considered to be material weaknesses? _____ Yes __X__ None reported

Non compliance material to financial statements noted? _____ Yes __X__ No

Federal Awards
Internal control over major programs:

- Material weakness(es) identified? _____ Yes __X__ No
- Reportable condition(s) identified that are not considered to be material weaknesses? _____ Yes __X__ None reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? _____ Yes __X__ No

Identification of major programs?

CFDA Number(s)	Name of Federal Program or Cluster
14.871	Section 8 Housing Choice Vouchers
14.872	Public Housing Capital Fund
14.856	Section 8 Moderate Rehabilitation

Dollar threshold used to distinguish between type A and type B programs: $ 300,000

Auditee qualified as low-risk auditee? __X__ Yes _____No

Davis Community Housing Authority
Schedule of Findings and Questioned Costs (continued)
Year Ended September 30, 2005

Section II-Financial Statement Findings and Questioned Costs

No matter were reported for the fiscal year ended September 30, 2005.

Section III-Federal Award Findings and Questioned Costs

No matters were reported for the fiscal year ended September 30, 2005.

Davis Community Housing Authority
Schedule of Findings and Questioned Costs - Prior Year
Year Ended September 30, 2005

Finding 04-1 – Evidence of Failure of Appropriate Reviews and Approvals of Systems Output

Condition: A material prior year adjustment was required to properly report notes receivable and equity balances.

Criteria: Appropriate reviews and approvals of transactions, accounting entries, and systems output consistent with the Authority's control objectives are designed to prevent and detect misstatements of accounting information.

Effect: Notes receivable and equity balances were materially understated on the Authority's FY2003 financial statements.

Cause: Management did not effectively review and approve the transactions and accounting entries posted by the fee accountant.

Recommendation: Management should periodically review and approve transactions, accounting entries, and systems output to prevent and detect misstatements of accounting information. Upon review of transactions, accounting entries, and systems output, management must sign off to document approval of what was reviewed.

Status: Item is considered closed.

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Davis Community Housing Authority
Independent Auditors' Report on State Legal Compliance
Year Ended September 30, 2005

Board of Commissioners
Davis Community Housing Authority
Farmington, Utah

We have audited the financial statements of the Davis Community Housing Authority (the Authority), for the year ended September 30, 2005, and have issued our report thereon dated June 23, 2006. Our audit included test work on the Authority's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide including:

Cash Management
Other Compliance Requirements

The Authority received no major state funding during the year ended September 30, 2005.

The Authority received the following nonmajor funding during the year ended September 30, 2005:

Critical Needs Grant
Low Income Housing

The management of the Authority is responsible for the Authority's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, the Authority complied, in all material respects with the general compliance requirements identified above for the year ended September 30, 2005.

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Kaysville, UT
June 23, 2006

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