

MEMPHIS HOUSING AUTHORITY
Memphis, Tennessee

BASIC FINANCIAL STATEMENTS
June 30, 2013

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Independent Auditors' Report

Board of Commissioners
Memphis Housing Authority
Memphis, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of the Memphis Housing Authority (the Authority) which comprise the statement of net position as of June 30, 2013, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business type activities and each major fund of the Authority as of June 30, 2013, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The financial data schedules and statement and certification of program costs are presented for purposes of additional analysis and are not a required part of the basic 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.

The financial data schedule, statement and certification of program costs and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the financial data schedule, statement and certification of program costs, and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2014, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting

and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

Baltimore, Maryland
April 14, 2014

MEMPHIS HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

INTRODUCTION

The Management's Discussion and Analysis (the MD&A) section of the financial statements is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of Memphis Housing Authority's (the Authority or MHA) financial activity, (c) identify changes in the Authority's financial position (its ability to address the next and subsequent year's challenges), and (d) identify individual fund issues or concerns. Since the MD&A is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statements.

This section of the Authority's annual financial report presents management's analysis of the Authority's financial performance during the fiscal year ended June 30, 2013.

MEMPHIS HOUSING AUTHORITY PROGRAMS

The focus of the Authority's financial statements should be on the programs of the Authority.

Conventional Public Housing - Under the Conventional Public Housing Program, the Authority rents units that it owns to eligible low-income families, the elderly, and persons with disabilities. The Authority uses income limits developed by HUD which sets the limits at 50 to 80 percent of median income for the area. This program is operated under an Annual Contributions Contract (ACC) with HUD, whereby HUD provides the Authority operating subsidy funding to assist in funding the operating and maintenance expenses and offers rent based upon 30 percent of household income. The Conventional Public Housing Program also includes the Capital Fund Program, which is the primary funding source for modernization of, and physical and management improvements to, the Authority's properties.

American Recovery Reinvestment Act (ARRA) – Under the ARRA Program the Authority administers grants that provide energy efficient modernization and renovation of our critical public housing inventory.

Housing Choice Voucher Program - Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords to allow low-income families to reside in privately-owned rental housing. The Authority subsidizes the family's rent through a Housing Assistance Payment paid to the landlord. This program is administered under an ACC with HUD, whereby HUD provides funding to enable the Authority to structure a lease that sets the participant's rent at 30 percent of household income.

HOPE VI Grant Program (Demolition and Revitalization of Severely Distressed Public Housing) - Under the HOPE VI Program the Authority administers grants that provide assistance for the purpose of improving the living environment for public housing residents through demolition, substantial rehabilitation, reconfiguration, and/or replacement of severely distressed units.

Community Development Block Grant - This program is funded by HUD to provide communities with resources to address a wide range of unique community development needs. The Authority receives pass-through funding for this program from the City of Memphis.

MEMPHIS HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Business Activities - This program represents non-HUD resources focused on the redevelopment of communities previously deemed non-viable.

Resident Opportunity and Supportive Services Program - This program provides public housing residents with supportive services, resident empowerment activities, and assistance in becoming economically self-sufficient. In addition, the Authority is provided funding to establish, expand and/or update community technology centers.

Disaster Housing Assistance Program - This program provides rental assistance for families displaced by Hurricanes Katrina and Rita from the Federal Emergency Management Agency (FEMA). In addition, the Authority receives funding for case management to help families rebuild their lives and have the opportunity to return home.

Disaster Housing Assistance Ike Program - This program is a HUD FEMA initiative to provide monthly rental assistance, service connections, security deposit and utility deposit assistance for certain families displaced from their homes by Hurricanes Ike or Gustav.

Veterans Affairs Supportive Housing Program - This program combines HUD Housing Choice Voucher rental assistance for homeless veterans with case management and clinical services provided by the Veterans Affairs at its medical centers and in the community.

Disaster Voucher Program - This program covers housing costs for families who lived in public housing or received other HUD rental assistance but were displaced by hurricanes Katrina and Rita.

FINANCIAL HIGHLIGHTS AND CONCLUSIONS

The Authority has made the transition to the Governmental Accounting Standards Board Statement No. 34 (GASB 34) in prior periods which require this executive narrative. The financial statements for 2013 have been reviewed by key management staff to assess the financial health of the Authority. The reader of this report should also understand that the interfund accounts, which balance between all funds, have been eliminated from the consolidated report and from this analysis. It is apparent in the future that the Authority must rely less on uncertain grant funding and develop alternative resources to maintain current service levels. The Authority has made the necessary financial and organizational changes to comply with the requirements of project based accounting in this year. Financial highlights of this past year are as follows:

- During FY 2013, total revenue increased by \$20,825,213 or 25.5%; the increase is primarily from funds earned and received in relation to the redevelopment of the Cleaborn Homes property and from the HOPE VI and Capital Fund grant programs.
- The Authority's total expenses decreased by \$5,366,901 or 6.09% as compared to prior fiscal year.
- The Authority's net position increased by \$19,894,267 as compared to the prior fiscal year.

MEMPHIS HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

- Long-term debt outstanding decreased by \$5,085,177 during the year due to loan advances totaling \$570,388 from the City of Memphis in relation to the Uptown Revitalization project offset by the principal payment of \$5,655,515.
- The Authority's cash balance as of June 30, 2013 was \$18,953,471, representing a slight increase of \$279,973 from June 30, 2012. Restricted cash was \$131,075 higher than in 2012 due to increase of reserve funds for the mixed finance property, University Place Southeast.

FINANCIAL STATEMENT PRESENTATION

The basic financial statements of the Authority are designed to be corporate-like in that the entire Authority is presented as a business-type activity. The Authority consists exclusively of enterprise funds. Enterprise funds utilize the full accrual basis of accounting, making them more similar to the accounting methods utilized by the private sector. Many of the funds maintained by the Authority are required by the U.S. Department of Housing and Urban Development (HUD). Other funds are segregated to enhance accountability and control.

The basic financial statements include a Statement of Net Position, which is similar to a balance sheet. The Statement of Net Position reports all financial and capital resources for the Authority. The statement is presented in the format where assets minus liabilities equal "Net Position," formerly known as net assets. Assets and liabilities are presented in order of liquidity, and are classified as "current" (convertible into cash within one year), and "non-current."

The basic financial statements also include a Statement of Revenues, Expenses and Changes in Net Position, similar to an income statement. This statement includes operating revenues such as rental income, operating expenses such as administrative, utilities, maintenance and depreciation, and non-operating revenues and expenses such as grant revenue, investment income and interest expense.

The focus of the Statement of Revenues, Expenses and Changes in Net Position is the "Change in Net Position," which is similar to net income or loss.

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

**MEMPHIS HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

FINANCIAL ANALYSIS OF THE AUTHORITY

The Statement of Net Position and the Statement of Revenues, Expenses and Net Position report information about the Authority's activities and are summarized in the following sections.

**Memphis Housing Authority
Statements of Net Position
Table I**

<u>Account Descriptions</u>	<u>2013</u>	<u>2012</u>	<u>Total Change</u>	<u>% Change</u>
Current assets	\$ 24,055,552	\$ 23,358,415	\$ 697,137	2.98%
Capital assets	64,884,397	72,540,247	(7,655,850)	(10.55)%
Other noncurrent assets	<u>138,002,522</u>	<u>116,222,786</u>	<u>21,779,736</u>	<u>18.74%</u>
Total assets	<u>\$ 226,942,471</u>	<u>\$ 212,121,448</u>	<u>\$ 14,821,023</u>	<u>6.99%</u>
Current liabilities	\$ 4,882,364	\$ 6,937,990	\$ (2,055,626)	(29.63)%
Noncurrent liabilities	<u>1,031,204</u>	<u>4,048,822</u>	<u>(3,017,618)</u>	<u>(74.53)%</u>
Total liabilities	<u>5,913,568</u>	<u>10,986,812</u>	<u>(5,073,244)</u>	<u>(46.18)%</u>
Net investment in capital assets	64,884,397	72,540,247	(7,655,850)	(10.55)%
Restricted net position	3,754,960	3,631,249	123,711	3.41%
Unrestricted net position	<u>152,389,546</u>	<u>124,963,140</u>	<u>27,426,406</u>	<u>21.95%</u>
Total net position	<u>221,028,903</u>	<u>201,134,636</u>	<u>19,894,267</u>	<u>9.89%</u>
Total liabilities and net position	<u>\$ 226,942,471</u>	<u>\$ 212,121,448</u>	<u>\$ 14,821,023</u>	<u>6.99%</u>

As illustrated in the Statements of Net Position, Total Assets increased by 7.0%. Liabilities decreased by 46.2%, and the overall Net Position increased by 9.9%. The increase in current assets is mainly due to the increase in Restricted Cash of \$131,075 when compared to 2012. Capital Assets decreased by \$7,655,850 as illustrated further in this document. Other noncurrent assets increased \$21,779,736 as a result of advances on notes receivable related to Legends Park West, Legends Park North, Cleaborn House and Fairway Manor. Current liabilities decreased by 29.6%, which was mainly due to changes in accounts payable and other liabilities. Total noncurrent liabilities decreased by 74.5% as a result of the decrease in long-term debt of \$5,085,177.

MEMPHIS HOUSING AUTHORITY
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While the Statements of Net Position shows the change in financial position, the Statements of Revenues, Expenses, and Net Position (Table II) summarizes the changes in operating revenue and expense between fiscal year 2013 and 2012.

Memphis Housing Authority
Statements of Revenues, Expenses and Changes in Net Position
TABLE II

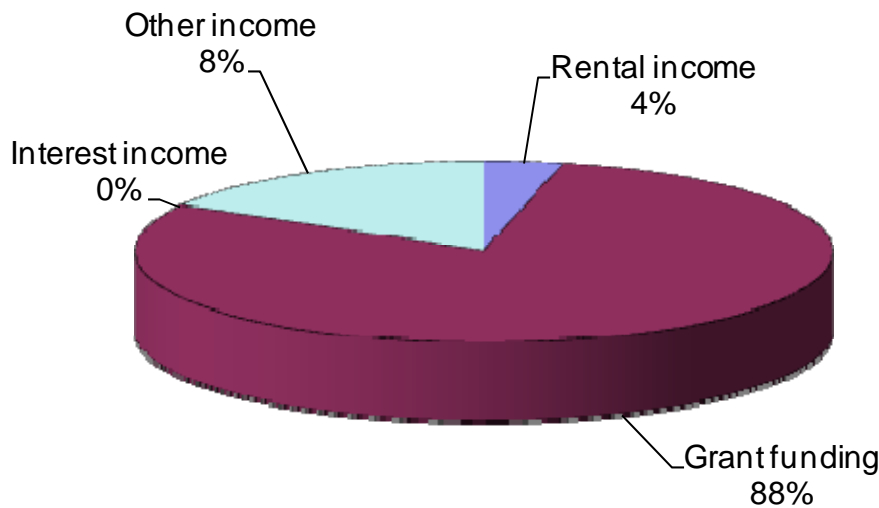
	<u>2013</u>	<u>2012</u>	<u>Total Change</u>	<u>% Change</u>
Rental income	\$ 3,782,311	\$ 3,533,375	\$ 248,936	7.05%
Grant funding	81,641,547	72,294,226	9,347,321	12.93%
Interest income	6,705	4,600	2,105	45.76%
Other income	<u>17,185,543</u>	<u>5,958,692</u>	<u>11,226,851</u>	<u>188.41%</u>
Total revenue	<u>102,616,106</u>	<u>81,790,893</u>	<u>20,825,213</u>	<u>25.46%</u>
Administration	12,354,113	12,969,357	(615,244)	(4.74)%
Tenant services	792,033	635,557	156,476	24.62%
Utilities	2,618,497	2,687,319	(68,822)	(2.56)%
Maintenance	4,284,311	3,364,730	919,581	27.33%
Non-routine maintenance	2,635,848	6,316,093	(3,680,245)	(58.27)%
Protective services	356,445	319,297	37,148	11.63%
General expense	463,857	908,670	(444,813)	(48.95)%
Interest expense	150,500	189,900	(39,400)	(20.75)%
Housing assistance payments	47,448,737	46,956,797	491,940	1.05%
Special items	-	4,920,461	(4,920,461)	(100.00)%
Depreciation	<u>11,617,498</u>	<u>8,820,559</u>	<u>2,796,939</u>	<u>31.71%</u>
Total expenses	<u>82,721,839</u>	<u>88,088,740</u>	<u>(5,366,901)</u>	<u>(6.09)%</u>
Change in net position	19,894,267	(6,297,847)	26,192,114	(415.89)%
Beginning net position	<u>201,134,636</u>	<u>207,432,483</u>	<u>(6,297,847)</u>	<u>(3.04)%</u>
Ending net position	<u>\$ 221,028,903</u>	<u>\$ 201,134,636</u>	<u>\$ 19,894,267</u>	<u>9.89%</u>

**MEMPHIS HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

REVENUES

In reviewing the Statements of Revenues, Expenses, and Net Position, you will find that 88% of the Authority's revenues are derived from grants from HUD. The Authority receives revenue from tenants for dwelling rental charges, excess utilities, and miscellaneous charges of 4% of total revenue. Interest Revenue and Other Revenue comprises the remaining 8%. Compared to the fiscal year ended June 30, 2012, revenues had an overall increase of \$20,825,213 or 25.5%.

2013 Revenue



Rental Income - Tenant Revenue increased slightly from \$3,533,375 to \$3,782,311, or 7.1% from fiscal year 2012.

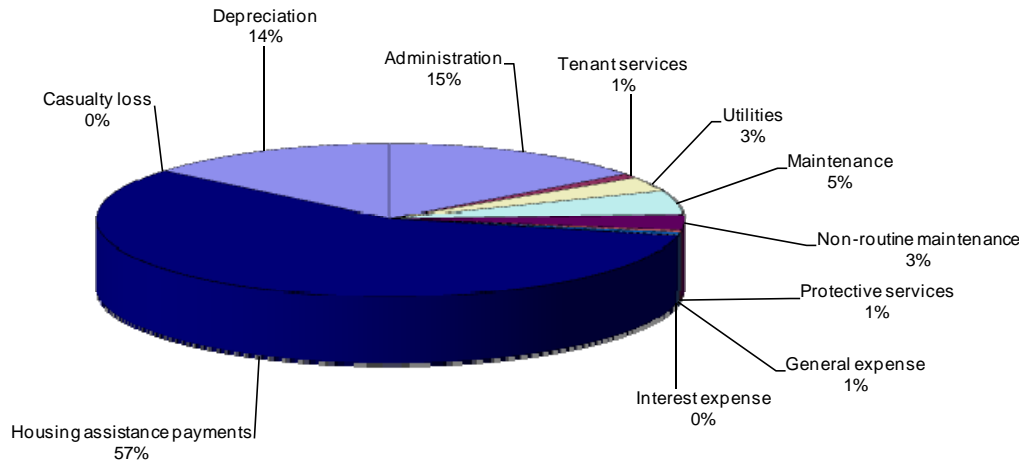
Program Grants/Subsidies - The Authority had a 12.9% increase in Grant Revenue compared to the previous fiscal year. The Authority experienced a \$4 million decrease in Capital Fund and \$5 million increase in HOPE VI grant programs. The Housing Choice Voucher program had an increase of \$2 million and Low Income Public Housing had an increase of \$6 million as a result of higher funding proportions provided by HUD.

Interest and Other Income - Due to the decreases in rates of return on money market funds and Certificates of Deposit in relation to prior year rates of return, there was a decrease in bank deposit interest income during the year of \$2,105. Other income increased by \$11,226,851 as a result of more Capital Improvement Funds (CIP) received from the City of Memphis/HCD than in 2012 for the redevelopment projects.

**MEMPHIS HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

EXPENSES

2013 Expenses



The Authority experienced a decrease in total expenses for the current year from \$88,088,740 to \$82,721,839 or 6.1%. The highlights of the expenses for the current year are as follows:

Administrative - Administrative costs include all non-maintenance and non-resident service personnel costs (including benefits and accrued leave), legal costs, auditing costs, travel and training costs, and other administrative costs such as supplies, telephone expense, etc. Compared to 2012, administrative costs decreased by \$615,244 (4.7%) as a result of less staff and associated fringe benefits.

Tenant Services - Tenant Services costs include all costs incurred by the Authority to provide social services and relocation efforts to the residents. Tenant Services costs increased from \$635,557 to \$792,033 (24.6%) due to higher expenses incurred from the ROSS expiring grants.

Utilities - The total utilities expense for the Authority had a decrease of \$68,822 (2.5%).

Maintenance - Maintenance costs are all costs incurred by the Authority to maintain the Public Housing units available for occupancy, which are owned by the Authority in a safe and sanitary manner. Costs include personnel costs, materials used to maintain the units, contracts for waste management, vehicles, etc. The Maintenance Expense for the Authority increased by \$919,581 or 27.3% mainly as a result of more repairs completed compared to 2012.

MEMPHIS HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

Non-routine Maintenance - The Authority had a decrease of \$3,680,245 (58.2%) in Non-routine Maintenance expenses compared to the previous fiscal year. This decrease was a result of fewer repairs performed at the Public Housing sites with expiring funding from the ARRA grants.

Protective Services - Protective Services Expense increased from \$319,297 to \$356,445 or (11.6%).

General Expenses - General Expenses include insurance costs (property, auto, liability, workers' compensation, public officials' liability, etc.), collection losses, and payment in lieu of taxes to the City of Memphis. General expenses changed from \$908,670 to \$463,857, a decrease of \$444,813.

Housing Assistance Payments (HAP) – HAP payments consist of rental payments to owners of private property for which the Authority has a HAP agreement with the tenant and the owner for the difference between the tenant rent and the applicable payment standard. During the year, the HAP expense slightly increased by \$491,940 (1.05%) due to increased leasing compared to the prior year.

Depreciation – Because the costs of all capitalized additions are spread over the estimated useful life of an asset, the estimated current year costs of capitalized items is recorded as depreciation. Depreciation expense for the current year increased by \$2,796,939 compared with the 2012 level.

CAPITAL ASSETS

As of June 30, 2013, the Authority decreased its net capital assets by \$7,665,850 (10.5%). At the end of fiscal year 2013, the Authority had invested in Capital Assets of \$64,884,397, net of depreciation. All increases to capital assets are normal planned additions to the federal modernization program as outlined in the agency plan and depreciation expense was responsible for the overall decrease in total capital assets. The following illustrates the Capital Asset values for 2013 and 2012.

	<u>Balance at June 30, 2012</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance at June 30, 2013</u>
Non-depreciable:				
Land	\$ 13,150,338	\$ -	\$ 17,439	\$ 13,167,777
Construction in progress	4,713,645	2,329,687	(4,485,930)	2,557,402
Total non-depreciable	<u>17,863,983</u>	<u>2,329,687</u>	<u>(4,468,491)</u>	<u>15,725,179</u>
Depreciated:				
Buildings and improvements	223,290,944	-	6,783,330	230,074,274
Furniture and equipment	2,767,950	1	-	2,767,951
Total depreciated	<u>226,058,894</u>	<u>1</u>	<u>6,783,330</u>	<u>232,842,225</u>
Total capital assets	243,922,877	2,329,688	2,314,839	248,567,404
Less accumulated depreciation	<u>(171,382,630)</u>	<u>(11,617,498)</u>	<u>(682,879)</u>	<u>(183,683,007)</u>
Capital assets, net	<u>\$ 72,540,247</u>	<u>\$ (9,287,810)</u>	<u>\$ 1,631,960</u>	<u>\$ 64,884,397</u>

**MEMPHIS HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
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DEBT ADMINISTRATION

As of June 30, 2013, the Authority had no debt outstanding related to the operation of various state and local programs. The following is a summary in the changes of total debt obligations for the year ended June 30, 2013:

Balance at the beginning of the period	\$ 5,085,177
Additions to debt	570,338
Reductions to debt	<u>(5,655,515)</u>
Balance at June 30, 2013	<u>\$ -</u>

Long-term debt decreased by \$5,085,177 during the year due to loan advances from the City of Memphis in relation to the HOPE VI activities for the Uptown Revitalization project offset by a principal payment of \$5,655,515.

ECONOMIC FACTORS

Several factors may have an impact on the future financial position of the Authority in the subsequent year. These factors include:

- HUD funding levels below 100% for the Public Housing and Housing Choice Voucher programs.
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore, the amount of rental income. This could also increase the occurrence of bankruptcies.
- Inflationary pressures on utility rates, supplies, and other costs will more than likely incur in the next couple of years.
- The decrease in available housing units in the Public Housing Program due to the demolition and disposition of sites has created a demand for additional Housing Choice Vouchers to house displaced Public Housing tenants.

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 the Authority's finances. Should additional information be required or questions arise regarding this financial report, contact our office in writing at the following address:

Memphis Housing Authority
Attention: Executive Director
700 Adams Avenue
Memphis, Tennessee 38105

FINANCIAL STATEMENTS

MEMPHIS HOUSING AUTHORITY
STATEMENT OF NET POSITION
June 30, 2013

	Memphis Housing Authority				Business-Type Activities Total
	College Park	Uptown	Fowler		
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 14,129,207	\$ 67,094	\$ 744,953	\$ 89,875	\$ 15,031,129
Restricted cash	3,541,619	23,296	-	190,045	3,754,960
Restricted cash - tenant security deposits	119,185	35,025	10,142	3,030	167,382
Investments	770,399	-	-	-	770,399
Accounts receivable, net	3,897,355	7,163	10,561	10,239	3,925,318
Prepaid insurance and other deferred charges	275,729	23,518	11,380	3,109	313,736
Notes, loans and mortgages receivable - current	92,628	-	-	-	92,628
Total current assets	<u>22,826,122</u>	<u>156,096</u>	<u>777,036</u>	<u>296,298</u>	<u>24,055,552</u>
NONCURRENT ASSETS					
Capital assets, net	53,632,834	5,714,241	5,154,642	382,680	64,884,397
Notes, loans and mortgages receivable - noncurrent	<u>138,002,522</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>138,002,522</u>
Total noncurrent assets	<u>191,635,356</u>	<u>5,714,241</u>	<u>5,154,642</u>	<u>382,680</u>	<u>202,886,919</u>
TOTAL ASSETS	<u>\$ 214,461,478</u>	<u>\$ 5,870,337</u>	<u>\$ 5,931,678</u>	<u>\$ 678,978</u>	<u>\$ 226,942,471</u>
LIABILITIES AND NET POSITION					
CURRENT LIABILITIES					
Accounts payable	\$ 3,963,739	\$ 22,161	\$ 10,925	\$ 4,418	\$ 4,001,243
Accrued compensated absences, current portion	111,789	1,647	-	1,141	114,577
Unearned revenue	185,627	8,021	1,085	-	194,733
Accrued liabilities	140,635	46,534	2,293	2,690	192,152
Tenant security deposits	119,185	35,025	10,142	3,030	167,382
Other current liabilities	188,598	23,296	113	270	212,277
Total current liabilities	<u>4,709,573</u>	<u>136,684</u>	<u>24,558</u>	<u>11,549</u>	<u>4,882,364</u>
NON-CURRENT LIABILITIES					
Accrued compensated absences, less current portion	<u>1,006,114</u>	<u>14,823</u>	<u>-</u>	<u>10,267</u>	<u>1,031,204</u>
Total non-current liabilities	<u>1,006,114</u>	<u>14,823</u>	<u>-</u>	<u>10,267</u>	<u>1,031,204</u>
Total liabilities	<u>5,715,687</u>	<u>151,507</u>	<u>24,558</u>	<u>21,816</u>	<u>5,913,568</u>
NET POSITION					
Net investment in capital assets	53,632,834	5,714,241	5,154,642	382,680	64,884,397
Restricted net position	3,541,619	23,296	-	190,045	3,754,960
Unrestricted net position (deficit)	<u>151,571,338</u>	<u>(18,707)</u>	<u>752,478</u>	<u>84,437</u>	<u>152,389,546</u>
Total net position	<u>208,745,791</u>	<u>5,718,830</u>	<u>5,907,120</u>	<u>657,162</u>	<u>221,028,903</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 214,461,478</u>	<u>\$ 5,870,337</u>	<u>\$ 5,931,678</u>	<u>\$ 678,978</u>	<u>\$ 226,942,471</u>

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

MEMPHIS HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended June 30, 2013

	Memphis Housing Authority	College Park	Uptown	Fowler	Elimination	Business-Type Activities Total
OPERATING REVENUES						
Rental income, net	\$ 3,050,925	\$ 250,980	\$ 343,854	\$ 136,552	\$ -	\$ 3,782,311
HUD subsidies	77,842,711	342,789	281,691	139,562	-	78,606,753
Other income	15,315,490	118,131	-	11,662	-	15,445,283
Fee revenue	<u>1,967,938</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,967,938)</u>	<u>-</u>
Total operating revenues	<u>98,177,064</u>	<u>711,900</u>	<u>625,545</u>	<u>287,776</u>	<u>(1,967,938)</u>	<u>97,834,347</u>
OPERATING EXPENSES						
Administration	11,562,860	438,492	296,267	56,494	-	12,354,113
Tenant services	792,033	-	-	-	-	792,033
Utilities	2,457,951	56,392	8,450	95,704	-	2,618,497
Ordinary maintenance and operations	3,821,323	159,938	217,548	85,502	-	4,284,311
General expenses	733,950	46,346	27,909	12,097	-	820,302
Housing assistance payments	47,448,737	-	-	-	-	47,448,737
Fee expense	<u>1,924,126</u>	<u>13,860</u>	<u>9,552</u>	<u>20,400</u>	<u>(1,967,938)</u>	<u>-</u>
Total operating expenses	<u>68,740,980</u>	<u>715,028</u>	<u>559,726</u>	<u>270,197</u>	<u>(1,967,938)</u>	<u>68,317,993</u>
Operating income (loss) before depreciation	29,436,084	(3,128)	65,819	17,579	-	29,516,354
Depreciation	<u>10,547,114</u>	<u>572,129</u>	<u>491,460</u>	<u>6,795</u>	<u>-</u>	<u>11,617,498</u>
Total operating income (loss)	<u>18,888,970</u>	<u>(575,257)</u>	<u>(425,641)</u>	<u>10,784</u>	<u>-</u>	<u>17,898,856</u>
NON-OPERATING REVENUE (EXPENSES)						
Non-routine maintenance	(2,596,939)	-	(38,909)	-	-	(2,635,848)
Investment income	5,855	-	368	482	-	6,705
Interest expense	(150,500)	-	-	-	-	(150,500)
Special item - transfer of operations	<u>1,740,260</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,740,260</u>
Total nonoperating revenues (expenses)	<u>(1,001,324)</u>	<u>-</u>	<u>(38,541)</u>	<u>482</u>	<u>-</u>	<u>(1,039,383)</u>
Income (expense) before capital contributions	17,887,646	(575,257)	(464,182)	11,266	-	16,859,473
Capital contributions - HUD	<u>2,565,885</u>	<u>233,378</u>	<u>-</u>	<u>235,531</u>	<u>-</u>	<u>3,034,794</u>
CHANGE IN NET POSITION	<u>20,453,531</u>	<u>(341,879)</u>	<u>(464,182)</u>	<u>246,797</u>	<u>-</u>	<u>19,894,267</u>
NET POSITION, BEGINNING OF YEAR	<u>188,292,260</u>	<u>6,060,709</u>	<u>6,371,302</u>	<u>410,365</u>	<u>-</u>	<u>201,134,636</u>
NET POSITION, END OF YEAR	<u>\$ 208,745,791</u>	<u>\$ 5,718,830</u>	<u>\$ 5,907,120</u>	<u>\$ 657,162</u>	<u>\$ -</u>	<u>\$ 221,028,903</u>

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

MEMPHIS HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
Year Ended June 30, 2013

	Memphis				
	Housing				Business-Type
	Authority	College Park	Uptown	Fowler	Activities Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from HUD	\$ 77,385,799	\$ 344,073	\$ 281,337	\$ 139,576	\$ 78,150,785
Cash received from tenants and others	18,296,175	376,978	339,625	131,294	19,144,072
Cash paid for administration and general	(13,672,524)	(377,409)	(286,523)	(72,781)	(14,409,237)
Cash paid for housing operating and tenant services	(5,583,606)	(276,536)	(263,459)	(204,827)	(6,328,428)
Cash paid for housing assistance payments	(47,448,737)	-	-	-	(47,448,737)
Net cash provided by (used in) operating activities	<u>28,977,107</u>	<u>67,106</u>	<u>70,980</u>	<u>(6,738)</u>	<u>29,108,455</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Issuance of notes payable	570,338	-	-	-	570,338
Payments on notes payable	(5,655,515)	-	-	-	(5,655,515)
Interest paid on notes payable	(150,500)	-	-	-	(150,500)
Net cash used in noncapital financing activities	<u>(5,235,677)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,235,677)</u>
CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES					
Transfer of operations	742,807	-	-	-	742,807
Acquisition of capital assets	(2,497,883)	(233,378)	-	(235,530)	(2,966,791)
Non-routine maintenance	(2,596,939)	-	(38,909)	-	(2,635,848)
Capital grants - HUD	2,565,885	233,378	-	235,531	3,034,794
Net cash used in capital and related activities	<u>(1,786,130)</u>	<u>-</u>	<u>(38,909)</u>	<u>1</u>	<u>(1,825,038)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Issuance of notes receivables	(21,872,364)	-	-	-	(21,872,364)
Payments on notes receivables	92,628	-	-	-	92,628
Purchase of investments	(2,100)	-	-	-	(2,100)
Interest on investments	5,855	-	368	482	6,705
Net cash provided by (used in) investing activities	<u>(21,775,981)</u>	<u>-</u>	<u>368</u>	<u>482</u>	<u>(21,775,131)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS					
	179,319	67,106	32,439	(6,255)	272,609
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR					
	<u>17,491,507</u>	<u>23,284</u>	<u>712,514</u>	<u>286,175</u>	<u>18,513,480</u>
CASH AND CASH EQUIVALENTS, END OF YEAR					
	<u>\$ 17,670,826</u>	<u>\$ 90,390</u>	<u>\$ 744,953</u>	<u>\$ 279,920</u>	<u>\$ 18,786,089</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES					
Operating income (loss)	\$ 18,888,970	\$ (575,257)	\$ (425,641)	\$ 10,784	\$ 17,898,856
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	10,547,114	572,129	491,460	6,795	11,617,498
Provision for bad debts	201,979	-	-	8,876	210,855
Effects of changes in operating assets and liabilities:					
Accounts receivable	(435,694)	(154)	(5,314)	(16,920)	(458,082)
Prepaid expenses	(66,192)	(23,518)	(3,036)	144	(92,602)
Tenant security deposits	1,170	1,284	(354)	14	2,114
Accounts payable and accrued liabilities	54,045	68,119	12,667	(11,378)	123,453
Compensated absences	(226,856)	16,470	-	(5,287)	(215,673)
Unearned revenue	(92,628)	8,021	1,085	-	(83,522)
Other liabilities	105,199	12	113	234	105,558
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 28,977,107</u>	<u>\$ 67,106</u>	<u>\$ 70,980</u>	<u>\$ (6,738)</u>	<u>\$ 29,108,455</u>

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

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Memphis Housing Authority (the Authority) or (MHA) is a quasi-governmental entity, which was organized under the laws of the state of Tennessee as a tax-exempt, quasi-government entity under the United States Housing Act of 1937. The Authority was organized for the purpose of providing decent, safe and sanitary housing for low-income families. The Authority entered into Annual Contributions Contract Number A-3768 with HUD for the purpose of financing public housing unit construction and the retirement of debt, and entered into Annual Contributions Contract Number A-3179 for the purpose of providing housing assistance payments to owners of low-income housing units.

Reporting Entity

The accompanying financial statements present the Authority and its component units, entities for which the Authority is considered to be financially accountable. Blended component units are, in substance, part of the Authority's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the Authority. The reporting entity includes the following blended units:

College Park Family II (College Park) is a wholly owned development formed on November 8, 2000 at the direction of the MHA Board of Commissioners.

Uptown Single Family Rental Homes (Uptown) is a wholly owned development formed on July 26, 2005 at the direction of the MHA Board of Commissioners.

MHA Fowler Multifamily Development, L.P. (Fowler) is a Tennessee limited partnership formed on December 16, 2004 at the direction of the MHA Board of Commissioners to operate and manage real estate in the Memphis, Tennessee area.

Other related entities which operate to support programs include College Park Family I; Lemoyne Gardens Family I, L.P.; College Park Senior; Lemoyne Gardens Senior, L.P.; Greenlaw Place Apartments; Renaissance Village Apartments, L.P.; Uptown Square; Uptown Square Apartments, L.P.; The Metropolitan Apartments; Uptown Village Apartments, L.P.; University Place Southeast, L.P.; University Place, I., LC; University Place II, L.P.; Ford Senior Villas, L.P.; Uptown Senior Housing Development, L.P.; Fowler Multifamily Development, L.P.; and Latham Terrace, L.P. MHA has no direct ownership interest in these entities but holds notes receivable as detailed in Note 4 to the financial statements and provides program support on behalf of these entities. See Note 4 for transactions related to these entities.

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant Programs

During the year the Authority operated the following programs:

Public Housing Agency Owned Housing Program - The public housing agency owned housing (referred to in the basic financial statements as PHA Owned Housing) is designed to provide low-cost housing within the City. Funding is provided by eligible residents who are charged monthly rent based on family size, family income, and other determination, as well as subsidies provided by HUD.

Capital Fund Program - The purpose of this program is to provide another source of funding to cover the cost of physical and management improvements and rehabilitation on existing low-income housing and improving the central office facilities. Funding for this program is provided by grants from HUD.

Capital Fund Stimulus (ARRA) - The purpose of this program is to provide another source of funding to cover the cost of physical and management improvements and rehabilitation on existing low-income housing and improving the central office facilities. Funding for this program is provided by grants from HUD under the American Reinvestment and Recovery Act of 2009. PHAs must give priority to the rehabilitation of vacant rental units and capital projects that are already underway and require additional funds or are included in the Capital Fund 5-Year Action Plan.

Resident Opportunities and Supportive Services Program/EDSS - The Authority administers the economic development and support services program to provide reliable transportation for all elderly and disabled residents of the Authority and to contract for housekeeping and personal assistance for residents who meet certain criteria. Funding for these programs is provided by grants from HUD.

Revitalization of Severely Distressed Public Housing Program (HOPE VI) - Revitalization Grants enable the Authority to improve the living environment for public housing residents of severely distressed public housing projects through the demolition, substantial rehabilitation, reconfiguration, and/or replacement of severely distressed units. This helps to build sustainable mixed-income communities and provide well-coordinated, results-based supportive services that directly complement housing redevelopment and that help residents to achieve self-sufficiency. Funding for this program is provided by grants from HUD and the City as well as from other sources.

Housing Choice Voucher Program (HCVP) - MHA receives Section 8 funding under its Annual Contributions Contract with HUD. The purpose of the Housing Choice Voucher Program is to provide decent and affordable housing to low-income families, elderly, and handicapped persons by providing rental subsidy. The subsidized units are owned and managed by private landlords. Administrative fees earned by MHA from HUD for administering this program are intended to cover the cost of program operations.

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant Programs (continued)

Community Development Block Grant (CDBG) - The CDBG is a flexible program that provides communities with resources to address a wide range of unique community development needs. The CDBG provides annual grants to local governments and states. MHA receives pass through funding for this program from the City. These funds are used to assist MHA with land acquisition, remediation, demolition, rehabilitation, and infrastructure development and improvements, as well as enhancing the social and economic conditions of public housing residents.

Business Activities - The activities of these programs include redevelopment activities of the affected areas of the City undergoing revitalization of distressed public housing communities under the control of the Authority. These programs are designed to acquire, construct and manage property within the City, as well as to perform contractual service in the field of housing management, and to assist in providing housing for low and moderate-income individuals.

Basis of Accounting and Measurement Focus

The financial statements of MHA have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP) of the United States of America whereby revenues are recognized when earned and expenses are recognized as incurred. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. MHA and its component units maintain their accounts substantially in accordance with the chart of accounts prescribed by HUD and are organized utilizing the Fund Accounting model. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts.

MHA's operations are reported in Enterprise Funds. Enterprise Funds account for those operations financed and operated in a manner similar to private business or where MHA has decided that determination of revenues earned, costs incurred and net revenue over expenses is necessary for management accountability. The financial statements represent the consolidated results of MHA. All significant inter-company balances and transactions have been eliminated.

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of providing services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Use of Estimates in Preparing Financial Statements

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues, expenditures, and expenses. Actual results could vary from the estimates that were used.

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

The Authority adopts budgets on the basis of accounting consistent with the basis of accounting for the fund to which the budget applies. The Authority prepares annual operating budgets, which are formally adopted by its Governing Board of Commissioners. The budgets for programs funded by HUD form the basis of the Federal Financial Assistance received through HUD. The programs funded by the State of Tennessee are presented in the Supplemental Information section of this report.

Revenues and Expenses

Revenues and expenses are recognized in essentially the same manner as used in commercial accounting. Revenues relating to the Authority's operating activities include rental related income, and other sources of revenue including funding received from HUD and the City of Memphis Department of Housing and Community Development (HCD) in the form of operating subsidies. The Authority also receives funding for capital improvements in the form of grants from HUD and HCD. Grants of these types are designated as capital grants.

Subsidies received from HUD or other grantor agencies, for operating purposes, are recorded as operating revenue while capital grant funds used for capital improvements or long-term loans are added to non-operating revenue.

Cash and Cash Equivalents

For the purpose of the Statement of Net Position, cash and cash equivalents consist principally of cash in checking accounts and money market accounts and other investments maturing within three months or less of the date acquired. They are stated at cost, which approximates market value.

Inventories

Inventories are recorded at lower of cost or market, cost being determined on a first-in, first-out basis. The consumption method is used to account for inventories. Under the consumption method, inventories are charged to expense when consumed.

Capital Assets and Depreciation

Capital assets are stated at historical cost. Donated fixed assets are stated at their fair value on the date donated. This includes site acquisition and improvement, structures and equipment. All infrastructure assets were capitalized at the conclusion of development then dedicated to the City for maintenance and repairs. Equipment costing \$5,000 or more is capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of assets.

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets and Depreciation (continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Extraordinary maintenance and repairs and demolition costs are expensed as a non-operating item.

Depreciation is calculated using the straight-line method over the estimated useful lives of each major class of depreciable fixed assets as follows:

Buildings	40 years
Capital improvements	15 years
Furniture, fixtures and equipment	5-15 years

Fair Value of Financial Instruments

The carrying amount of MHA's financial instruments at June 30, 2013, including cash, investments, accounts receivable, accounts payable and long-term debt closely approximates fair value due to the relatively short maturity of these instruments. Notes receivable are valued based on the underlying property with an allowance as determined necessary by management for collectability of principal and accrued interest.

Restricted Assets and Net Position

Generally accepted accounting principles require the classification of net position into three components as described below:

- Net Investment in Capital Assets: This component of net position 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 Position— This component of net position consists of restricted assets when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.
- Unrestricted Net Position— This component consists of net position that does not meet the definition of "Net Investment in Capital Assets" or "Restricted Net Position."

Related Development Project Notes Receivable

A significant portion of the related development project notes receivable represent loans to related party Owner-Entities. MHA subordinated mortgage loans to Owner-Entities in conjunction with financing arrangements related to the development of mixed-income, multi-family rental communities, in most

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related Development Project Notes Receivable (continued)

cases, on land owned by MHA. Such loans are interest-bearing and are payable from cash flow from the property owned by each respective Owner-Entity. Such loans are typically funded from CDBG Development, HOPE VI, and Capital fund grants, representing a significant portion of the construction costs associated with the MHA-assisted component of the mixed-income rental property. Because interest and principal on these loans are subordinated and are contingent on cash flow from the property, interest income recognition does not occur until payments are received or are reasonably expected to be received. MHA also earns developer and other fees associated with the development project. Developer fees are recorded at the time of the financial closing for the public and private funds for a particular phase of the development. Any portion of these fees that are contingent on cash flow where the owner is not otherwise required to pay by a certain date is not recorded until such fee is received or is reasonably expected to be received.

The Authority reviews its notes receivable for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the notes receivable is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount exceeds the fair value as determined from an appraisal, discounted cash flows analysis, or other valuation technique.

Compensated Absences

Compensated absences are absences for which employees will be paid (i.e., sick leave, vacation, and other approved leave amounts). In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, the Authority accrues the liability for those absences that the employee has earned the rights to the benefits. Accrued amounts are based on the current salary rates. Full-time, permanent employees are granted vacation and sick leave benefits in varying amounts to specified maximums depending on tenure with the Authority. Employees also earn annual sick leave at established rates. Vacation and sick pay are recorded as an expense and related liability in the year earned by the employees.

Income Taxes

The Authority is a quasi-governmental entity. The Authority is not subject to Federal or state income taxes.

Reclassifications

Certain reclassifications have been made to the prior year's financial statements to conform to the current year's presentation. The reclassifications did not affect net position or changes therein.

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New GASB Pronouncements

In fiscal year 2013, the Authority implemented GASB Statements No. 61 through 63 as follows:

- GASB Statement No. 61, *The Financial Reporting Omnibus—an Amendment of GASB Statement No. 14 and No. 34*, modifies certain requirements for inclusion of component units in the financial reporting entity. This includes the concept of financial burden or benefit on the relationship between the primary government and the component unit. The implementation of this new standard had no impact on the Authority's 2013 financial statements.
- GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* incorporates into GASB authoritative literature certain accounting and financial reporting guidance previously included in FASB, APB, and AICPA guidance issued before November 30, 1989. The implementation of this new standard modified certain language in disclosures related to the applicable basis of accounting in the Authority's 2013 financial statements.
- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* revised the financial reporting for elements of the financial statements as a consumption or acquisition of Net Position that are applicable to a future reporting period. These items are distinct from assets and liabilities. This statement also identified net position. The implementation of this new standard revised the presentation in the financial statements for those items identified as deferred outflows and inflows and revised the names and certain captioning of the statements.

In fiscal year 2013, the Authority also early implemented the following GASB Statement:

- GASB Statement No. 69, *Government Combination and Disposals of Government Operations* establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The implementation of this standard provided the guidance for the merger of Shelby County Housing Authority (see Note 13).

NOTE 2 – CASH AND INVESTMENTS

All deposits in excess of Federal Deposit Insurance Corporation (FDIC) insurance limits are deposited in institutions that are members of the Tennessee State Bank collateral pool or collateralized by securities. Deposits of Tennessee Municipalities are covered under the Tennessee State Bank collateral pool including the Authority.

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

HUD requires housing authorities to invest excess HUD funds in obligations of the United States, certificates of deposit or any other federally insured investments. HUD also requires that deposits be fully collateralized at all times. Acceptable collateralization includes FDIC insurance and the market value of securities purchased and pledged to the political subdivision. Pursuant to HUD restrictions, obligations of the United States are allowed as security for deposits. Obligations furnished as security must be held by MHA or with an unaffiliated bank or trust company for the account of MHA.

Custodial Credit Risk — For deposits, custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. It is the Authority's policy for deposits to be 100 percent secured by either the FDIC or pledged collateral in accordance with HUD requirements.

Investment Rate Risk – Fair value fluctuates with interest rates, and increasing interest rates could cause fair value to decline below original cost. To limit the Authority's exposure to fair value losses arising from increasing interest rates, the Authority's investment policy limits the term of investment maturities to remain sufficiently liquid to enable the Authority to meet all operating requirements which might be reasonably anticipated. The Authority's management believes the liquidity in the investment portfolio is adequate to meet cash flow requirements and to preclude the Authority from having to sell investments below original cost for that purpose. The investments at June 30, 2013 met the Authority's investment policy as of that date.

At June 30, 2013, cash, cash equivalents and investments consisted of deposits with financial institutions either fully insured by FDIC insurance and/or collateralized by securities held by a third party in MHA's name and in government securities.

The following is a detail of cash and investments at June 30, 2013:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Security Deposits</u>	<u>Investments</u>
Cash and cash equivalents:				
Checking and money market accounts	\$ 14,932,665	\$ 2,976,289	\$ 122,216	\$ -
Contract retentions	-	23,296	-	-
Funds held by private companies	98,464	755,375	45,166	-
Total cash and cash equivalents	<u>15,031,129</u>	<u>3,754,960</u>	<u>167,382</u>	<u>-</u>
Investments:				
Money market accounts	-	-	-	86,433
Certificates of deposit	-	-	-	683,966
Total investment	<u>-</u>	<u>-</u>	<u>-</u>	<u>770,399</u>
Total cash and investments	<u>\$ 15,031,129</u>	<u>\$ 3,754,960</u>	<u>\$ 167,382</u>	<u>\$ 770,399</u>

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2013 consisted of the following:

Tenants receivable, net	\$ 41,029
Accounts receivable - HUD	2,032,412
Accounts receivable - HCD	666,345
Accounts receivable - Port	319,010
Accounts receivable - other	1,394,558
Allowance for doubtful accounts	<u>(528,036)</u>
Total accounts receivable	<u>\$ 3,925,318</u>

NOTE 4 – NOTES RECEIVABLE

Notes receivable at June 30, 2013 consisted of the following:

Application Entity	Loan Date	Interest Rate	Due Date	2013
Thomas W. Jones, Jr. and Dianne C. Jones	12/31/2004	6.00%	12/31/2024	\$ 355,387
Memphis Land Bank	01/31/2005	0.00%	02/01/2015	185,257
Renaissance Village Apartments, L.P. (Note A)	01/01/2003	4.09%	10/01/2043	685,000
Renaissance Village Apartments, L.P. (Note B)	01/01/2003	0.00%	01/01/2043	1,904,042
Uptown Square Apartments, L.P.	02/20/2003	0.00%	02/20/2043	14,410,609
Lemoyne Garden Senior, L.P. (Note A)	09/08/2000	6.09%	09/08/2040	920,000
Lemoyne Garden Senior, L.P. (Note B)	09/08/2000	0.50%	09/08/2050	2,935,740
Lemoyne Garden Family, L.P. (Note C)	11/29/2000	0.50%	11/29/2040	7,306,586
Uptown Village Apartments, LP	03/05/2004	0.00%	03/05/2044	4,075,000
Latham Terrace, LP	01/01/2006	4.52%	12/31/2077	5,061,792
University Place Southeast, LP	05/11/2006	8.00%	11/11/2052	6,488,330
University Place II, LP	05/31/2007	4.90%	05/31/2047	2,000,000
MLB University Place II, LP	05/31/2007	0.00%	05/31/2052	7,347,928
University Place III, LP	08/08/2008	8.00%	08/08/2048	7,660,685
Ford Senior Villas, LP	05/15/2007	5.01%	04/01/2049	4,493,829
Uptown Senior Housing Development, LP	04/19/2006	0.00%	04/19/2046	4,943,000
Legends Park East	08/28/2008	8.00%	08/28/2047	2,800,000
Legends Park East	08/28/2009	8.00%	08/28/2048	7,000,000
Horn Lake Apartments LP	07/11/2008	4.60%	07/11/2010	3,969,577
Horn Lake Apartments LP	07/11/2008	4.60%	07/11/2010	2,300,000
Levi Landing LP	11/12/2009	0.00%	10/01/2049	2,423,600
Lyons Ridge Apartments LP	03/08/2010	0.00%	03/01/2012	4,250,000
Lakeview Road LP	11/12/2009	0.00%	10/01/2049	9,429,273
Village Parkway Apartments LP	03/08/2010	0.00%	03/10/2052	3,991,527
Legends Park West	11/12/2009	0.00%	10/01/2049	8,401,339
Legends Park North	11/7/2011	7.00%	11/07/2066	4,945,169
Cleaborn Homes	9/14/2011	0.00%	12/31/2012	15,361,961
Fairway Manor	9/9/2011	0.00%	12/31/2012	<u>2,449,519</u>
Total notes receivables				138,095,150
Less: current portion				<u>(92,628)</u>
Long-term notes receivable				<u>\$ 138,002,522</u>

Included in other assets is \$13,340,401 in accrued interest receivable that has been recognized on the note receivables. The Authority has recorded an allowance for the entire accrued interest balance.

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 4 – NOTES RECEIVABLE (CONTINUED)

Thomas W. Jones, Jr. and Dianne C. Jones — As a part of the redevelopment of the University Place area, the Authority acquired property owned by Thomas W. Jones, Jr. and Dianne C. Jones. To assist the Jones with relocating, on December 21, 2004, a loan of \$356,838 was provided with an interest rate of six percent to purchase property located at 241 East Industrial Drive, Memphis, Tennessee. The borrower agreed to make monthly principal and interest payments totaling \$2,557 through December 31, 2024. The loan is secured by a deed of trust on the above real estate. The borrower made total payments of principal and interest of \$0 during 2013.

Memphis Land Bank, Inc. — As part of the development of the Agnes Place Apartments by Memphis Land Bank (MLB) on the site of the former Hawkins Mill Apartments, MHA provided to MLB \$926,281 to be used as permanent financing for the development of 26 units to be leased to very low income families. The terms of this agreement provide for a 10 percent reduction in the balance for every year of the 10 year provisional period. During the provisional period, MLB agrees to make 100 percent of the residential units available to low to moderate income families and 26 units available to very low income families. In the event MLB fails to meet these criteria during that period, MLB agrees to repay the current pro-rata balance to MHA.

Renaissance Village Apartments, LP — As part of the redevelopment of the Hurt Village community, MHA provided two loans on January 1, 2004 to assist in the construction of an 88-unit mixed income community on approximately five acres that was secured by a subordinate mortgage on the project.

Note A - The second priority loan of \$685,000 was provided on January 1, 2003, and interest accrues at 4.09 percent and matures on January 1, 2043. Debt services will be paid annually from 50 percent of available surplus cash as defined in the agreement. Cash flows are not guaranteed to be sufficient to repay all accrued interest and as a result, all accrued interest amounts are offset by an allowance for uncollectible interest. Notes receivable amounts on this loan are considered non-current. No payments were received on this note during 2013.

Note B - As part of the redevelopment of Hurt Village, MHA provided an interest-free sponsor loan on January 1, 2003 for \$1,904,042. The loan is classified as a third priority loan and matures on January 1, 2043. Debt service payments will begin after the second priority loan is paid off and will be paid annually from 50 percent of available surplus cash as defined in the agreement. Notes receivable amounts on this loan are considered non-current. No payments were received on this note during 2013.

Uptown Square Apartments, LP - As part of the redevelopment of the Uptown Square area, MHA provided a loan to assist in the construction of a 347-unit, mixed income community on approximately 20 acres that was secured by a subordinate mortgage on the project. An interest-free sponsor loan for \$14,410,609 was provided to Uptown Square Apartments on February 20, 2003. The Owner Entity will be expected to pay the entire outstanding principle balance on February 20, 2043. As of December 31, 2006, the Owner Entity recognized an impairment loss of \$5,300,000, based upon comparison of the carrying value of property and equipment to the future net undiscounted cash flows expected to be generated, and any estimated proceeds from future disposition. No payments were received on this note during 2013.

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 4 – NOTES RECEIVABLE (CONTINUED)

Lemoyne Garden Senior LP and Family LP Notes - As part of the redevelopment of the Lemoyne Gardens community, MHA provided three loans during 2000 to assist in the construction of College Park Family and College Park Senior development.

Note A - A loan of \$920,000 was provided to Lemoyne Gardens Senior LP on September 8, 2000. Interest on this loan accrues at 6.09 percent and matures on September 8, 2040. Interest on the outstanding principal and on any unpaid accrued interest on this note shall compound annually until the maturity date. Cash flow is not guaranteed to be sufficient to repay all accrued interest and as a result, all accrued interest amounts are offset by an allowance for uncollectible interest. Payment of this note is secured by a Deed of Trust and Security Agreement and all amounts on this loan are considered non-current. No payments were received on this note during 2013.

Note B - As part of the construction of the senior unit component of the redevelopment of Lemoyne Gardens, MHA provided a low interest sponsor loan to Lemoyne Gardens Senior LP on September 8, 2000 of \$2,935,740. Interest on this loan accrues at 0.50 percent and matures on September 8, 2050. Interest on the outstanding principal and on any unpaid accrued interest on this note shall compound annually until the maturity date. Cash flow is not guaranteed to be sufficient to repay all accrued interest and as a result, all accrued interest amounts are offset by an allowance for uncollectible interest. Payment of this note is secured by a Deed of Trust and Security Agreement and all amounts on this loan are considered non-current. No payments were received on this note during 2013.

Note C - As part of the construction of the family unit component of the redevelopment of Lemoyne Gardens, MHA provided a low interest sponsor loan to Lemoyne Gardens Family LP on November 29, 2000 of \$7,838,768. Interest on this loan accrues at 0.50 percent and matures on November 29, 2040. Interest on the outstanding principal and on any unpaid accrued interest on this note shall compound annually until the maturity date. Cash flow is not guaranteed to be sufficient to repay all accrued interest and as a result, all accrued interest amounts are offset by an allowance for uncollectible interest. Payment of this note is secured by a Deed of Trust and Security Agreement and all amounts on this loan are considered non-current. No payments were received on this note during 2013.

Uptown Village Apartments, LP - As part of the redevelopment of the Uptown Village community, MHA provided an interest-free sponsor loan on March 3, 2004 of up to \$4,075,000 to assist in the construction of Uptown Village. This loan is classified as a third priority loan and matures on March 5, 2044. Debt service payments will begin after the second priority loan is paid off and will be paid annually from 50 percent of available surplus cash as defined in the agreement. Notes receivable amounts on this loan are considered non-current. No payments were received on this note during 2013.

Latham Terrace, LP — A construction loan of up to \$5,220,030 was provided to Latham Terrace, LP on January 1, 2006, for the construction of an 80 unit low income housing complex. Interest on this loan accrues at 4.34 percent. Original maturity date of this loan was May 1, 2007. Upon satisfaction of the conditions set forth in the loan agreement, the loan shall convert to a permanent loan having a term of 40 years. This loan was converted to permanent financing subsequent to June 30, 2008. Cash flow is not guaranteed to be sufficient to repay all accrued interest and as a result, all accrued interest amounts are offset by an allowance for uncollectible interest. No payments were received on this note during 2013.

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 4 – NOTES RECEIVABLE (CONTINUED)

Fowler Multifamily Development, LP — A construction loan of up to \$4,754,473 was provided to Fowler Multifamily Development, LP on March 1, 2006, for the construction of a 40 unit low-income apartment building. Interest on this loan accrued at 4.39 percent and a maturity date of March 31, 2008. The loan has not been converted to permanent financing. Total advances on this loan are \$4,920,461. As a result of operating losses and cash flow losses by the Partnership, the Authority has written off the full balance of this loan.

University Place Southeast, LP — A construction loan of up to \$7,009,117 was provided to University Place Southeast, LP on May 11, 2006, for the construction of a 118 unit senior development, 82 units of which shall be operated as public housing. Interest on this loan accrues at eight percent to a maximum of \$492,000. Interest and principal are payable out of cash flows and all unpaid amounts are due at maturity of November 11, 2052. Cash flow is not guaranteed to be sufficient to repay all accrued interest and as a result, all accrued interest amounts are offset by an allowance for uncollectible interest. A payment in the amount of \$606,882 was received on this note during 2013.

University Place II, LP - A construction loan of up to \$2,000,000 was provided to University Place II, LP on May 31, 2007, for the construction of 151 housing units, 44 units of which shall be operated as public housing. Interest on this loan accrues at 8.00 percent to a maximum of \$64,046. Thereafter, interest on the outstanding balance shall accrue at 4.90 percent. Interest and principal are payable out of cash flows and all unpaid amounts are due at maturity on May 31, 2047. Cash flow is not guaranteed to be sufficient to repay all accrued interest and as a result, all accrued interest amounts are offset by an allowance for uncollectible interest. No payments were received on this note during 2013.

MLB University Place Two, LLC - An interest free loan of up to \$7,347,928 was provided to MLB University Place Two, LLC on May 31, 2007, the proceeds of which are to be used to fund a construction loan in the same amount from MLB University Place Two, LLC to University Place II, LP, for the construction of 151 housing units, 44 units of which shall be operated as public housing. Principal is payable only from the interest and principal payments made by University Place II, LP to MLB University Place Two, LLC, with a final maturity date of May 31, 2047. MLB University Place Two, LLC is under no obligation to make any payments under the note from funds other than the payments it receives from University Place II, LP. No payments were received on this note during 2013.

University Place Phase III, LP – As part of the redevelopment of the former Lamar Terrace site, MHA provided loans of \$7,660,685 for the construction of 136 housing units (26 public housing units) and other improvements such as landscaping, curbing and paving. The loans mature on August 8, 2040. Interest on the loans accrue at 8.00 percent annually. Cash flow is not guaranteed to be sufficient to repay all accrued interest and as a result, all accrued interest amounts are offset by an allowance for uncollectible interest. No payments were received on these notes during 2013.

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 4 – NOTES RECEIVABLE (CONTINUED)

Ford Senior Villas, LP - A construction loan of up to \$4,493,829 was provided to Ford Senior Villas, LP on March 15, 2007, for the construction of 72 housing units, all of which shall be operated as public housing. Interest on this loan accrues at 5.01 percent. Interest and principal are payable out of cash flows and all unpaid amounts are due at maturity on April 1, 2009. Cash flow is not guaranteed to be sufficient to repay all accrued interest and as a result, all accrued interest amounts are offset by an allowance for uncollectible interest. No payments were received on this note during 2013.

Uptown Senior Housing Development, LP - As part of the redevelopment of the Uptown Village community, MHA provided an interest-free sponsor loan on April 19, 2006 of up to \$4,943,000 to assist in the construction of Uptown Village. This loan matures on April 19, 2046. Debt service payments are due annually on July 1, and will be paid from a percentage of available surplus cash as defined in the agreement. Notes receivable amounts on this loan are considered non-current. No payments were received on this note during 2013.

Legends Park East, LP - As part of the redevelopment of the former Dixie Homes site, MHA provided a loan of \$9,800,000 for the construction of 134 housing units (53 public housing units) and other improvements such as landscaping, curbing and paving. The loan matures on August 28, 2040. Interest on this loan accrues at 8.00 percent annually. Cash flow is not guaranteed to be sufficient to repay all accrued interest and as a result, all accrued interest amounts are offset by an allowance for uncollectible interest. No payments were received on this note during 2013.

Horn Lake Apartments, LP - As part of the redevelopment of the former Horn Lake Apartments, MHA provided a loan of \$6,269,577 for the construction of a 71-unit low income multifamily apartment complex, Austin Park. The loan matured on July 11, 2010. Interest on this loan accrues at 4.60 percent annually. Cash flow is not guaranteed to be sufficient to repay all accrued interest and as a result, all accrued interest amounts are offset by an allowance for uncollectible interest. No payments were received on this note during 2013.

Levi Landing LP - A permanent financing loan for \$2,423,600 was provided for a 32-unit (16 public housing units) multifamily apartment complex known as Levi Landing. The loan matures on October 1, 2049 and has an annual interest rate of 0.0%. No payments were received on this note during 2013.

Lyons Ridge Apartments LP – A construction loan for \$4,250,000 was provided for the development and construction of a 102-unit elderly apartment complex. The construction loan will convert to term loan after certain events on or before the maturity date in March 2012. Total advances made on this loan during 2012 were \$3,279,583, for a total outstanding loan of \$4,250,000.

Lakeview Road LP – A permanent financing loan for \$9,429,273 was provided for a 152-unit (76 public housing units) multifamily apartment complex known as Lakeview Road Apartments. The loan matures on October 1, 2049 and has an annual interest rate of 0.0%. No payments were received on this note during 2013.

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 4 – NOTES RECEIVABLE (CONTINUED)

Village Parkway LP - A construction loan for \$3,991,527 was provided for the development and construction of a 116-unit multifamily apartment complex known as Village at Cypresswood. The loan matures on March 10, 2052 and had an annual interest rate of 0.0%. No payments were received on this note during 2013.

Legends Park West, LP - A construction loan for \$8,401,339 was provided for the development and construction of a 100-unit multifamily apartment complex known as Legends Park West. The loan matures on September 9, 2055 and had an annual interest rate of 8.5%. No payments were received on this note during 2013.

Legends Park North, LP - A construction loan for \$5,105,000 was provided for the development of an 81-unit apartment complex. The loan matures on November 7, 2065 and has an annual interest rate of 7% during construction, 0% thereafter. No payments were received on this note during 2012.

Memphis Triangle Senior LLC (Cleaborn Homes Phase I) – A loan for \$12,800,000 was provided for the development and revitalization of Cleaborn Homes HOPE VI Redevelopment, Phase I, which shall include 84 units, 44 of which shall be operated as public housing, together with such other improvements as may be necessary such as landscaping, curbing and paving. The loan matures on December 19, 2051 and has an annual interest rate of 0.00%. Total advances made during 2013 were \$7,834,325.

Memphis Triangle Family LLC (Cleaborn Homes Phase II) – A loan for \$11,475,000 was provided for the development and revitalization of Cleaborn Pointe Heritage Landing Phase II, which shall include 106 units, 36 of which shall be operated as public housing, together with such other improvements as may be necessary such as landscaping, curbing and paving. The loan matures on November 1, 2051 and has an annual interest rate of 0.00%. Total advances made during 2013 were \$6,974,618.

Fairway Manor L. P. – A permanent loan for \$8,534,454 was provided for the development of a 96 unit multi-family apartment complex of which 68 will be operated as public housing. The loan matures on November 9, 2052 and has a 0.0% annual interest rate. Total advances made during 2013 were \$2,449,519.

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 5 – CAPITAL ASSETS

The following is a summary of changes in capital assets for fiscal year ended June 30, 2013:

	<u>Balance at June 30, 2012</u>	<u>Additions</u>	<u>Transfers /Deletions</u>	<u>Balance at June 30, 2013</u>
Non-depreciable:				
Land	\$ 13,150,338	\$ -	\$ 17,439	\$ 13,167,777
Construction in progress	<u>4,713,645</u>	<u>2,261,681</u>	<u>(4,417,924)</u>	<u>2,557,402</u>
Total non-depreciable	<u>17,863,983</u>	<u>2,261,681</u>	<u>(4,400,485)</u>	<u>15,725,179</u>
Depreciated:				
Buildings and improvements	223,290,944	705,109	6,078,221	230,074,274
Furniture and equipment	<u>2,767,950</u>	<u>1</u>	<u>-</u>	<u>2,767,951</u>
Total depreciated	<u>226,058,894</u>	<u>705,110</u>	<u>6,078,221</u>	<u>232,842,225</u>
Total capital assets	243,922,877	2,966,791	1,677,736	248,567,404
Less accumulated depreciation	<u>(171,382,630)</u>	<u>(11,617,498)</u>	<u>(682,879)</u>	<u>(183,683,007)</u>
Capital assets, net	<u>\$ 72,540,247</u>	<u>\$ (8,650,707)</u>	<u>\$ 994,857</u>	<u>\$ 64,884,397</u>

The schedule of capital assets include property and related transactions of the Authority's component units.

NOTE 6 – ACCRUED LIABILITIES AND DEFERRED REVENUE

Accrued liabilities and deferred revenue consisted of the following at June 30, 2013:

Accrued salaries and fringe benefits	\$ 192,152
Accrued compensated absences - current portion	114,577
Unearned revenue - McKinney Act refunding	185,256
Unearned revenue - other	<u>9,477</u>
Total	<u>\$ 501,462</u>

The unearned revenue - McKinney Act refunding above represents the remaining balance of funds received from HUD, in a prior year, as a result of the refunding of Saints Court and Southwood developments in compliance with the McKinney Act. In fiscal year 2013, \$92,626 was recognized as income.

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 7 – LONG-TERM LIABILITIES

	Balance at June 30, 2012	Additions	Payments	Balance June 30, 2013	Due in One Year
Notes payable - City of Memphis	\$ 5,085,177	\$ 570,338	\$ 5,655,515	\$ -	\$ -
Compensated absences	1,361,454	32,314	247,987	1,145,781	114,577
Total	<u>\$ 6,446,631</u>	<u>\$ 602,652</u>	<u>\$ 5,903,502</u>	<u>\$ 1,145,781</u>	<u>\$ 114,577</u>

As part of the comprehensive redevelopment plan at the Authority, the City has provided loans totaling \$18.2 million related to the historic rehabilitation of Lauderdale Courts, and infrastructure costs in the Uptown Redevelopment Area. The City provides funds to MHA for payment to the Developer for third party costs. MHA acts as a pass-through since the City does not provide loans to developers and does not retain any ownership in the redeveloped area.

Terms of the agreements provide for unsecured loans of four to five years and interest accruing at rates of 3 to 4.5 percent annually. The primary source of funds for repayment of the City loans by MHA is from tax incremental fund revenues (TIF) generated for the Uptown District as a result of the redevelopment activity. Interest payments are paid semi-annually. Principal payments on the loan are payable in annual installments. During 2013, no interest was paid on these loans. Principal payments in the amount of \$5,655,515 was paid.

NOTE 8 – RETIREMENT PLAN

Plan Description

Certain employees of the Authority are members of Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS), which provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at age 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who became disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty.

Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the *Tennessee Code Annotated* (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the Authority, which participate in the TCRS as individual entities are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 8 – RETIREMENT PLAN (CONTINUED)

Plan Description (continued)

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, Tennessee 37243-0230 or by calling (615) 741-7063.

Funding Status and Progress

The Authority has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to five percent of annual covered payroll.

The Authority is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2013 was 14.11 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement of the Authority is established and may be amended by the TCRS Board of Trustees.

For the years ending June 30 2013, 2012 and 2011, the Authority's annual pension payments to TCRS of \$622,401, \$675,604 and \$814,336, respectively, were equal to the Authority's required contributions. Covered payroll for June 30, 2013, 2012 and 2011 was \$4,364,654, \$4,766,709 and \$5,696,433, respectively.

The required contribution for 2013 was determined by an actuarial valuation using the frozen initial liability actuarial cost method. Significant actuarial assumptions used in the valuation include: (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increase based on a graded scale that reflects the plan experience pattern of declining escalation rates as participant ages increase (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of equities over a five-year period. Amortized book value was used for fixed income securities. The Plan's unfunded - actuarial accrued liability is being funded by level dollar contributions on a closed basis during an amortization period which ends in the year 2015.

**MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

NOTE 8 – RETIREMENT PLAN (CONTINUED)

Funding Status and Progress (continued)

TREND INFORMATION

	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Pension Obligation</u>
Fiscal year ended:			
June 30, 2013	\$ 622,401	100.00%	-
June 30, 2012	675,604	100.00%	-
June 30, 2011	814,336	100.00%	-
June 30, 2010	748,854	100.00%	-
June 30, 2009	830,179	100.00%	-
June 30, 2008	708,838	100.00%	-
June 30, 2007	911,057	100.00%	-
June 30, 2006	664,357	100.00%	-
June 30, 2005	609,732	100.00%	-
June 30, 2004	442,528	100.00%	-
June 30, 2003	450,187	100.00%	-
June 30, 2002	83,669	100.00%	-
June 30, 2001	74,292	100.00%	-

Changes in Actuarial Assumption

As a result of the June 30, 2000 experience study, changes were made to two of the significant actuarial assumptions as follows: 1) projected salary increase was reduced to 4.75 percent from a previous rate of 5.5 percent, and 2) projected annual increase in Social Security wage base was reduced to 3.5 percent from a previous rate of 4.5 percent. No significant changes were made to significant actuarial assumptions as a result of the June 30, 2004 experience study.

The actuarial valuation performed as of July 1, 2009, established contribution rates of 14.80 percent, effective July 1, 2010. The contribution rate of 14.80 was reduced to 14.05 effective October 1, 2010, after the Board discontinued the non-contributory provision for future hires.

NOTE 9 – RELATED PARTY TRANSACTIONS

The Authority and HCD are functionally consolidated to avoid duplication of services provided to the citizens of the City. As of June 30, 2013, \$0 in grant funds was due from HCD. In conjunction with pass-through funding related to CDBG, as of June 30, 2013, \$1,321,138 was due from HCD. In addition, the identified loans payable to the City, detailed in Note 7, are also considered to be related party transactions.

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 9 – RELATED PARTY TRANSACTIONS (CONTINUED)

Memphis Land Bank (MLB), a Tennessee non-profit corporation, was formed in 2004. The primary purpose of this business relationship is to provide a conduit to purchase parcels for redevelopment and apartment complexes to add to MHA's low and moderate income housing portfolio.

MHA receives a percentage of net cash flow from the related mixed-income, multi-family rental communities properties to service the debt for the related development project loans described in Note 4. During fiscal year 2013, MHA recorded \$0 in interest income from development loans made to Owner-Entities.

The Owner-Entities operate under various regulatory and operating agreements with MHA, whereby a required number of units are set aside for public housing-assisted families. There is a commitment in each regulatory and operating agreement whereby MHA is obligated to fund operating costs related to the public housing-assisted apartments on an agreed basis. Operating subsidy in the amount of \$2,486,982 was expensed in 2013.

NOTE 10 – RISK MANAGEMENT

The Authority is exposed to all common perils associated with the ownership and rental of real estate properties. A risk management program has been established to minimize loss occurrence and to transfer risk through various levels of insurance. Property casualty, employee dishonesty and public official's liability forms are used to cover the respective perils.

Commercial carriers insure all common perils such as business auto, computer and other miscellaneous policies. Settled claims have not exceeded coverage limits over the past three years.

NOTE 11 – CONTINGENCIES AND COMMITMENTS

The Authority is subject to possible examination by Federal regulators who determine compliance with terms, conditions, laws and regulations governing grants given to the Authority in the current and prior years. These examinations may result in required refunds by the Authority to Federal grantors and/or program beneficiaries.

Legal Matters - The Authority is involved in various legal proceedings and litigation arising in the normal course of business. Management of the Authority does not believe that the settlement of any such claims or litigation will have a material adverse effect on the Authority's financial position or results of operations.

NOTE 12 – ECONOMIC DEPENDENCY

Both the PHA Owned Housing Program and the Housing Choice Voucher Program are economically dependent on annual contributions and grants from HUD. Both programs operate at a loss prior to receiving the contributions and grants.

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 13 – MERGER OF SHELBY COUNTY HOUSING AUTHORITY

On January 6, 2012, the Board of Commissioners of Shelby County Housing Authority passed a resolution to develop an action plan of merger with the Authority and relinquish ownership of the SCHA public housing properties and programmatic assets and associated responsibilities. On February 1, 2012 SCHA and the Authority entered into an intergovernmental management agreement. The Authority maintained full management authority for the SCHA operations through December 31, 2012. Effective January 1, 2013, HUD approved the merger and transfer of assets from SCHA to the Authority. As a result, the Authority recognized the following assets, liabilities and net position:

	Carrying Value
Transferred assets (net)	
Cash	\$ 744,251
Accounts receivable	73,965
Prepays and other assets	1,270
Capital assets	997,922
Total assets	\$ 1,817,408
Transferred liabilities	
Accounts payable	\$ 77,148
Net position transferred	
Net investment in capital assets	\$ 997,922
Restricted net assets	759
Unrestricted net assets	741,579
Total net position transferred	\$ 1,740,260

NOTE 14 – SUPPLEMENTAL INFORMATION

The supplemental information including the Financial Data Schedules has been included in order to show the financial statements of the Authority on the GAAP basis of accounting in the form required by HUD. This is due to the fact that some supplementary information is reviewed by the field office and provides greater detail concerning the operations of the Authority.

SUPPLEMENTAL INFORMATION

MEMPHIS HOUSING AUTHORITY
ENTITY-WIDE BALANCE SHEET SUMMARY
June 30, 2013

Line Item #	Accounts Description	Project Totals	Business						DHP	DHP IKE	DVP	Main Stream Vouchers	ARRA-Competitive	Elimination	Total
			COCC	Activities	Hope VI	HCVP	CDBG	ROSS							
CURRENT ASSETS															
Cash:															
111	Unrestricted	\$ 8,547,653	\$ 1,472,063	\$ 671,039	\$ -	\$ 4,051,732	\$ -	\$ -	\$ 252,300	\$ 14,538	\$ -	21,804	\$ -	\$ -	\$ 15,031,129
112	Restricted - modernization and development	-	-	-	-	-	-	-	-	-	-	-	-	-	
113	Other restricted	778,671	-	-	1,287,071	1,689,218	-	-	-	-	-	-	-	3,754,960	
114	Tenant security deposits	167,382	-	-	-	-	-	-	-	-	-	-	-	167,382	
100	Total cash	9,493,706	1,472,063	671,039	1,287,071	5,740,950	-	-	252,300	14,538	-	21,804	-	18,953,471	
Accounts and notes receivable:															
121	Accounts receivable - PHA projects	-	-	-	-	319,010	-	-	-	-	-	-	-	319,010	
122	HUD other projects	227,035	-	-	1,785,779	-	-	19,598	-	-	-	-	-	2,032,412	
124	Other government	348,750	317,595	-	-	-	-	-	-	-	-	-	-	666,345	
125	Miscellaneous	5,894	66,505	1,321,138	-	-	-	1,021	-	-	-	-	-	1,394,558	
126	Tenants	57,485	-	-	-	-	-	-	-	-	-	-	-	57,485	
126.1	Allowance for doubtful accounts - tenants	(16,456)	-	-	-	-	-	-	-	-	-	-	-	(16,456)	
126.10	Allowance for doubtful accounts - other	-	-	(528,036)	-	-	-	-	-	-	-	-	-	(528,036)	
127	Notes, loans, & mortgages receivable - current	-	-	92,628	-	-	-	-	-	-	-	-	-	92,628	
129	Accrued interest receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	
120	Total receivables, net of allowances for uncollectibles	622,708	384,100	885,730	1,785,779	319,010	1,021	19,598	-	-	-	-	-	4,017,946	
131	Investments - unrestricted	770,399	-	-	-	-	-	-	-	-	-	-	-	770,399	
132	Investments- restricted	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Total current investments	770,399	-	-	-	-	-	-	-	-	-	-	-	770,399	
142	Prepaid expenses and other assets	141,472	172,264	-	-	-	-	-	-	-	-	-	-	313,736	
143	Inventories	-	-	-	-	-	-	-	-	-	-	-	-	-	
143.1	Allowance for obsolete inventories	-	-	-	-	-	-	-	-	-	-	-	-	-	
144	Interprogram - due from	113,039	-	-	-	-	-	-	-	-	-	-	(113,039)	-	
150	Total current assets	11,141,324	2,028,427	1,556,769	3,072,850	6,059,960	1,021	19,598	252,300	14,538	-	21,804	(113,039)	24,055,552	
NONCURRENT ASSETS															
Fixed assets:															
161	Land	4,292,744	8,875,033	-	-	-	-	-	-	-	-	-	-	13,167,777	
162	Buildings	219,613,468	10,460,806	-	-	-	-	-	-	-	-	-	-	230,074,274	
164	Furniture, equipment & mach - admin.	82,674	2,685,277	-	-	-	-	-	-	-	-	-	-	2,767,951	
166	Accumulated depreciation	(175,122,524)	(8,560,483)	-	-	-	-	-	-	-	-	-	-	(183,683,007)	
167	Construction in progress	2,557,402	-	-	-	-	-	-	-	-	-	-	-	2,557,402	
160	Total fixed assets, net of accumulated depreciation	51,423,764	13,460,633	-	-	-	-	-	-	-	-	-	-	64,884,397	
171	Notes, loans and mortgages receivable - noncurrent	25,069,352	-	112,933,170	-	-	-	-	-	-	-	-	-	138,002,522	
180	Total noncurrent assets	76,493,116	13,460,633	112,933,170	-	-	-	-	-	-	-	-	-	202,886,919	
190	TOTAL ASSETS	\$ 87,634,440	\$ 15,489,060	\$ 114,489,939	\$ 3,072,850	\$ 6,059,960	\$ 1,021	\$ 19,598	\$ 252,300	\$ 14,538	\$ -	\$ 21,804	\$ (113,039)	\$ 226,942,471	

MEMPHIS HOUSING AUTHORITY
ENTITY-WIDE BALANCE SHEET SUMMARY
June 30, 2013

Line Item #	Accounts Description	Project Totals	Business Activities								Main Stream		ARRA-	Elimination	Total
			COCC	Activities	Hope VI	HCVP	CDBG	ROSS	DHAP	DHAP IKE	DVP	Vouchers	Competitive		
CURRENT LIABILITIES															
312	Accounts payable <= 90 days	\$ 256,722	\$ 18,378	\$ 638,213	\$ 3,072,850	\$ 15,080	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,001,243
313	Accounts payable > 90 days	-	-	-	-	-	-	-	-	-	-	-	-	-	-
321	Accrued wage/payroll taxes payable	109,792	82,360	-	-	-	-	-	-	-	-	-	-	-	192,152
322	Accrued compensated absences - current portion	59,837	54,740	-	-	-	-	-	-	-	-	-	-	-	114,577
324	Accrued contingency liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-
331	Accounts payable - HUD	-	-	-	-	-	-	-	-	-	-	-	-	-	-
332	Accounts payable - PHA projects	-	-	-	-	-	-	-	-	-	-	-	-	-	-
341	Tenant security deposits	167,382	-	-	-	-	-	-	-	-	-	-	-	-	167,382
342	Deferred revenues	9,477	-	185,256	-	-	-	-	-	-	-	-	-	-	194,733
343	Current portion of LT debt - capital projects/ mortgage revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-
344	Current portion of LT debt - operating borrowings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
345	Other current liabilities	116,406	-	-	-	30,353	1,021	19,598	-	-	-	-	-	-	167,378
346	Other liabilities	44,899	-	-	-	-	-	-	-	-	-	-	-	-	44,899
347	Interprogram (due to)	113,039	-	-	-	-	-	-	-	-	-	-	-	(113,039)	-
310	Total current liabilities	877,554	155,478	823,469	3,072,850	45,433	1,021	19,598	-	-	-	-	-	(113,039)	4,882,364
NONCURRENT LIABILITIES															
351	Long-term debt, net of current - capital projects/ mortgage revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-
352	Long-term debt, net of current - operating borrowings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
353	Non-current liabilities - other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
354	Accrued compensated absences - noncurrent	538,542	492,662	-	-	-	-	-	-	-	-	-	-	-	1,031,204
350	Total noncurrent liabilities	538,542	492,662	-	-	-	-	-	-	-	-	-	-	-	1,031,204
300	Total liabilities	1,416,096	648,140	823,469	3,072,850	45,433	1,021	19,598	-	-	-	-	-	(113,039)	5,913,568
EQUITY															
508.1	Invested in capital assets	51,423,764	13,460,633	-	-	-	-	-	-	-	-	-	-	-	64,884,397
511.1	Restricted net assets	778,671	-	-	1,287,071	1,689,218	-	-	-	-	-	-	-	-	3,754,960
512.1	Unrestricted net assets	34,015,909	1,380,287	113,666,470	(1,287,071)	4,325,309	-	-	252,300	14,538	-	21,804	-	-	152,389,546
513	Total equity/net assets	86,218,344	14,840,920	113,666,470	-	6,014,527	-	-	252,300	14,538	-	21,804	-	-	221,028,903
600	TOTAL LIABILITIES AND EQUITY/NET ASSETS	\$ 87,634,440	\$ 15,489,060	\$ 114,489,939	\$ 3,072,850	\$ 6,059,960	\$ 1,021	\$ 19,598	\$ 252,300	\$ 14,538	\$ -	\$ 21,804	\$ -	\$ (113,039)	\$ 226,942,471

MEMPHIS HOUSING AUTHORITY
ENTITY-WIDE REVENUE AND EXPENSE SUMMARY
Year Ended June 30, 2013

Line Item #	Accounts Description	Business										Main Stream		ARRA-	Elimination	Total
		Project Totals	COCC	Activities	Hope VI	HCPV	CDBG	ROSS	DHAP	DHAP IKE	DVP	Vouchers	Competitive			
REVENUE																
70300	Net tenant rental revenue	\$ 3,925,256	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,925,256
70400	Tenant revenue - other	67,910	-	-	-	-	-	-	-	-	-	-	-	-	-	67,910
70500	Total tenant revenue	3,993,166	-	-	-	-	-	-	-	-	-	-	-	-	-	3,993,166
70600	HUD PHA operating grants	18,629,351	-	-	9,593,576	49,660,229	-	243,937	-	-	-	183,465	296,195.00	-	-	78,606,753
706.10	Capital grants	3,034,794	-	-	-	-	-	-	-	-	-	-	-	-	-	3,034,794
70710	Management fee	-	1,723,177	-	-	-	-	-	-	-	-	-	-	-	(1,723,177)	-
70720	Asset management fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
70730	Bookkeeping fee	-	244,761	-	-	-	-	-	-	-	-	-	-	-	(244,761)	-
70750	Other fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
70700	Total fee revenue	-	1,967,938	-	-	-	-	-	-	-	-	-	-	-	(1,967,938)	-
70800	Other governmental grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
71100	Investment income - unrestricted	6,182	482	41	-	-	-	-	-	-	-	-	-	-	-	6,705
71400	Fraud recovery	-	-	-	-	51,196	-	-	-	-	-	-	-	-	-	51,196
71500	Other revenue	1,086,775	699,506	11,153,677	2,206,451	589,406	13,659	-	-	-	-	-	-	-	-	15,749,474
71600	Gain or loss on sale of capital assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
72000	Investment Income - restricted	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
70000	Total revenue	26,750,268	2,667,926	11,153,718	11,800,027	50,300,831	13,659	243,937	-	-	-	183,465	296,195	(1,967,938)	-	101,442,088
EXPENSES																
Administrative:																
91100	Administrative salaries	846,805	1,701,277	-	189,581	-	-	-	-	-	-	-	-	-	-	2,737,663
91200	Auditing fees	113,077	34,060	-	-	63,752	-	-	-	-	-	-	-	-	-	210,889
91300	Management fee	1,028,176	-	-	-	695,001	-	-	-	-	-	-	-	-	-	-
913.10	Bookkeeping fee	244,761	-	-	-	-	-	-	-	-	-	-	-	-	(244,761)	-
91400	Advertising and marketing	2,294	260	-	-	1,275	-	-	-	-	-	-	-	-	-	3,829
91500	Employee benefit contributions - administrative	266,871	569,910	-	51,328	-	-	-	-	-	-	-	-	-	-	888,109
91600	Office expense	303,141	589,478	-	-	183,747	-	-	-	-	-	-	-	-	-	1,076,366
91700	Legal expense	32,580	124,566	-	-	7,258	-	-	-	-	-	-	-	-	-	164,404
91800	Travel	1,597	2,599	-	-	-	-	-	-	-	-	-	-	-	-	4,196
91900	Other	3,169,212	163,974	-	642,533	3,290,188	-	-	-	2,750	-	-	-	-	-	7,268,657
	Total administrative	6,008,514	3,186,124	-	883,442	4,241,221	-	-	-	2,750	-	-	-	-	(1,967,938)	12,354,113
92000	Asset management fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tenant services:																
92100	Salaries	2,542	-	-	-	-	-	-	-	-	-	-	-	-	-	2,542
92200	Relocation costs	-	-	-	5,279	-	-	-	-	-	-	-	-	-	-	5,279
92300	Employee benefit contributions	2,740	-	-	-	-	-	-	-	-	-	-	-	-	-	2,740
92400	Other	315,375	136,671	-	-	56,794	28,695	243,937	-	-	-	-	-	-	-	781,472
	Total tenant services	320,657	136,671	-	5,279	56,794	28,695	243,937	-	-	-	-	-	-	-	792,033
Utilities:																
93100	Water	200,953	805	-	-	-	-	-	-	-	-	-	-	-	-	201,758
93200	Electricity	1,673,254	80,905	-	-	-	-	-	-	-	-	-	-	-	-	1,754,159
93300	Gas	284,018	5,354	-	-	-	-	-	-	-	-	-	-	-	-	289,372
93400	Fuel	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
93600	Sewer	357,907	2,321	-	-	-	-	-	-	-	-	-	-	-	-	360,228
93800	Other utilities expense	12,980	-	-	-	-	-	-	-	-	-	-	-	-	-	12,980
	Total utilities	2,529,112	89,385	-	-	-	-	-	-	-	-	-	-	-	-	2,618,497
Ordinary maintenance & operations:																
94100	Labor	1,328,327	-	-	-	-	-	-	-	-	-	-	-	-	-	1,328,327
94200	Materials and other	872,846	39,972	-	-	-	-	-	-	-	-	-	-	-	-	912,818
94300	Contracts	1,509,235	113,769	-	-	-	-	-	-	-	-	-	-	-	-	1,623,004
94500	Employee benefits contribution	420,162	-	-	-	-	-	-	-	-	-	-	-	-	-	420,162
	Total ordinary maintenance & operations	4,130,570	153,741	-	-	-	-	-	-	-	-	-	-	-	-	4,284,311
Protective services:																
95100	Labor	134,126	36,022	-	-	-	-	-	-	-	-	-	-	-	-	170,148
95200	Other contract costs	172,384	385	-	-	-	-	-	-	-	-	-	-	-	-	172,769
95300	Other	8,440	5,088	-	-	-	-	-	-	-	-	-	-	-	-	13,528
95500	Employee benefit contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
95000	Total protective services	314,950	41,495	-	-	-	-	-	-	-	-	-	-	-	-	356,445
96100	Total Insurance premiums	331,559	41,061	-	-	-	-	-	-	-	-	-	-	-	-	372,620

MEMPHIS HOUSING AUTHORITY
ENTITY-WIDE REVENUE AND EXPENSE SUMMARY
Year Ended June 30, 2013

Line Item #	Accounts Description	Project Totals	Business								DVP	Main Stream Vouchers	ARRA- Competitive	Elimination	Total
			COCC	Activities	Hope VI	HCVP	CDBG	ROSS	DHAP	DHAP IKE					
EXPENSES (Continued)															
General expenses:															
96200	Other general expenses	\$ 46,447	\$ 12,476	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 58,923
96210	Compensated absences	32,314	-	-	-	-	-	-	-	-	-	-	-	-	32,314
96300	Payments in lieu of taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-
96400	Bad debt - tenant rents	210,855	-	-	-	-	-	-	-	-	-	-	-	-	210,855
96600	Bad debt - other	-	-	355,387	-	-	-	-	-	-	-	-	-	-	355,387
96800	Severance expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-
96000	Total general expenses	289,616	12,476	355,387	-	-	-	-	-	-	-	-	-	-	657,479
96700	Total interest expense and amortization cost	-	-	150,500	-	-	-	-	-	-	-	-	-	-	150,500
96900	Total operating expenses	13,924,978	3,660,953	505,887	888,721	4,298,015	28,695	243,937	-	2,750	-	-	-	(1,967,938)	21,585,998
Excess of operating revenue over operating expenses															
97000		12,825,290	(993,027)	10,647,831	10,911,306	46,002,816	(15,036)	-	-	(2,750)	-	-	296,195	-	79,856,090
97100	Extraordinary maintenance	1,268,761	-	639,559	431,333	-	-	-	-	-	-	-	296,195	-	2,635,848
97200	Casualty losses - non capitalized	-	-	-	-	-	-	-	-	-	-	-	-	-	-
97300	Housing assistance payments	-	-	-	-	46,980,058	-	-	-	-	-	137,483	-	-	47,117,541
97400	HAP Portability- IN	-	-	-	-	331,196	-	-	-	-	-	-	-	-	331,196
97400	Depreciation expense	8,677,839	2,939,659	-	-	-	-	-	-	-	-	-	-	-	11,617,498
90000	Total expenses	23,871,578	6,600,612	1,145,446	1,320,054	51,609,269	28,695	243,937	-	2,750	-	137,483	296,195	(1,967,938)	83,288,081
Other financing sources (uses):															
10010	Operating transfer in	-	-	-	-	57,824	-	-	-	-	-	-	-	-	(57,824)
10020	Operating transfer out	-	-	-	-	-	-	-	-	-	-	-	-	57,824	-
10030	Operating transfers from / to primary government	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10060	Proceeds from property sales	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10070	Extraordinary items, net gain / loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10080	Special items (net gain/loss)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10091	Inter project excell cash transfer in	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10093	Operating transfer between programs and projects - in	22,230,140	-	-	-	-	14,706	-	-	-	-	-	-	(22,244,846)	-
10094	Operating transfer between programs and projects - out	(7,624,101)	-	(4,140,772)	(10,479,973)	-	-	-	-	-	-	-	-	22,244,846	-
10100	Total other financing sources (uses)	14,606,039	-	(4,140,772)	(10,479,973)	57,824	14,706	-	-	-	(33,646)	(24,178)	-	-	-
10000	EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENSES	\$ 17,484,729	\$ (3,932,686)	\$ 5,867,500	\$ -	\$ (1,250,614)	\$ (330)	\$ -	\$ -	\$ (2,750)	\$ (33,646)	\$ 21,804	\$ -	\$ -	\$ 18,154,007
Memo Account Information															
11020	Required annual debt principal payments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11030	Beginning equity	67,058,990	18,773,606	107,798,970	-	7,199,506	330	-	252,300	17,288	33,646	-	-	-	201,134,636
11040	Prior period adjustments, equity transfers & correction	1,674,625	-	-	-	65,635.00	-	-	-	-	-	-	-	-	1,740,260
11170	Administrative fee equity	-	-	-	-	4,325,309	-	-	-	-	-	-	-	-	4,325,309
11180	Housing assistance payments equity	-	-	-	-	1,689,218	-	-	-	-	-	-	-	-	1,689,218
11190	Unit months available	33,304	-	-	-	82,668	-	-	-	-	-	348	-	-	116,320
11210	Unit months leased	32,813	-	-	-	82,571	-	-	-	-	-	333	-	-	115,717
11270	Excess cash	8,561,825	-	-	-	-	-	-	-	-	-	-	-	-	8,561,825
11620	Building Purchases	2,959,997	-	-	-	-	-	-	-	-	-	-	-	-	2,959,997

MEMPHIS HOUSING AUTHORITY
PROJECT BALANCE SHEET SUMMARY
June 30, 2013

Line Item	Accounts Description	AMP 2	AMP 8	AMP 9	AMP 13	AMP 14	AMP 16	AMP 18	AMP 21	AMP 23	AMP 43	AMP 44	AMP 45	AMP 46	AMP 47
CURRENT ASSETS															
Cash:															
111	Unrestricted	\$ 752,854	\$ 3,524,570	\$ -	\$ 66,355	\$ 457,284	\$ 932,309	\$ 235,865	\$ 24,355	\$ -	\$ 4,664	\$ 9,662	\$ -	\$ 67,094	\$ 235
112	Restricted - modernization and development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
113	Other restricted	-	-	-	-	-	-	-	-	-	-	-	-	23,296	-
114	Tenant security deposits	33,823	-	-	16,664	19,129	-	17,047	7,502	18,008	-	-	-	35,025	-
115	Restricted for payment of current liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
100	Total cash	786,677	3,524,570	-	83,019	476,413	932,309	252,912	31,857	18,008	4,664	9,662	-	125,415	235
Accounts and notes receivable:															
121	Accounts receivable - PHA projects	-	-	-	-	-	-	-	-	-	-	-	-	-	-
122	HUD other project	14,530	-	-	-	-	-	-	-	-	-	-	-	-	150
124	Other government	103,516	-	-	48,800	52,990	-	51,265	24,647	50,772	-	-	-	-	-
125	Accounts receivable - miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	5,894	-
126	Tenants	12,098	-	-	1,821	9,091	-	2,439	1,141	1,252	-	-	-	17,725	-
126.1	Allowance for doubtful accounts - tenants	-	-	-	-	-	-	-	-	-	-	-	-	(16,456)	-
126.2	Allowance for doubtful accounts - other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
120	Total receivables, net of allowances for uncollectibles	130,144	-	-	50,621	62,081	-	53,704	25,788	52,024	-	-	-	7,163	150
131	Investments - unrestricted	176,509	192,542	-	83,211	90,356	-	87,414	42,026	86,574	-	-	-	-	-
132	Investments - restricted	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total current investments	176,509	192,542	-	83,211	90,356	-	87,414	42,026	86,574	-	-	-	-	-
142	Prepaid expenses and other assets	29,144	53	-	15,483	15,961	-	15,664	6,844	16,073	-	-	-	23,518	-
143	Inventories	-	-	-	-	-	-	-	-	-	-	-	-	-	-
143.1	Allowance for obsolete inventories	-	-	-	-	-	-	-	-	-	-	-	-	-	-
144	Interprogram - due from	-	113,039	-	-	-	-	-	-	-	-	-	-	-	-
150	Total current assets	1,122,474	3,830,204	-	232,334	644,811	932,309	409,694	106,515	172,679	4,664	9,662	-	156,096	385
NONCURRENT ASSETS															
Fixed assets:															
161	Land	896,810	1,720,801	444,987	2,081	63,571	-	64,655	207,900	127,775	-	150,136	-	580,550	-
162	Buildings	42,829,243	55,088,752	43,590,398	13,482,450	15,834,849	-	10,072,024	6,975,424	10,852,550	-	-	6,312	8,629,774	-
164	Furniture, equipment & machinery - administration	19,340	16,450	9,575	9,201	9,575	-	9,656	4,738	9,575	-	-	-	-	-
166	Accumulated depreciation	(38,710,683)	(47,149,229)	(40,620,422)	(9,300,224)	(10,521,724)	-	(8,058,911)	(4,517,121)	(8,159,707)	-	-	(1,262)	(3,661,082)	-
167	Construction in progress	-	-	-	271,347	714,233	-	300,169	112,907	356,525	-	-	-	164,999	-
160	Total fixed assets, net of accumulated depreciation	5,034,710	9,676,774	3,414,963	4,464,855	6,100,904	-	2,387,593	2,783,848	3,186,718	-	150,136	5,050	5,714,241	-
171	Notes, loans and mortgages receivable - noncurrent	-	-	-	-	-	-	-	-	-	-	-	-	-	-
180	Total noncurrent assets	5,034,710	9,676,774	3,414,963	4,464,855	6,100,904	-	2,387,593	2,783,848	3,186,718	-	150,136	5,050	5,714,241	-
190	TOTAL ASSETS	\$ 6,157,184	\$ 13,506,978	\$ 3,414,963	\$ 4,697,189	\$ 6,745,715	\$ 932,309	\$ 2,797,287	\$ 2,890,363	\$ 3,359,397	\$ 4,664	\$ 159,798	\$ 5,050	\$ 5,870,337	\$ 385
CURRENT LIABILITIES															
312	Accounts payable <= 90 days	\$ 29,821	\$ -	\$ -	\$ 37,751	\$ 17,261	\$ -	\$ 20,017	\$ 3,839	\$ 14,060	\$ 644	\$ 747	\$ -	\$ 22,161	\$ 604
321	Accrued wage/payroll taxes payable	39,676	-	-	12,347	9,881	-	11,755	17,552	10,373	-	-	-	1,635	-
322	Accrued compensated absences - current portion	21,884	-	-	7,726	5,367	-	8,141	7,744	5,518	-	-	-	1,647	-
324	Accrued contingency liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-
331	Accounts payable - HUD PHA programs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
341	Tenant security deposits	33,823	-	-	16,664	19,129	-	17,047	7,502	18,008	-	-	-	35,025	-
342	Deferred revenues	-	-	-	-	-	-	-	-	-	-	-	-	8,021	-
345	Other current liabilities	1,842	-	-	21,763	24,270	-	14,593	190	24,853	-	-	-	23,296	234
346	Accrued liabilities - other	-	-	-	-	-	-	-	-	-	-	-	-	44,899	-
347	Interprogram - Due to	-	-	-	-	-	-	-	-	-	-	-	-	-	-
310	Total current liabilities	127,046	-	-	96,251	75,908	-	71,553	36,827	72,812	644	747	-	136,684	838
NONCURRENT LIABILITIES															
353	Non-current liabilities - other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
354	Accrued compensated absences - noncurrent	196,953	-	-	69,537	48,307	-	73,273	69,700	49,665	-	-	-	14,823	-
350	Total noncurrent liabilities	196,953	-	-	69,537	48,307	-	73,273	69,700	49,665	-	-	-	14,823	-
300	Total liabilities	323,999	-	-	165,788	124,215	-	144,826	106,527	122,477	644	747	-	151,507	838
EQUITY															
508.1	Invested in capital assets	5,034,710	9,676,774	3,414,963	4,464,855	6,100,904	-	2,387,593	2,783,848	3,186,718	-	150,136	5,050	5,714,241	-
511.1	Restricted net assets	-	-	-	-	-	-	-	-	-	-	-	-	23,296	-
512.1	Unrestricted net assets	798,475	3,830,204	-	66,546	520,596	932,309	264,868	(12)	50,202	4,020	8,915	-	(18,707)	(453)
513	Total equity/net assets	5,833,185	13,506,978	3,414,963	4,531,401	6,621,500	932,309	2,652,461	2,783,836	3,236,920	4,020	159,051	5,050	5,718,830	(453)
600	TOTAL LIABILITIES AND EQUITY/NET ASSETS	\$ 6,157,184	\$ 13,506,978	\$ 3,414,963	\$ 4,697,189	\$ 6,745,715	\$ 932,309	\$ 2,797,287	\$ 2,890,363	\$ 3,359,397	\$ 4,664	\$ 159,798	\$ 5,050	\$ 5,870,337	\$ 385

MEMPHIS HOUSING AUTHORITY
PROJECT BALANCE SHEET SUMMARY
June 30, 2013

Line Item #	Accounts Description	AMP 48	AMP 49	AMP 50	AMP 51	AMP 53	AMP 54	AMP 55	AMP 56	AMP 57	AMP 58	AMP 59	AMP 60	AMP 61	AMP 62
CURRENT ASSETS															
Cash:															
111	Unrestricted	\$ -	\$ 299,242	\$ 16,595	\$ 271,145	\$ -	\$ 76,501	\$ 89,875	\$ 12,957	\$ -	\$ 216,539	\$ 229,172	\$ 59,340	\$ 176,636	\$ 107,767
112	Restricted - modernization and development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
113	Other restricted	-	-	-	-	-	-	190,045	-	565,330	-	-	-	-	-
114	Tenant security deposits	-	2,061	-	2,478	-	-	3,030	-	-	54,122	3,959	-	-	-
115	Restricted for payment of current liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
100	Total cash	-	301,303	16,595	273,623	-	76,501	282,950	12,957	565,330	220,661	233,131	59,340	176,636	107,767
Accounts and notes receivable:															
121	Accounts receivable - PHA projects	-	-	-	-	-	-	-	-	-	-	-	-	-	-
122	HUD other project	634	-	-	448	35,487	-	-	-	26,866	-	-	-	-	-
124	Other government	-	-	-	6,901	-	-	9,859	-	-	-	-	-	-	-
125	Accounts receivable - miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-
126	Tenants	-	4,386	-	242	-	-	380	-	-	6,175	-	-	-	-
126.1	Allowance for doubtful accounts - tenants	-	-	-	-	-	-	-	-	-	-	-	-	-	-
126.2	Allowance for doubtful accounts - other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
120	Total receivables, net of allowances for uncollectibles	634	4,386	-	7,591	35,487	-	10,239	-	26,866	6,175	-	-	-	-
131	Investments - unrestricted	-	-	-	11,767	-	-	-	-	-	-	-	-	-	-
132	Investments - restricted	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total current investments	-	-	-	11,767	-	-	-	-	-	-	-	-	-	-
142	Prepaid expenses and other assets	-	4,734	-	2,973	-	-	3,109	-	-	3,028	3,618	-	-	-
143	Inventories	-	-	-	-	-	-	-	-	-	-	-	-	-	-
143.1	Allowance for obsolete inventories	-	-	-	-	-	-	-	-	-	-	-	-	-	-
144	Interprogram - due from	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150	Total current assets	634	310,423	16,595	295,954	35,487	76,501	296,298	12,957	592,196	229,864	236,749	59,340	176,636	107,767
NONCURRENT ASSETS															
Fixed assets:															
161	Land	-	-	-	16,040	-	-	-	-	-	-	-	-	-	-
162	Buildings	-	410,059	-	2,035,658	-	-	372,091	-	-	4,160,947	2,800,926	796,071	-	-
164	Furniture, equipment & machinery - administration	-	-	-	1,404	-	-	2,005	-	-	-	-	-	-	-
166	Accumulated depreciation	-	(126,058)	-	(847,502)	-	-	(205,713)	-	-	(1,381,029)	(710,203)	(399,998)	-	-
167	Construction in progress	-	-	-	195,210	-	-	214,297	-	-	-	-	-	-	-
160	Total fixed assets, net of accumulated depreciation	-	284,001	-	1,400,810	-	-	382,680	-	-	2,779,918	2,090,723	396,073	-	-
171	Notes, loans and mortgages receivable - noncurrent	-	-	-	-	-	-	-	-	-	-	-	-	-	-
180	Total noncurrent assets	-	284,001	-	1,400,810	-	-	382,680	-	-	2,779,918	2,090,723	396,073	-	-
190	TOTAL ASSETS	\$ 634	\$ 594,424	\$ 16,595	\$ 1,696,764	\$ 35,487	\$ 76,501	\$ 678,978	\$ 12,957	\$ 592,196	\$ 3,009,782	\$ 2,327,472	\$ 455,413	\$ 176,636	\$ 107,767
CURRENT LIABILITIES															
312	Accounts payable <= 90 days	\$ 167	\$ 2,333	\$ 318	\$ 1,391	\$ -	\$ -	\$ 4,418	\$ -	\$ -	\$ 4,666	\$ 3,926	\$ 350	\$ -	\$ -
321	Accrued wage/payroll taxes payable	-	2,106	-	1,156	-	-	2,690	-	-	125	62	-	-	-
322	Accrued compensated absences - current portion	-	-	-	669	-	-	1,141	-	-	-	-	-	-	-
324	Accrued contingency liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-
331	Accounts payable - HUD PHA programs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
341	Tenant security deposits	-	2,061	-	2,478	-	-	3,030	-	-	4,122	3,959	-	-	-
342	Deferred revenues	-	248	-	-	-	-	-	-	-	495	342	-	-	-
345	Other current liabilities	-	113	-	170	-	-	270	-	-	-	-	3,005	498	385
346	Accrued liabilities - other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
347	Interprogram - Due to	-	-	-	-	35,487	-	-	-	26,866	-	-	-	-	-
310	Total current liabilities	167	6,861	318	5,864	35,487	-	11,549	-	26,866	9,408	8,289	3,355	498	385
NONCURRENT LIABILITIES															
353	Non-current liabilities - other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
354	Accrued compensated absences - noncurrent	-	-	-	6,017	-	-	10,267	-	-	-	-	-	-	-
350	Total noncurrent liabilities	-	-	-	6,017	-	-	10,267	-	-	-	-	-	-	-
300	Total liabilities	167	6,861	318	11,881	35,487	-	21,816	-	26,866	9,408	8,289	3,355	498	385
EQUITY															
508.1	Invested in capital assets	-	284,001	-	1,400,810	-	-	382,680	-	-	2,779,918	2,090,723	396,073	-	-
511.1	Restricted net assets	-	-	-	-	-	-	190,045	-	565,330	-	-	-	-	-
512.1	Unrestricted net assets	467	303,562	16,277	284,073	-	76,501	84,437	12,957	-	220,456	228,460	55,985	176,138	107,382
513	Total equity/net assets	467	587,563	16,277	1,684,883	-	76,501	657,162	12,957	565,330	3,000,374	2,319,183	452,058	176,138	107,382
600	TOTAL LIABILITIES AND EQUITY/NET ASSETS	\$ 634	\$ 594,424	\$ 16,595	\$ 1,696,764	\$ 35,487	\$ 76,501	\$ 678,978	\$ 12,957	\$ 592,196	\$ 3,009,782	\$ 2,327,472	\$ 455,413	\$ 176,636	\$ 107,767

**MEMPHIS HOUSING AUTHORITY
PROJECT BALANCE SHEET SUMMARY
June 30, 2013**

Line Item #	Accounts Description	AMP 63	AMP 64	AMP 65	AMP 66	AMP 67	AMP 68	AMP 69	AMP 70	AMP 71	AMP 72	AMP 73	AMP 74	AMP 76	OTHER AMP	Total
CURRENT ASSETS																
Cash:																
111	Unrestricted	\$ -	\$ -	\$ 337	\$ 45,113	\$ 35,873	\$ 25,200	\$ 92,682	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 717,432	\$ -	\$ 8,547,653
112	Restricted - modernization and development	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
113	Other restricted	-	-	-	-	-	-	-	-	-	-	-	-	-	-	778,671
114	Tenant security deposits	-	-	-	-	-	-	-	-	-	-	-	-	4,534	-	167,382
115	Restricted for payment of current liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
100	Total cash	-	-	337	45,113	35,873	25,200	92,682	-	-	-	-	-	721,966	-	9,493,706
Accounts and notes receivable:																
121	Accounts receivable - PHA projects	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
122	HUD other project	-	13,340	17,483	-	-	-	-	19,863	-	18,675	-	56,400	23,159	-	227,035
124	Other government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	348,750
125	Accounts receivable - miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,894
126	Tenants	-	-	-	-	-	-	-	-	-	-	-	-	735	-	57,485
126.1	Allowance for doubtful accounts - tenants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(16,456)
126.2	Allowance for doubtful accounts - other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
120	Total receivables, net of allowances for uncollectibles	-	13,340	17,483	-	-	-	-	19,863	-	18,675	-	56,400	23,894	-	622,708
131	Investments - unrestricted	-	-	-	-	-	-	-	-	-	-	-	-	-	-	770,399
132	Investments - restricted	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total current investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	770,399
142	Prepaid expenses and other assets	-	-	-	-	-	-	-	-	-	-	-	-	1,270	-	141,472
143	Inventories	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
143.1	Allowance for obsolete inventories	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
144	Interprogram - due from	-	-	-	-	-	-	-	-	-	-	-	-	-	-	113,039
150	Total current assets	-	13,340	17,820	45,113	35,873	25,200	92,682	19,863	-	18,675	-	56,400	747,130	-	11,141,324
NONCURRENT ASSETS																
Fixed assets:																
161	Land	-	-	-	-	-	-	-	-	-	-	-	-	17,438	-	4,292,744
162	Buildings	-	-	-	-	-	-	-	-	-	-	-	-	1,667,090	8,850	219,613,468
164	Furniture, equipment & machinery - administration	-	-	-	-	-	-	-	-	-	-	-	-	-	330	82,674
166	Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	-	(749,886)	(1,770)	(175,122,524)
167	Construction in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	227,715	2,557,402
160	Total fixed assets, net of accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	-	934,642	235,125	51,423,764
171	Notes, loans and mortgages receivable - noncurrent	-	-	-	-	-	-	-	2,312,702	4,945,169	2,449,519	8,387,344	6,974,618	-	-	25,069,352
180	Total noncurrent assets	-	-	-	-	-	-	-	2,312,702	4,945,169	2,449,519	8,387,344	6,974,618	934,642	235,125	76,493,116
190	TOTAL ASSETS	\$ -	\$ 13,340	\$ 17,820	\$ 45,113	\$ 35,873	\$ 25,200	\$ 92,682	\$ 2,332,565	\$ 4,945,169	\$ 2,468,194	\$ 8,387,344	\$ 7,031,018	\$ 1,681,772	\$ 235,125	\$ 87,634,440
CURRENT LIABILITIES																
312	Accounts payable <= 90 days	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,675	\$ -	\$ 56,400	\$ 17,173	\$ -	\$ 256,722
321	Accrued wage/payroll taxes payable	-	-	-	-	-	-	-	-	-	-	-	-	434	-	109,792
322	Accrued compensated absences - current portion	-	-	-	-	-	-	-	-	-	-	-	-	-	-	59,837
324	Accrued contingency liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
331	Accounts payable - HUD PHA programs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
341	Deferred revenues	-	-	-	-	-	-	-	-	-	-	-	-	4,534	-	167,382
342	Other current liabilities	-	-	-	-	-	-	-	-	-	-	-	-	371	-	9,477
345	Accrued liabilities - other	-	-	337	70	-	-	-	-	-	-	-	-	517	-	116,406
346	Interprogram - Due to	-	13,340	17,483	-	-	-	-	19,863	-	-	-	-	-	-	44,899
347	Total current liabilities	-	13,340	17,820	70	-	-	-	19,863	-	18,675	-	56,400	23,029	-	877,554
NONCURRENT LIABILITIES																
353	Non-current liabilities - other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
354	Accrued compensated absences - noncurrent	-	-	-	-	-	-	-	-	-	-	-	-	-	-	538,542
350	Total noncurrent liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	538,542
300	Total liabilities	-	13,340	17,820	70	-	-	-	19,863	-	18,675	-	56,400	23,029	-	1,416,096
EQUITY																
508.1	Invested in capital assets	-	-	-	-	-	-	-	-	-	-	-	-	934,642	235,125	51,423,764
511.1	Restricted net assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	778,671
512.1	Unrestricted net assets	-	-	-	45,043	35,873	25,200	92,682	2,312,702	4,945,169	2,449,519	8,387,344	6,974,618	724,101	-	34,015,909
513	Total equity/net assets	-	-	-	45,043	35,873	25,200	92,682	2,312,702	4,945,169	2,449,519	8,387,344	6,974,618	1,658,743	235,125	86,218,344
600	TOTAL LIABILITIES AND EQUITY/NET ASSETS	\$ -	\$ 13,340	\$ 17,820	\$ 45,113	\$ 35,873	\$ 25,200	\$ 92,682	\$ 2,332,565	\$ 4,945,169	\$ 2,468,194	\$ 8,387,344	\$ 7,031,018	\$ 1,681,772	\$ 235,125	\$ 87,634,440

MEMPHIS HOUSING AUTHORITY
PROJECT REVENUE AND EXPENSE SUMMARY
June 30, 2013

Line Item	Accounts Description	AMP 2	AMP 8	AMP 9	AMP 13	AMP 14	AMP 16	AMP 18	AMP 21	AMP 23	AMP 43
REVENUE											
70300	Net tenant rental revenue	\$ 845,135	\$ -	\$ -	\$ 495,098	\$ 499,848	\$ -	\$ 512,925	\$ 171,861	\$ 518,805	\$ -
70400	Tenant revenue - other	16,681	(654)	-	925	2,510	-	5,650	22,270	3,383	-
70500	Total tenant revenue	861,816	(654)	-	496,023	502,358	-	518,575	194,131	522,188	-
70600	HUD PHA operating grants	2,255,161	1,660,259	-	567,570	821,787	-	639,167	483,177	484,077	200,133
706.1	Capital grants	14,530	-	-	365,260	875,979	-	423,589	142,360	443,494	-
70700	Fee revenue	-	-	-	-	-	-	-	-	-	-
71100	Investment income - unrestricted	865	-	-	662	678	-	671	573	669	-
71500	Other revenue	119,734	-	-	52,823	67,911	-	61,064	27,625	54,069	-
71600	Gain or loss on sale of capital assets	-	-	-	-	-	-	-	-	-	-
70000	Total revenue	3,252,106	1,659,605	-	1,482,338	2,268,713	-	1,643,066	847,866	1,504,497	200,133
EXPENSES											
Administrative:											
91100	Administrative salaries	216,436	7,473	-	85,014	99,081	-	102,607	98,484	169,431	-
91200	Auditing fees	19,521	4,237	-	9,299	10,008	-	9,853	4,676	9,800	1,584
91300	Management fee	464,001	-	-	111,052	121,228	-	117,018	55,968	115,800	-
913.1	Bookkeeping fee	37,800	-	-	17,680	19,300	-	18,636	8,916	18,456	7,200
91400	Advertising and marketing	97	-	-	45	49	-	48	23	47	-
91500	Employee benefit contributions - administrative	52,663	14,253	-	29,420	38,725	-	30,965	21,811	67,947	-
91600	Office expense	48,815	2,709	-	42,941	47,572	-	49,332	20,003	39,297	-
91700	Legal expense	8,858	-	-	1,574	641	-	5,126	(883)	6,410	-
91800	Travel	-	-	-	760	-	-	765	-	-	-
91900	Other	58,502	1,036	-	2,189	173,822	-	2,111	2,223	2,275	62,772
	Total administrative	906,693	29,708	-	299,974	510,426	-	336,461	211,221	429,553	71,556
92000	Asset management fee	-	-	-	-	-	-	-	-	-	-
Tenant services:											
92100	Salaries	-	-	-	-	-	-	-	-	-	-
92200	Relocation costs	-	-	-	-	-	-	-	-	-	-
92300	Employee benefit contributions - tenant services	-	-	-	-	-	-	-	-	-	-
92400	Other	56,037	-	-	85,606	56,979	-	42,116	15,689	55,823	-
92500	Total tenant services	56,037	-	-	85,606	56,979	-	42,116	15,689	55,823	-
Utilities:											
93100	Water	78,519	-	-	13,768	17,980	-	14,153	25,254	14,458	8,610
93200	Electricity	418,937	-	-	224,201	189,850	-	212,481	153,656	184,457	99,972
93300	Gas	152,520	-	-	13,489	15,726	-	23,255	29,793	11,394	5,289
93400	Fuel	-	-	-	-	-	-	-	-	-	-
93600	Sewer	172,200	-	-	24,342	32,655	-	25,804	38,125	31,087	9,647
93800	Other utilities expense	-	-	-	-	-	-	-	782	-	96
	Total utilities	822,176	-	-	275,800	256,211	-	275,693	247,610	241,396	123,614
Ordinary maintenance & operations:											
94100	Labor	653,405	32,643	-	126,262	94,388	-	159,245	143,615	82,385	-
94200	Materials and other	345,813	78	-	80,354	63,032	-	90,240	110,360	66,511	644
94300	Contracts	393,646	-	-	169,353	138,131	-	182,087	139,321	125,494	-
94500	Employee benefits contribution	158,984	62,261	-	43,694	36,891	-	48,058	35,315	33,039	-
	Total ordinary maintenance & operations	1,551,848	94,982	-	419,663	332,442	-	479,630	428,611	307,429	644
Protective services:											
95100	Labor	34,965	13,204	-	17,378	18,253	-	18,253	8,456	17,378	-
95200	Other contract costs	-	-	-	36,540	37,368	-	54,427	-	37,850	-
95300	Other	2,427	-	-	1,194	1,288	-	1,249	649	1,238	-
95500	Employee benefit contributions	-	-	-	-	-	-	-	-	-	-
95000	Total protective services	37,392	13,204	-	55,112	56,900	-	73,929	9,105	56,466	-
96110	Property insurance	32,183	82	-	18,031	17,282	-	17,111	6,326	18,157	-
96120	Liability insurance	21,649	3,086	-	10,206	11,081	-	10,721	6,541	10,617	-
96130	Workmen's insurance	35,264	2,822	-	10,145	9,147	-	11,596	10,226	10,576	-
96140	All other insurance	3,398	449	-	1,581	913	-	870	1,988	2,222	-
96100	Total insurance premiums	92,494	6,439	-	39,963	38,423	-	40,298	25,081	41,572	-
General expenses:											
96200	Other general expenses	7,445	92	-	2,558	1,721	-	2,556	1,945	1,968	-
96210	Compensated absences	-	-	-	-	-	-	-	15,844	-	-
96300	Payment in lieu of taxes	-	-	-	-	-	-	-	-	-	-
96400	Bad debt - tenant rents	43,626	-	-	35,150	36,322	-	35,397	16,930	31,998	-
69800	Severance expense	-	-	-	-	-	-	-	-	-	-
96000	Total general expenses	51,071	92	-	37,708	38,043	-	37,953	34,719	33,966	-
96900	Total operating expenses	3,517,711	144,425	-	1,213,826	1,289,433	-	1,286,080	972,036	1,166,205	195,814
97000	Excess of operating revenue over operating expenses	(265,605)	1,515,180	-	268,512	979,280	-	356,986	(124,170)	338,292	4,319
97100	Extraordinary maintenance	18,649	-	-	3,089	491	-	7,553	6,688	3,675	-
97200	Casualty losses - non-capitalized	-	-	-	-	-	-	-	-	-	-
97400	Depreciation expense	1,860,207	1,535,597	1,184,859	646,069	772,763	-	351,984	319,216	450,453	-
90000	Total expenses	5,396,567	1,680,022	1,184,859	1,862,984	2,062,687	-	1,645,617	1,297,940	1,620,333	195,814
Other financing sources (uses):											
10010	Operating transfer in	-	-	-	-	-	-	-	-	-	-
10020	Operating transfer out	-	-	-	-	-	-	-	-	-	-
10070	Extraordinary items, net gain/loss	-	-	-	-	-	-	-	-	-	-
10093	Transfers between program and project - in	81,757	-	-	38,542	41,852	-	40,489	133,947	163,433	-
10094	Transfers between project and program - out	(82,411)	(238,242)	-	(38,542)	(41,852)	(14,706)	(40,489)	(19,466)	(40,100)	-
10100	Total other financing sources (uses)	(654)	(238,242)	-	-	-	(14,706)	-	114,481	123,333	-
10000	EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENSES	\$ (2,145,115)	\$ (258,659)	\$ (1,184,859)	\$ (380,646)	\$ 206,026	\$ (14,706)	\$ (2,551)	\$ (335,593)	\$ 7,497	\$ 4,319
Memo Account Information											
11030	Beginning equity	\$ 7,978,300	\$ 13,765,637	\$ 4,599,822	\$ 4,912,047	\$ 6,415,474	\$ 947,015	\$ 2,655,012	\$ 3,119,429	\$ 3,229,423	\$ (299)
11040	Prior period adjustments, equity transfers & correction	-	-	-	-	-	-	-	-	-	-

MEMPHIS HOUSING AUTHORITY
PROJECT REVENUE AND EXPENSE SUMMARY
June 30, 2013

Line Item #	Accounts Description	AMP 44	AMP 45	AMP 46	AMP 47	AMP 48	AMP 49	AMP 50	AMP 51	AMP 53	AMP 54
REVENUE											
70300	Net tenant rental revenue	\$ -	\$ -	\$ 250,980	\$ -	\$ -	\$ 68,117	\$ -	\$ 105,389	\$ -	\$ -
70400	Tenant revenue - other	-	-	-	-	-	-	-	8,107	-	-
70500	Total tenant revenue	-	-	250,980	-	-	68,117	-	113,496	-	-
70600	HUD PHA operating grants	186,074	-	341,789	202,520	50,653	77,882	100,918	91,786	122,826	206,056
706.1	Capital grants	-	-	233,378	-	-	-	-	-	225,876	-
70700	Fee revenue	-	-	-	-	-	-	-	-	-	-
71100	Investment income - unrestricted	-	-	-	-	-	73	-	507	-	-
71500	Other revenue	-	-	118,131	-	-	-	-	8,039	-	-
71600	Gain or loss on sale of capital assets	-	-	-	-	-	-	-	-	-	-
70000	Total revenue	186,074	-	945,278	202,520	50,653	146,072	100,918	439,704	122,826	206,056
EXPENSES											
Administrative:											
91100	Administrative salaries	-	-	36,098	-	-	-	-	14,599	-	-
91200	Auditing fees	1,821	-	3,048	1,504	436	417	792	665	515	1,584
91300	Management fee	-	-	-	-	-	-	-	15,834	-	-
913.1	Bookkeeping fee	8,280	-	13,860	6,840	1,980	1,896	3,600	2,520	2,340	7,200
91400	Advertising and marketing	-	-	-	-	-	312	-	6	-	-
91500	Employee benefit contributions - administrative	-	-	3,205	-	-	-	-	3,921	-	-
91600	Office expense	-	-	21,178	-	-	275	-	7,240	259	251
91700	Legal expense	-	-	4,175	-	-	-	-	444	-	-
91800	Travel	-	-	-	-	-	-	-	-	-	-
91900	Other	165,967	-	370,788	227,754	56,790	114,961	109,425	868	45,941	103,806
	Total administrative	176,068	-	452,352	236,098	59,206	117,861	113,817	46,097	49,055	112,841
92000	Asset management fee	-	-	-	-	-	-	-	-	-	-
Tenant services:											
92100	Salaries	-	-	-	-	-	-	-	-	-	-
92200	Relocation costs	-	-	-	-	-	-	-	-	-	-
92300	Employee benefit contributions - tenant services	-	-	-	-	-	-	-	-	-	-
92400	Other	-	-	-	-	-	-	-	-	3,125	-
92500	Total tenant services	-	-	-	-	-	-	-	-	3,125	-
Utilities:											
93100	Water	-	-	2,775	-	-	-	-	9,570	-	-
93200	Electricity	-	-	38,152	-	-	1,640	-	37,446	50,450	-
93300	Gas	-	-	3,535	-	-	34	-	13,538	-	-
93400	Fuel	-	-	-	-	-	-	-	-	-	-
93600	Sewer	-	-	1,353	-	-	-	-	6,283	1,058	-
93800	Other utilities expense	-	-	10,577	-	-	-	-	1,523	-	-
	Total utilities	-	-	56,392	-	-	1,674	-	68,360	51,508	-
Ordinary maintenance & operations:											
94100	Labor	-	-	-	-	-	-	-	7,150	-	-
94200	Materials and other	747	-	2,005	604	167	81,516	318	5,607	207	-
94300	Contracts	-	-	157,933	453	-	26,814	-	22,029	-	-
94500	Employee benefits contribution	-	-	-	-	-	-	-	1,920	-	-
	Total ordinary maintenance & operations	747	-	159,938	1,057	167	108,330	318	36,706	207	-
Protective services:											
95100	Labor	-	-	-	-	-	-	-	2,682	-	-
95200	Other contract costs	-	-	-	-	-	1,228	-	-	-	-
95300	Other	-	-	-	-	-	-	-	156	-	-
95500	Employee benefit contributions	-	-	-	-	-	-	-	-	-	-
95000	Total protective services	-	-	-	-	-	1,228	-	2,838	-	-
96110	Property insurance	-	-	3,052	-	-	2,032	-	4,011	-	-
96120	Liability insurance	-	-	22	-	-	2,341	-	1,443	-	-
96130	Workmen's insurance	-	-	250	-	-	-	-	754	-	-
96140	All other insurance	-	-	6	-	-	61	-	184	-	-
96100	Total insurance premiums	-	-	3,330	-	-	4,434	-	6,392	-	-
General expenses:											
96200	Other general expenses	-	-	26,546	-	-	-	-	297	-	-
96210	Compensated absences	-	-	16,470	-	-	-	-	-	-	-
96300	Payment in lieu of taxes	-	-	-	-	-	-	-	-	-	-
96400	Bad debt - tenant rents	-	-	-	-	-	-	-	2,556	-	-
69800	Severance expense	-	-	-	-	-	-	-	-	-	-
96000	Total general expenses	-	-	43,016	-	-	-	-	2,853	-	-
96900	Total operating expenses	176,815	-	715,028	237,155	59,373	233,527	114,135	163,246	103,895	112,841
97000	Excess of operating revenue over operating expenses	9,259	-	230,250	(34,635)	(8,720)	(87,455)	(13,217)	276,458	18,931	93,215
97100	Extraordinary maintenance	-	-	-	-	-	7,690	-	8,648	-	50,000
97200	Casualty losses - non-capitalized	-	-	-	-	-	-	-	-	-	-
97400	Depreciation expense	-	842	572,129	-	-	27,337	-	141,137	-	-
90000	Total expenses	176,815	842	1,287,157	237,155	59,373	268,554	114,135	313,031	103,895	162,841
Other financing sources (uses):											
10010	Operating transfer in	-	-	-	-	-	-	-	-	-	-
10020	Operating transfer out	-	-	-	-	-	-	-	-	-	-
10070	Extraordinary items, net gain/loss	-	-	-	-	-	-	-	-	-	-
10093	Transfers between program and project - in	-	-	28,031	-	-	4,087	-	5,450	-	-
10094	Transfers between project and program - out	-	-	(28,031)	-	-	(4,087)	-	(5,450)	-	-
10100	Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
10000	EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENSES	\$ 9,259	\$ (842)	\$ (341,879)	\$ (34,635)	\$ (8,720)	\$ (122,482)	\$ (13,217)	\$ 126,673	\$ 18,931	\$ 43,215
Memo Account Information											
11030	Beginning equity	\$ 149,792	\$ 5,892	\$ 6,060,709	\$ 34,182	\$ 9,187	\$ 710,045	\$ 29,494	\$ 1,558,210	\$ (18,931)	\$ 33,286
11040	Prior period adjustments, equity transfers & correction	-	-	-	-	-	-	-	-	-	-

MEMPHIS HOUSING AUTHORITY
STATEMENT AND CERTIFICATION OF PROGRAM COSTS
June 30, 2013

2009 Capital Fund Program Grant (CFP)	<u>TN43P001501-09</u>
Funds approved	\$ 4,556,525
Funds expended	<u>4,556,525</u>
Excess of funds approved	<u>\$ -</u>
Funds advanced	\$ 4,556,525
Funds expended	<u>4,556,525</u>
Excess of funds advanced	<u>\$ -</u>
2009 Capital Fund Grant (RHF 1st Increment)	<u>TN43R001501-09</u>
Funds approved	\$ 3,185,983
Funds expended	<u>3,185,983</u>
Excess of funds approved	<u>\$ -</u>
Funds advanced	\$ 3,185,983
Funds expended	<u>3,185,983</u>
Excess of funds advanced	<u>\$ -</u>
2009 Capital Fund Grant (RHF 2nd Increment)	<u>TN43R001502-09</u>
Funds approved	\$ 2,188,020
Funds expended	<u>2,188,020</u>
Excess of funds approved	<u>\$ -</u>
Funds advanced	\$ 2,188,020
Funds expended	<u>2,188,020</u>
Excess of funds advanced	<u>\$ -</u>
2009 Capital Fund Recovery Competitive Grant (CFRC)	<u>TN00100000909G</u>
Funds approved	\$ 8,860,538
Funds expended	<u>8,860,538</u>
Excess of funds approved	<u>\$ -</u>
Funds advanced	\$ 8,860,538
Funds expended	<u>8,860,538</u>
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 Authority's records.
2. All modernization costs have been paid and all related liabilities have been discharged through payment.

SINGLE AUDIT REPORT

Independent Auditors' 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
Memphis Housing Authority
Memphis, Tennessee

We have audited in accordance with the 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, the financial statements of the business-type activities and each major fund of the Memphis Housing Authority (the Authority) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and we have issued our report thereon dated April 14, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2013-001 and 2013-002 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from 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 or other matters that are required to be reported under *Government Auditing Standards*.

Authority's Response to Findings

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Authority's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Baltimore, Maryland
April 14, 2014

Independent Auditors' Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

Board of Commissioners
Memphis Housing Authority
Memphis, Tennessee

Compliance

We have audited the Memphis Housing Authority's (the Authority) compliance with the types of compliance requirements described in the OMB Circular A-133, *Compliance Supplement*, that could have a direct and material effect on the Authority's major federal programs for the year ended June 30, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

Baltimore, Maryland
April 14, 2014

MEMPHIS HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2013

Federal Grantor/ Pass-Through Grantor	CFDA Number	Contract Number	Beginning (Accrued) Deferred	Cash Receipts	Expenditures	Ending (Accrued) Deferred
U.S. Department of Housing and Urban Development (HUD)						
Direct Funding						
Public and Indian Housing Program	14.850	Multiple	\$ -	\$ 9,483,097	\$ 9,618,724	\$ (135,627)
HOPE VI	14.866	Multiple	(919,381)	8,727,178	9,593,576	(1,785,779)
Resident Opportunity and Supportive Services	14.870	Multiple	-	224,339	243,937	(19,598)
			<u>(919,381)</u>	<u>18,434,614</u>	<u>19,456,237</u>	<u>(1,941,004)</u>
Housing Choice Voucher Program Cluster:						
Mainstream Vouchers	14.879	Multiple	-	161,661	161,661	-
Housing Choice Voucher	14.871	Multiple	-	51,609,269	51,609,269	-
Disaster Housing Assistance Program for Hurricane IKE	14.IKE	Multiple	-	2,750	2,750	-
Housing Choice Voucher Program Total			<u>-</u>	<u>51,773,680</u>	<u>51,773,680</u>	<u>-</u>
Capital Fund Program Cluster:						
Capital Funds Program	14.872	Multiple	(449,736)	12,403,749	12,045,421	(91,408)
Formula Capital Fund Stimulus Grant - ARRA (Competitive)	14.884	TN00100000909G	(181,934)	478,129	296,195	-
Capital Fund Program Cluster Total			<u>(631,670)</u>	<u>12,881,878</u>	<u>12,341,616</u>	<u>(91,408)</u>
U.S. Department of Health and Human Services						
CSBGDA Community Food & Nutrition	93.571		-	13,659	13,659	-
TOTAL FEDERAL EXPENDITURES			<u>\$ (1,551,051)</u>	<u>\$ 83,103,831</u>	<u>\$ 83,585,192</u>	<u>\$ (2,032,412)</u>

The accompanying notes are an integral part of this schedule.

MEMPHIS HOUSING AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2013

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Memphis Housing Authority (the Authority) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

NOTE 2 – NON-CASH FEDERAL ASSISTANCE

The Authority did not receive any non-cash Federal assistance for the year ended June 30, 2013.

NOTE 3 – LOAN GUARANTEES

At year ended June 30, 2013, the Authority is not the guarantor of any loans outstanding other than those disclosed in the basic financial statements.

**MEMPHIS HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013**

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- | | | | | |
|---|----------------------|-----|----------------------|---------------|
| • Material weakness(es) identified? | _____ | Yes | _____ <u>X</u> _____ | No |
| • Significant deficiency(ies) identified that are not considered to be material weaknesses? | _____ <u>X</u> _____ | Yes | _____ | None reported |
| • Noncompliance material to financial statements noted? | _____ | Yes | _____ <u>X</u> _____ | No |

Federal Awards

Internal control over major programs:

- | | | | | |
|---|-------|-----|----------------------|---------------|
| • Material weakness(es) identified? | _____ | Yes | _____ <u>X</u> _____ | No |
| • Significant deficiency(ies) identified that are not considered to be material weaknesses? | _____ | Yes | _____ <u>X</u> _____ | None reported |

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

	_____	Yes	_____ <u>X</u> _____	No
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Identification of Major Programs

Name of Federal Program or Cluster	CFDA Numbers	Amount
Capital Fund Program Cluster	14.872, 14.885, 14.884	12,341,616
Housing Choice Voucher Program	14.871, 14.879	51,770,930

Dollar threshold used to distinguish between type A and type B programs: \$2,507,556

Auditee qualified as low-risk auditee?

	_____	Yes	_____ <u>x</u> _____	No
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MEMPHIS HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

II. Findings – Financial Statement Findings

Finding 2013-001: Significant Delay in the Audit Process

Condition

There were significant delays in the audit process due to the availability of information and significant effort needed to reconcile numerous account balances and revisions to the Financial Data Schedule. The June 30, 2013 financial statements were not completed until April 2014. This delay in the audit process impacted the Authority's ability to comply with its reporting requirements. The Authority is required to submit its audited financial statements to HUD for the year ending June 30, 2013 within 9 months after year end (i.e. March 31, 2014). In addition, the Authority is required to submit the Data Collection Form to the Federal Audit Clearinghouse 9 months after year end. The Authority did not meet either of these reporting requirements.

Criteria

The Uniform Financial Reporting Standards for HUD Housing Programs issued by the Federal Register requires the annual electronic reporting of the Unaudited and Audited Financial Information to the Real Estate Assessment Center through the Financial Assessment Submission.

OMB Circular A-133, Paragraph .320 requires that the data collection form be submitted no later than nine months after the end of the audit period.

Cause

The cause of this condition is a lack of procedures in place to ensure that timely, accurate reconciliations are performed and received during the year-end closing process.

Effect

Noncompliance with HUD's Uniform Financial Reporting Standards for HUD and OMB Circular A-133.

Recommendation

We recommend that the Authority implement procedures to ensure that future reports meet the reporting requirements of HUD's Uniform Financial Reporting Standards for HUD Housing Programs and OMB reporting deadlines.

Management's Response

MHA will take the appropriate steps and update procedures to ensure future reports adhere to the reporting requirements of HUD and OMB.

Contact:

Vickie Aldridge, Director of Accounting, 901.544.1329, valdridge@mhanewday.com

Corrective Action/Anticipated Completion Date

August 31, 2014

MEMPHIS HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

Finding 2013-002: Internal Controls Over General Ledger Maintenance and Financial Reporting

Condition

Internal controls over the preparation of financial statements revealed inadequate reviews of transactions processed as well as insufficient internal controls to identify errors in a timely manner. Our audit procedures identified several errors in the current year that resulted in a significant number of audit adjustments to notes receivable, capital assets, revenue and expenses.

Criteria

The Internal Control-Integrated Framework (COSO Report) requires adequate internal controls over financial reporting to ensure that transactions are properly recorded and accounted for to permit the preparation of reliable financial statements and demonstrate compliance with laws, regulations and other compliance requirements.

Cause

Incorrect identification and application of applicable accounting standards relating to notes receivable, capital assets, revenue and expenses.

Effect

The effect of this condition is inaccurate account balances that required a significant number of audit adjustments and lack of timely information on financial data.

Recommendation

We recommend management assign staff with the appropriate accounting experience to the financial reporting process and ensure supervision is in place and controls procedures are being performed through the establishment of a monitoring process. In the event established processes are not being adhered to, management should be more responsive in addressing identified weaknesses in the control environment.

Management Response

MHA will take the appropriate steps to make certain transactions are recorded properly and accurately throughout the fiscal year to eliminate errors and adjustments.

Contact:

Vickie Aldridge, Director of Accounting, 901.544.1329, valdridge@mhanewday.com

Corrective Action/Anticipated Completion Date

August 31, 2014

III. Federal Award Findings and Questioned Costs

None

MEMPHIS HOUSING AUTHORITY
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

Finding 2012-01: U.S. Department of Housing and Urban Development Housing Choice Voucher Program, CFDA – 14.871 Special Tests – Housing Quality Standards, Significant Deficiency

Condition/Context

Testing of 40 Housing Choice Voucher tenant files identified exceptions in 2 file as follows:

- 2 files did not contain evidence to determine if a unit ever passed inspection, was re-inspected, or if HAP was abated, after the unit failed the first and second HQS inspection.

Recommendation

We recommend that the Authority review their procedures over HQS inspections and the Quality Control re-inspections to ensure they are in compliance with all requirements.

Status

This finding has been cleared.