

MEMPHIS HOUSING AUTHORITY
Memphis, Tennessee

BASIC FINANCIAL STATEMENTS
June 30, 2009

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Independent Auditor's Report

Board of Commissioners
Memphis Housing Authority
Memphis, Tennessee

We have audited the accompanying statement of net assets of the Memphis Housing Authority (the Authority) as of June 30, 2009, and the related statements of revenues, expenses and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2009, and the changes in its financial position and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2010, 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 results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3 through 12 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the Authority taken as a whole. The accompanying information identified in the Table of Contents on pages 36 to 45 as supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

Clifton Henderson LLP

Baltimore, Maryland
November 18, 2010

**MEMPHIS HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009**

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) 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, 2009.

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 2009 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 next year. Financial highlights of this past year are as follows:

- During FY 2009, the Authority's grant funding increased by \$13.0 million from FY 2008. Primary contributors to higher funding levels were a \$5 million increase in New Construction Program funding, a \$4 million increase in Capital Fund utilization, and a \$4 million increase in HOPE VI program utilization.
- The assets of the Authority exceeded its liabilities at the close of the fiscal year by \$186 million (net assets) as opposed to \$179 million for the prior fiscal year. The Authority experienced an increase in net assets of \$7 million for FY 2009, which was primarily due to the reduction in cash for the Housing Choice Voucher program (\$11 million) offset somewhat by a \$22 million increase in notes receivable from development partners involved in transforming the Authority's non-viable properties into mixed-income communities.
- The Authority's cash balance as of June 30, 2009 was \$11,778,282, representing a decrease of \$13,970,390 from June 30, 2008. Restricted cash was \$12,303,425 lower than in 2008 due to increased utilization of HAP equity reserve in the Housing Choice Voucher Program as a result of lower funding advances during FY 2009.
- The business activities operating revenue exceeded expenses by \$25,619,632 due to HOPE VI, Capital Fund and CDBG funds that were advanced to development partners. Additional detail on these transactions can be found in Note D of the financial statements.

**MEMPHIS HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009**

REQUIRED FINANCIAL STATEMENTS

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

The basic financial statements also include a Statement of Revenue, Expenses and Changes in Net Assets, 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 Revenue, Expenses and Changes in Net Assets is the "Change in Net Assets," which is similar to net income or loss.

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

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 set 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 offer 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.

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.

MEMPHIS HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009

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.

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 Hurricane 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 the hurricanes Katrina and Rita.

FINANCIAL ANALYSIS OF THE AUTHORITY

One question frequently asked about an Authority's finances is "Did the Authority's operations and financial position improve or deteriorate over the previous fiscal year?" The Statement of Net Assets and the Statement of Revenues, Expenses and Net Assets report information about the Authority's activities and are summarized in the following sections.

**MEMPHIS HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009**

To begin our analysis, a summary of the Authority's Statements of Net Assets is presented in Table I.

**Memphis Housing Authority
Statements of Net Assets
TABLE I**

<u>Account Descriptions</u>	<u>2009</u>	<u>2008</u>	<u>Total Change</u>	<u>% Change</u>
Current assets	\$ 21,211,750	\$ 31,980,900	\$ (10,769,150)	(33.67)
Capital assets	87,259,362	96,333,212	(9,073,850)	(9.42)
Other noncurrent assets	<u>92,348,504</u>	<u>70,736,901</u>	<u>21,611,603</u>	<u>30.55</u>
Total assets	<u>\$ 200,819,616</u>	<u>\$ 199,051,013</u>	<u>\$ 1,768,603</u>	<u>0.89</u>
Current liabilities	\$ 7,818,846	\$ 11,511,047	\$ (3,692,201)	(32.08)
Noncurrent liabilities	<u>6,584,870</u>	<u>8,433,389</u>	<u>(1,848,519)</u>	<u>(21.92)</u>
Total liabilities	<u>14,403,716</u>	<u>19,944,436</u>	<u>(5,540,720)</u>	<u>(27.78)</u>
Invested in capital assets	87,259,362	96,333,212	(9,073,850)	(9.42)
Restricted net assets	1,685,887	81,607,516	(79,921,629)	(97.93)
Unrestricted net assets	<u>97,470,651</u>	<u>1,165,849</u>	<u>96,304,802</u>	<u>8,260.49</u>
Total net assets	<u>186,415,900</u>	<u>179,106,577</u>	<u>7,309,323</u>	<u>4.08</u>
Total liabilities and net assets	<u>\$ 200,819,616</u>	<u>\$ 199,051,013</u>	<u>\$ 1,768,603</u>	<u>0.89</u>

As illustrated in the Statements of Net Assets, Total Assets increased by 1%. Liabilities decreased by 28%, and the overall Net Assets increased by 4%. The decrease in current assets is mainly due to a decrease of cash in the Housing Choice Voucher program. Additionally, receivables increased by \$3,389,212. Capital Assets decreased by \$9,073,850 as illustrated further in this document. Current liabilities decreased by \$3,692,201, which was mainly due to changes in accounts payable and other liabilities. Total noncurrent liabilities decreased by \$1,848,519, which was mainly due to a decrease in long-term debt of \$1,840,000.

While the Statements of Net Assets shows the change in financial position, the Statements of Revenues, Expenses, and Net Assets (Table II) summarizes the changes in operating revenue and expense between fiscal year 2009 and 2008.

**MEMPHIS HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009**

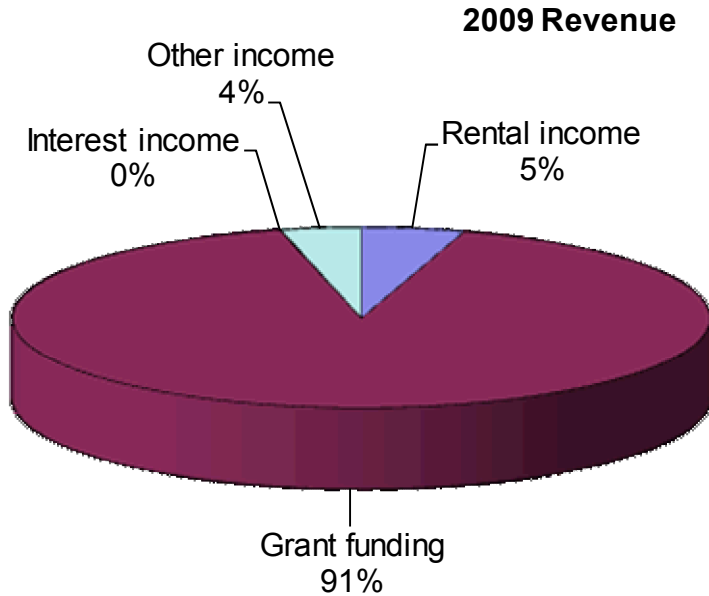
**Memphis Housing Authority
Statements of Revenues, Expenses and Change in Net Assets
TABLE II**

	<u>2009</u>	<u>2008</u>	<u>Total Change</u>	<u>% Change</u>
Rental income	\$ 4,593,273	\$ 4,342,513	\$ 250,760	5.77
Grant funding	88,277,816	75,063,191	13,214,625	17.60
Interest income	67,084	693,026	(625,942)	(90.32)
Other income	3,571,118	6,484,889	(2,913,771)	(44.93)
Total revenue	<u>96,509,291</u>	<u>86,583,619</u>	<u>9,925,672</u>	<u>11.46</u>
Administration	13,581,642	13,460,375	121,267	0.90
Tenant services	1,174,044	1,898,751	(724,707)	(38.17)
Utilities	3,078,182	3,262,563	(184,381)	(5.65)
Maintenance	5,358,147	4,120,012	1,238,135	30.05
Non-routine maintenance	12,331,814	19,115,856	(6,784,042)	(35.49)
Casualty loss	-	29,112	(29,112)	(100.00)
Protective services	543,119	777,374	(234,255)	(30.13)
General expense	773,061	1,189,748	(416,687)	(35.02)
Interest expense	320,851	407,786	(86,935)	(21.32)
Housing assistance payments	43,029,687	33,652,527	9,377,160	27.86
Depreciation	9,009,421	10,017,368	(1,007,947)	(10.06)
Total expenses	<u>89,199,968</u>	<u>87,931,472</u>	<u>1,268,496</u>	<u>1.44</u>
Change in net assets	7,309,323	(1,347,853)	8,657,176	(642.29)
Beginning net assets	<u>179,106,577</u>	<u>180,454,430</u>	<u>(1,347,853)</u>	<u>(0.75)</u>
Ending net assets	<u>\$ 186,415,900</u>	<u>\$ 179,106,577</u>	<u>\$ 7,309,323</u>	<u>4.08</u>

**MEMPHIS HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009**

REVENUES

In reviewing the Statements of Revenues, Expenses, and Net Assets, you will find that 91% 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 5% of total revenue. Interest Revenue and Other Revenue comprises the remaining 4%. Compared to the Fiscal Year ended June 30, 2009, revenues had an overall increase of \$9,925,672 or 11%.



Rental Income - Tenant Revenue increased slightly from \$4,342,513 to \$4,593,273, an increase of \$250,760 from fiscal year 2008.

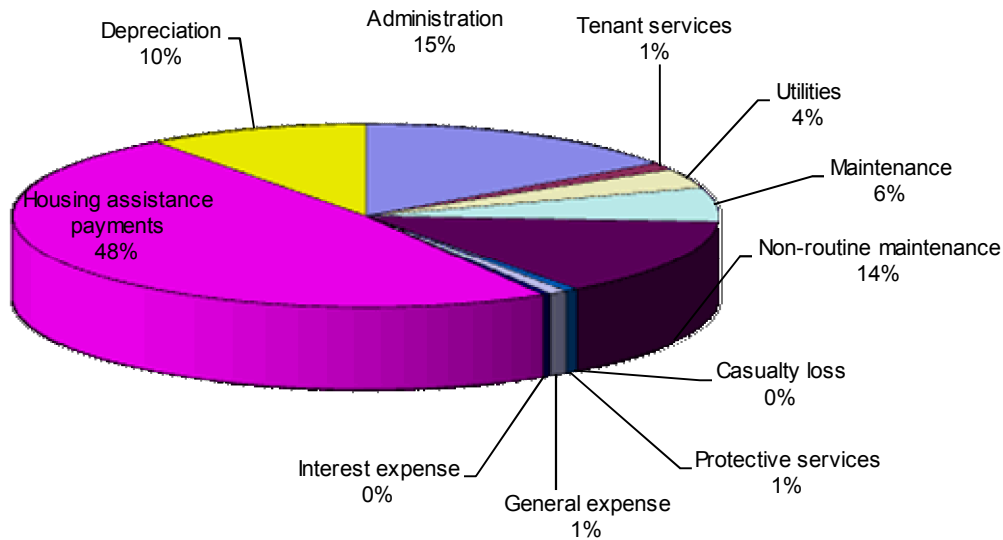
Program Grants/Subsidies – The Authority had an 18% increase in Grant Revenue compared to the previous year. The Authority experienced a \$5 million increase in Capital Fund grants mainly due to the redevelopment efforts at Austin Park Place. The HOPE VI program items experienced an increase in grant funding of \$4 million due to the redevelopment efforts at University Place and Legends Park. Funds received from the City of Memphis' HCD and CDBG funds were approximately \$4,994,573 million higher during FY 2009 to repay contract advances for public improvements and site construction for mixed-finance redevelopment efforts.

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 \$133,942. In addition, the Authority did not receive any interest on notes receivable during 2009 compared to \$492,000 in 2008. Other income decreased by \$2,913,771 as a result of less TIF funds received for the City of Memphis.

**MEMPHIS HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009**

EXPENSES

2009 Expenses



The Authority experienced an increase in total expenses for the current year from \$87,931,472 to \$89,199,968 or 1.4%. 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 2008, administrative costs decreased by \$121,267 or 1%. This was primarily the result of a decrease in fees paid to management companies for those Public Housing units in revitalized communities.

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 decreased from \$1,898,751 to \$1,174,044 or (38%) due to less housing assistance payments provided to former tenants transitioning to homeownership and less activity under the ROSS program compared to fiscal year 2009.

Utilities - The total utilities expense for the Authority had a decrease of \$184,381 (6%).

**MEMPHIS HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009**

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 \$1,238,135 (30%) mainly as a result of repairs to vacant units at Cleaborn Homes.

Non-routine Maintenance – The Authority had a decrease of \$6,784,042 or 35% in Non-routine Maintenance expenses compared to the previous year.

Protective Services - Protective Services Expense changed from \$777,374 to \$543,119, a decrease of \$234,255 or 30%. As the Authority is continuing its efforts to maintain a safe environment for its residents, it is shifting its focus to the increased utilization of non-MHA security to save on employee benefit costs.

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 \$1,189,748 to \$773,061 or a decrease of \$416,687 (35%). This was directly attributable to reductions in insurance premiums and bad debt expense experienced by the Low Rent program.

Housing Assistance Payments – HAP payments consists 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 tenants rent and the applicable payment standard. The Authority has increased the funding and expenditures of this program. During the year the HAP expense increased by \$9,377,160 (28%) due to increased program utilization.

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 decreased by \$1,007,947 compared with the 2008 level.

CAPITAL ASSETS

At the end of fiscal year 2008, the Authority had invested in Capital Assets of \$87,259,362, net of depreciation. As of June 30, 2009, the Authority had decreased its net capital assets by \$9,073,850 (9%). 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 2009 and 2008.

**MEMPHIS HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009**

	<u>Balance at June 30, 2008</u>	<u>Additions</u>	<u>Adjustments</u>	<u>Depreciation</u>	<u>Balance at June 30, 2009</u>
Capital Assets:					
Buildings	\$ 204,605,677	\$ 1,003,862	\$ (426,473)	\$ -	\$ 205,183,066
Furniture, equip & mach. - admin/other	<u>2,826,718</u>	<u>213</u>	<u>-</u>	<u>-</u>	<u>2,826,931</u>
Total depreciable assets	207,432,395	1,004,075	(426,473)	-	208,009,997
Accumulated depreciation	<u>(135,743,050)</u>	<u>-</u>	<u>85,567</u>	<u>(9,009,421)</u>	<u>(144,666,904)</u>
Net depreciable assets	71,689,345	1,004,075	(340,906)	(9,009,421)	63,343,093
Land	14,671,838	-	(435,000)	-	14,236,838
Construction in progress	<u>9,972,029</u>	<u>711,264</u>	<u>(1,003,862)</u>	<u>-</u>	<u>9,679,431</u>
Net capital assets	<u>\$ 96,333,212</u>	<u>\$ 1,715,339</u>	<u>\$ (1,779,768)</u>	<u>(9,009,421)</u>	<u>\$ 87,259,362</u>

DEBT ADMINISTRATION

As of June 30, 2009, the Authority has \$7,013,089 of 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, 2009:

Balance at the beginning of the period	\$ 10,213,089
Principal payments – planned amortization	<u>(3,200,000)</u>
Balance at June 30, 2009	<u>\$ 7,013,089</u>

Long-term debt decreased by \$3,200,000 during the fiscal year ended June 30, 2009 which represents the amount repaid to the City in relation to the HOPE VI activities for the Uptown Revitalization project.

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- The significant decrease in Operating Subsidy, Capital and Housing Choice Voucher Administrative Fees funds provided by HUD has caused the Authority to collaborate with other entities to develop housing and to provide resident programs.
- The decrease in local labor demand and the current recession has affected residents' income, decreased the Authority's potential rental income, and increased the occurrence of bankruptcies.
- 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 Voucher vouchers to house displaced Public Housing tenants.
- Vacancy rates remain significantly above industry averages.

**MEMPHIS HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009**

FUTURE EVENTS

As management of the Authority, we have planned for the functional implementation of proper methodologies, principles, and practices in order to adopt project-based budgeting, accounting, and management. The proper training of staff and associates is imperative to the continued high performance and quality reporting expected from the staff of the Authority and we have taken measures to educate our Authority about project-based accounting.

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. Questions concerning any of the information provided in this report or requests for additional financial information may be addressed to Memphis Housing Authority, Executive Director, 700 Adams Ave., Memphis, Tennessee 38105.

FINANCIAL STATEMENTS

MEMPHIS HOUSING AUTHORITY
STATEMENT OF NET ASSETS
June 30, 2009

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 9,916,973
Restricted cash	1,685,887
Tenant security deposits	175,422
Investments	770,069
Accounts receivable, net	8,302,040
Prepaid insurance and other deferred charges	223,739
Inventories, net	26,992
Notes, loans and mortgages receivable - current	<u>110,628</u>
Total current assets	<u>21,211,750</u>

NONCURRENT ASSETS

Notes, loans and mortgages receivable - noncurrent	92,348,504
Capital assets, net	<u>87,259,362</u>
Total noncurrent assets	<u>179,607,866</u>

TOTAL ASSETS

\$ 200,819,616

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 4,446,338
Accrued compensated absences, current portion	300,559
Deferred revenue	660,259
Accrued liabilities	229,005
Tenant security deposits	175,422
Current portion of long-term debt	1,840,000
Other current liabilities	<u>167,263</u>
Total current liabilities	<u>7,818,846</u>

NONCURRENT LIABILITIES

Long-term debt, less current portion	5,173,089
Other non-current liabilities	160,708
Accrued compensated absences, less current portion	<u>1,251,073</u>
Total noncurrent liabilities	<u>6,584,870</u>
Total liabilities	<u>14,403,716</u>

NET ASSETS

Invested in capital assets	87,259,362
Restricted net assets	1,685,887
Unrestricted net assets	<u>97,470,651</u>
Total net assets	<u>186,415,900</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 200,819,616

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

MEMPHIS HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Year Ended June 30, 2009

OPERATING REVENUES	
Rental income	\$ 4,593,273
HUD subsidies	59,557,358
Other governmental grants	19,348,223
Other income	<u>3,255,211</u>
 Total operating revenues	 <u>86,754,065</u>
 OPERATING EXPENSES	
Administration	13,581,642
Tenant services	1,174,044
Utilities	3,078,182
Ordinary maintenance and operations	5,358,147
General expenses	1,316,180
Housing assistance payments	<u>43,029,687</u>
 Total operating expenses	 <u>67,537,882</u>
 Operating income before depreciation	 19,216,183
 Depreciation	 <u>9,009,421</u>
 Total operating income	 <u>10,206,762</u>
 NON-OPERATING REVENUES (EXPENSES)	
Non-routine maintenance	(12,331,814)
Gain on sale of property	315,907
Investment income	67,084
Interest expense	<u>(320,851)</u>
 Total non-operating revenues (expenses)	 <u>(12,269,674)</u>
 Decrease in net assets before capital contributions	 (2,062,912)
 Capital contributions - HUD	 <u>9,372,235</u>
 CHANGE IN NET ASSETS	 7,309,323
 NET ASSETS, BEGINNING OF YEAR	 <u>179,106,577</u>
 NET ASSETS, END OF YEAR	 <u>\$ 186,415,900</u>

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

MEMPHIS HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
Year Ended June 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from HUD	\$ 56,055,636
Cash received from tenants and others	25,573,698
Cash paid for administration and general	(17,109,101)
Cash paid for housing operating and tenant services	(7,808,522)
Cash paid for housing assistance payments	<u>(43,029,687)</u>
Net cash provided by operating activities	<u>13,682,024</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Principal paid on notes payable	(3,200,000)
Interest paid on notes payable	<u>(320,851)</u>
Net cash used in noncapital financing activities	<u>(3,520,851)</u>
CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES	
Proceeds from sale of fixed assets	1,091,813
Acquisition of capital assets	(711,477)
Non-routine maintenance	(12,331,814)
Capital grants - HUD	<u>9,372,235</u>
Net cash used in capital and related activities	<u>(2,579,243)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Issuance of notes receivables	(21,811,937)
Payments on notes receivables	208,693
Net purchase of investments	(16,160)
Interest on investments	<u>67,084</u>
Net cash used in investing activities	<u>(21,552,320)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(13,970,390)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>25,573,250</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 11,602,860</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 10,206,762
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	9,009,421
Provision for bad debts	136,764
Effects of changes in operating assets and liabilities:	
Accounts receivable	(3,525,976)
Prepaid expenses	144,112
Tenant security deposits	24,255
Prepaid expenses	19,769
Accounts payable and accrued liabilities	(725,820)
Compensated absences	50,453
Deferred revenue	(1,759,774)
Other liabilities	<u>102,058</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 13,682,024</u>

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

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

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

In determining how to define the reporting entity, management has considered all potential component units. The decision to include a component unit in the reporting entity was made by applying the criteria set forth in the Governmental Accounting Standards Board (GASB) Statement No 39, *Determining Whether Certain Organizations are Component Units* and GASB Statement No. 14, *The Financial Reporting Entity*. These criteria include manifestation of oversight responsibility including financial accountability, appointment of a voting majority, imposition of will, financial benefit to or burden on a primary organization, financial accountability as a result of fiscal dependency, potential for dual inclusion, and organizations included in the reporting entity although the primary organization is not financially accountable. As such the Authority is not a component unit of the City.

Financial Accountability - The Authority is responsible for its debts, does not impose a financial burden on the City of Memphis (the City) and is entitled to all surpluses. No separate agency receives a financial benefit nor imposes a financial burden on the Authority.

Appointment of a Voting Majority - The Authority is governed by a Board of Commissioners appointed by the City of Memphis. The Board of Commissioners has decision-making authority and the power to designate management. The members do not serve at the discretion of the City; i.e., they can be removed only for cause. The Authority's Board elects its own chairperson.

Imposition of Will - The City has no influence over the management, budget, or policies of the Authority. The Authority's Board of Commissioners has the responsibility to significantly influence the Authority's operations. This includes, but is not limited to, adoption of the budget, personnel management, sole title to, and residual interest in all assets (including facilities and properties), approving contracts, issuing bonds, and deciding which programs are to be provided. All federal operations and programs for which the Authority has oversight responsibility are included in the financial statements sections of this report. Oversight responsibility is derived from a number of criteria, including financial interdependency, selection of governing authority, designation of management, ability to influence operations, and accountability for financial matters.

To manage its business and financial affairs more effectively, MHA has several affiliates to support its various programs and mixed finance ventures. While MHA manages Federal programs related to these vendors, the following affiliates support the various functions necessary to effectively meet MHA's mission of providing quality affordable housing to the betterment of the community. The reporting entity includes the following blended component units:

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (continued)

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

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

Memphis Development Corporation, Inc. is a 501(c)(25) Tennessee not-for-profit corporation formed on February 12, 2002 at the direction of the MHA Board of Commissioners to operate and manage real estate in the Memphis, Tennessee area.

MHA Fowler Multifamily Development, L.P. 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.; and 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 5 to the financial statements and provides program support on behalf of these entities. See note 5 for transactions related to these entities.

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 the comprehensive grant 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.

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.

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant Programs (continued)

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.

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 government 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 reporting of the City's activities as it relates to 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 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 a single Enterprise Fund. 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.

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting and Measurement Focus (continued)

Enterprise Funds are proprietary funds used to account for business activities of special purpose governments for which a housing authority qualifies under GASB 34. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. 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.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting*, the Authority had previously elected not to apply FASB statements and interpretations issued after November 30, 1989.

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.

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 Required 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.

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues and Expenses (continued)

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 Assets, 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.

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

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Risk Management

The primary technique used for risk financing is the purchase of insurance policies from commercial insurers that include a large deductible amount. The use of a large deductible clause reduces the cost of insurance. Uninsured losses are reflected in the financial statements in the period incurred. Future uninsured losses are not expected to be significant with respect to the financial position of the Authority. The Authority secures required insurance coverage through the competitive bid process. As of the date of this report, the Authority had required coverage in force.

Fair Value of Financial Instruments

The carrying amount of MHA's financial instruments at June 30, 2009, including cash, investments, accounts receivable, notes receivable, accounts payable and long-term debt closely approximates fair value due to the relatively short maturity of these instruments.

Restricted Assets and Net Assets

Certain assets including cash and cash equivalents may be classified as restricted net assets on the Statement of Net Assets because their use is restricted for specific purposes. It is the Authority's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Net assets are displayed in three components:

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

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

Unrestricted Net Assets: This component consists of net assets that do not meet the definition of "Net Assets Invested in Capital Assets, Net of Related Debt," or "Restricted Net Assets."

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 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

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related Development Project Notes Receivable

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.

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.

Implementation of New GASB Pronouncement

In FY 2009, the Project implemented GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. The implementation of this new standard had no impact on the Project's FY 2009 financial statements.

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, 2009

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, 2010 met the Authority's investment policy as of that date.

At June 30, 2009, cash, cash equivalents and investments consisted of deposits with financial institutions either fully collateralized by FDIC insurance and/or collateralized by securities held by a third party in MHA's name and in government securities.

Cash and investments at June 30, 2009 are as follows:

Cash and cash equivalents:

Checking and money market accounts	\$11,429,222
Contract retentions	62,793
Funds held by private management companies	283,517
Petty cash	750
	<u>11,778,282</u>

Investments:

Money market accounts	79,228
Certificates of deposit	690,841
	<u>770,069</u>

Total cash and investments \$12,548,351

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 3 – RESTRICTED CASH

Restricted cash consisted of the following at June 30, 2009:

Public Housing	\$ 168,702
Veterans Affairs Supportive Housing (VASH)	645,994
Disaster Housing Assistance Program	791,723
Disaster Housing Assistance Program (Ike)	73,377
Disaster Voucher Program	<u>6,091</u>
Total	<u>\$ 1,685,887</u>

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2009 consisted of the following:

Tenants (net of allowance of \$328,652)	\$ 137,805
Accounts receivable – HUD	1,470,190
Accounts receivable – HCD	5,816,679
Accounts receivable – other (net of allowance of \$37,767 at June 30, 2009)	877,366
Accrued interest receivable (net of allowance of \$3,431,08 at June 30, 2009)	<u>-</u>
Total accounts receivable	<u>\$ 8,302,040</u>

The above receivable balance excludes \$2,055,808 at June 30, 2009 of inter-fund receivable balances that have been eliminated along with the corresponding payable during the financial statement consolidation.

NOTE 5 — NOTES RECEIVABLE

Notes receivable at June 30, 2009 consisted of the following:

Application Entity	Loan Date	Interest Rate	Date Due	2009
Thomas W. Jones, Jr. and Dianne C. Jones	12/31/2004	6.00%	12/31/2024	\$ 333,925
Memphis Land Bank	01/31/2005	0.00%	02/01/2015	555,769
Renaissance Village Apartments, L.P. (Note A)	01/01/2003	4.09%	01/01/2043	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
Fowler Multifamily Development, LP	03/01/2006	4.39%	11/11/2052	4,754,473
University Place Southeast, LP	05/11/2006	8.00%	11/11/2052	7,001,176
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
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%	08/28/2048	2,800,000
Legends Park East	08/28/2008	8.00%	08/28/2048	7,000,000
University Place III, LP	08/08/2008	8.00%	08/08/2048	3,987,000
University Place III, LP	08/08/2008	8.00%	08/08/2048	3,673,686
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	<u>2,300,000</u>
Total notes receivable				92,459,132
Less: current portion				<u>(110,628)</u>
Long-term notes receivable				<u>\$ 92,348,504</u>

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 5 — 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 \$1,531 during 2009.

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 provisionary period. During the provisionary 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. During both 2008 and 2007, \$92,628 of this loan balance was forgiven and charged to expense.

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 2009.

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 2009.

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 2009.

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 5 — 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 2009.

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 2009.

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 2009.

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 2009.

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 2009.

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 5 — 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 accrues at 4.39 percent and matures on March 31, 2008. Upon satisfaction of the conditions set forth in the loan agreement, on or before the maturity date, the loan shall convert to a permanent loan having a term of 40 years. At June 30, 2008, this loan had not yet been converted to permanent financing. 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 2009.

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. No payments were received on this note during 2009.

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 2009.

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 2009.

University Place Phase III, LP – As part of the redevelopment of the former Lamar Terrace site, MHA provided loans of \$7,660,686 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 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 these notes during 2009.

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 5 — 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 2009.

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 2009.

Legends Park East, LP - As part of the redevelopment of the former Dixie Homes site, MHA provided a loan of \$9,800,00 for the construction of a 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 2009.

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 matures 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 2009.

NOTE 6 – CAPITAL ASSETS

The following is a summary of changes in capital assets for fiscal year ended June 30, 2009:

Application Entity	Balance at June 30, 2008	Additions/ depreciation	Transfers/ adjustments	Retirements/ disposals	Balance at June 30, 2009
Buildings	\$ 204,605,677	\$ -	\$ 1,003,862	\$ (426,473)	\$ 205,183,066
Furniture and equipment – administration	<u>2,826,718</u>	<u>213</u>	<u>-</u>	<u>-</u>	<u>2,826,931</u>
Total depreciable assets	207,432,395	213	1,003,862	(426,473)	208,009,997
Accumulated depreciation	<u>(135,743,050)</u>	<u>(9,009,421)</u>	<u>-</u>	<u>85,567</u>	<u>(144,666,904)</u>
Net depreciable assets	<u>71,689,345</u>	<u>(9,009,208)</u>	<u>1,003,862</u>	<u>(340,906)</u>	<u>63,343,093</u>
Land	14,671,838			(435,000)	14,236,838
Construction in progress	<u>9,972,029</u>	<u>711,264</u>	<u>(1,003,862)</u>	<u>-</u>	<u>9,679,431</u>
Total non depreciable assets	<u>24,643,867</u>	<u>711,264</u>	<u>(1,003,862)</u>	<u>(435,000)</u>	<u>23,916,269</u>
Net capital assets	<u>\$ 96,333,212</u>	<u>\$ (8,297,944)</u>	<u>\$ -</u>	<u>\$ (775,906)</u>	<u>\$ 87,259,362</u>

**MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009**

NOTE 7 – ACCRUED LIABILITIES AND DEFERRED REVENUE

Accrued liabilities and deferred revenue consisted of the following at June 30, 2009:

Accrued salaries and fringe benefits	\$ 229,005
Accrued compensated absences – current portion	220,203
Deferred revenue – McKinney Act refunding	555,769
Deferred revenue – other	<u>104,490</u>
Total	<u>\$ 1,109,467</u>

The deferred 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 2009, \$92,678 was recognized as income.

The deferred revenue - City of Memphis relates to funds received from the City of Memphis in 2007 to be used for redevelopment activities related to Graves Manor and Dixie Homes. No amounts related to these projects were expended during 2009.

NOTE 8 – LONG-TERM LIABILITIES

Following is a summary of changes in long-term liabilities for the period ended June 30, 2009:

	<u>Balance 6/30/08</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 6/30/09</u>	<u>Due in One Year</u>
Note payable – City of Memphis	\$ 10,213,089	\$ -	\$ 3,200,000	\$ 7,013,089	\$ 1,840,000
FSS escrow payables	69,239	91,469	-	160,708	-
Compensated absences	<u>1,501,179</u>	<u>50,454</u>	<u>-</u>	<u>1,551,632</u>	<u>300,559</u>
Total	<u>\$ 11,783,507</u>	<u>\$ 141,923</u>	<u>\$ 3,200,000</u>	<u>\$ 8,725,429</u>	<u>\$ 2,140,559</u>

As part of the comprehensive redevelopment plan at the Authority, the City has provided loans totaling \$16.5 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 seven to nine 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 2009, \$3,200,000 of principal and \$320,851 of interest was paid on these loans.

**MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009**

NOTE 8 – LONG-TERM LIABILITIES (CONTINUED)

The following notes payable amounts were outstanding at June 30, 2009.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending:			
2010	\$ 1,840,000	\$ 212,700	\$ 2,052,700
2011	1,859,696	157,500	2,017,196
2012	1,295,000	100,725	1,395,725
2013	1,310,043	61,950	1,371,993
2014	<u>708,350</u>	<u>31,875</u>	<u>740,225</u>
Total	<u><u>\$ 7,013,089</u></u>	<u><u>\$ 564,750</u></u>	<u><u>\$ 7,577,839</u></u>

NOTE 9 – 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). TCRS 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 50 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. Benefits 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 Memphis Housing 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.

The TCRS issues a publicly available financial report that includes financial statement 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.

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 9 – RETIREMENT PLAN (CONTINUED)

Funding Status and Progress (continued)

The Authority is required to contribute at an actuarially determined rate; the rate for the fiscal years ending June 30, 2009 was 10.97 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 2009, 2008 and 2007, Authority's annual pension payments to TCRS of \$830,179, \$708,838 and \$911,057, respectively, were equal to the Authority's required and actual contributions. Covered payroll for June 30, 2009, 2008 and 2007 was \$6,578,284, \$6,472,183 and \$8,304,992, respectively.

The required contribution for 2009 was determined as part of the July 1, 2005, 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.

TREND INFORMATION

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Pension Obligation
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	75,292	100.00%	-
June 30, 2000	163,770	100.00%	-
June 30, 1999	148,454	100.00%	-

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 9 – RETIREMENT PLAN (CONTINUED)

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, 2005 established contribution rates of 10.97 percent, effective July 1, 2006. The actuarial valuation performed as of July 1, 2007, established contribution rates of 12.62 percent, effective July 1, 2008.

NOTE 10 – RELATED PARTY TRANSACTION

The Authority and HCD are functionally consolidated to avoid duplication of services provided to the citizens of the City. Consequently, there were staff positions that were shared between the two entities. During fiscal 2009, the Authority recognized \$0 of revenue from HCD for reimbursement for the HCD's portion of staff salaries. The MHA also bills HCD for supplies used and reimbursable expenses incurred on their behalf. In addition, HCD provided \$809,379 in grants to assist with renovations of MHA developments. As of June 30, 2009, \$649,412 related to these grants was due from HCD. In conjunction with pass-through funding related to CDBG, as of June 30, 2009, \$5,167,267 was due from HCD. In addition, the identified loans payable to the City, detailed in Note 8, are also considered to be related party transactions.

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 bills MLB for reimbursable expenses incurred on their behalf. There were no expenses billed in 2009.

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 5. During fiscal year 2009, 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 amounts of \$911,268 were expensed in 2009.

There were no additional related party transactions required to be disclosed for the fiscal year ended June 30, 2009.

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 11 – 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 12 – CONTINGENCIES AND COMMITMENTS

The Authority is subject to possible examination made 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 13 – 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.

NOTE 14 – PUBLIC HOUSING PROGRAM CONDUIT DEBT

Conduit debt in the amount of \$9,652,922 was removed from liabilities and reclassified to contributed capital in 2004. The Authority issued these New Housing Authority Bonds and Permanent Notes - F.F.B. to provide for the development and modernization of low-rent housing units. These bonds and notes are payable by HUD and secured by annual contributions. At June 30, 2009, the outstanding balance on this conduit debt was \$2,937,951. The bonds and notes do not constitute a debt by the Authority and accordingly have not been reported in the accompanying financial statements.

NOTE 15 – 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.

This information is an integral part of the accompanying financial statements.

SUPPLEMENTAL INFORMATION

MEMPHIS HOUSING AUTHORITY
ENTITY-WIDE BALANCE SHEET SUMMARY
June 30, 2009

Line Item #	Accounts Description	Project Totals	COCC	Business Activities	Federal Assistance	Hope VI	HCPV	Supportive Housing	CDBG	VASH	ROSS	DHAP	CSBG	DHAP IKE	DVP	Elimination	Total
CURRENT ASSETS																	
Cash:																	
111	Unrestricted	\$ 4,637,174	\$ 1,276,315	\$ 404,653	\$ -	\$ -	\$ 3,512,944	\$ -	\$ -	\$ -	\$ -	\$ 40,891	\$ -	\$ 1,915	\$ 43,081	\$ -	\$ 9,916,973
113	Other restricted	168,702	-	-	-	-	-	-	-	645,994	-	791,723	-	73,377	6,091	-	1,685,887
114	Tenant security deposits	175,422	-	-	-	-	-	-	-	-	-	-	-	-	-	-	175,422
100	Total cash	4,981,298	1,276,315	404,653	-	-	3,512,944	-	-	645,994	-	832,614	-	75,292	49,172	-	11,778,282
Accounts and notes receivable:																	
121	Accounts receivable - PHA projects	73,753	-	-	-	-	13,698	-	-	-	-	-	-	-	-	-	87,451
122	HUD other projects	-	-	-	-	1,220,380	-	86,732	-	-	75,627	-	-	-	-	-	1,382,739
124	Other government	-	3,614,267	508,205	-	-	-	-	1,694,207	-	-	-	-	-	-	-	5,816,679
125	Miscellaneous	674,427	-	34,331	-	-	-	-	-	-	-	200,458	-	-	-	-	909,216
126	Tenants	466,457	93	-	-	-	-	-	-	-	-	-	-	-	-	-	466,550
126.1	Allowance for doubtful accounts - tenants	(328,745)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(328,745)
126.2	Allowance for doubtful accounts - other	-	-	(3,468,851)	-	-	-	-	-	-	-	-	-	-	-	-	(3,468,851)
127	Notes, loans, & mortgages receivable - current	-	-	110,628	-	-	-	-	-	-	-	-	-	-	-	-	110,628
129	Accrued interest receivable	-	5,917	3,431,084	-	-	-	-	-	-	-	-	-	-	-	-	3,437,001
120	Total receivables, net of allowances for uncollectibles	885,892	3,620,277	615,397	-	1,220,380	13,698	86,732	1,694,207	-	75,627	200,458	-	-	-	-	8,412,668
131	Investments - unrestricted	770,069	-	-	-	-	-	-	-	-	-	-	-	-	-	-	770,069
	Total current investments	770,069	-	-	-	-	-	-	-	-	-	-	-	-	-	-	770,069
142	Prepaid expenses and other assets	183,957	24,760	-	-	40	14,974	-	-	-	-	-	8	-	-	-	223,739
143	Inventories	57,110	-	-	-	-	-	-	-	-	-	-	-	-	-	-	57,110
143.1	Allowance for obsolete inventories	(30,118)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(30,118)
144	Interprogram - due from	-	1,532,777	-	35,456	-	415,020	-	-	-	-	-	65,886	-	6,669	(2,055,808)	-
150	Total current assets	6,848,208	6,454,129	1,020,050	35,456	1,220,420	3,956,636	86,732	1,694,207	645,994	75,627	1,033,072	65,894	75,292	55,841	(2,055,808)	21,211,750
NONCURRENT ASSETS																	
Fixed assets:																	
161	Land	4,825,306	9,411,532	-	-	-	-	-	-	-	-	-	-	-	-	-	14,236,838
162	Buildings	194,499,331	10,683,735	-	-	-	-	-	-	-	-	-	-	-	-	-	205,183,066
164	Furniture, equipment & mach - admin.	-	2,826,931	-	-	-	-	-	-	-	-	-	-	-	-	-	2,826,931
166	Accumulated depreciation	(140,934,049)	(3,732,855)	-	-	-	-	-	-	-	-	-	-	-	-	-	(144,666,904)
167	Construction in progress	3,728,687	-	-	-	5,950,744	-	-	-	-	-	-	-	-	-	-	9,679,431
160	Total fixed assets, net of accumulated depreciation	62,119,275	19,189,343	-	-	5,950,744	-	-	-	-	-	-	-	-	-	-	87,259,362
171	Notes, loans and mortgages receivable - noncurrent	-	-	92,348,504	-	-	-	-	-	-	-	-	-	-	-	-	92,348,504
180	Total noncurrent assets	62,119,275	19,189,343	92,348,504	-	5,950,744	-	-	-	-	-	-	-	-	-	-	179,607,866
190	TOTAL ASSETS	\$ 68,967,483	\$ 25,643,472	\$ 93,368,554	\$ 35,456	\$ 7,171,164	\$ 3,956,636	\$ 86,732	\$ 1,694,207	\$ 645,994	\$ 75,627	\$ 1,033,072	\$ 65,894	\$ 75,292	\$ 55,841	\$ (2,055,808)	\$ 200,819,616

MEMPHIS HOUSING AUTHORITY
ENTITY-WIDE BALANCE SHEET SUMMARY
June 30, 2009

Line Item #	Accounts Description	Project Totals	COCC	Business Activities	Federal Assistance	Hope VI	HCVF	Supportive Housing	CDBG	VASH	ROSS	DHAP	CSBG Food/Nutrition	DHAP IKE	DVP	Elimination	Total
CURRENT LIABILITIES																	
312	Accounts payable < 90 days	\$ 287,041	\$ 748,505	\$ 31,192	\$ -	\$ 560,448	\$ 619,116	\$ -	\$ 505,084	\$ -	\$ 67,236	\$ 199	\$ 20	\$ 19,163	\$ -	\$ -	\$ 2,838,004
313	Accounts payable > 90 days	-	-	-	-	406,393	-	-	-	-	-	-	-	-	-	-	406,393
321	Accrued wage/payroll taxes payable	107,601	79,114	1,308	-	12,163	25,482	-	-	-	1,685	-	1,652	-	-	-	229,005
322	Accrued compensated absences - current portion	75,030	61,967	821	-	89,285	73,168	-	-	-	164	-	124	-	-	-	300,559
331	Accounts payable - HUD	239,218	-	-	-	-	-	-	-	-	-	962,723	-	-	-	-	1,201,941
332	Accounts payable - PHA projects	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
341	Tenant security deposits	175,422	-	-	-	-	-	-	-	-	-	-	-	-	-	-	175,422
342	Deferred revenues	50,276	-	555,769	-	-	-	-	-	-	-	-	-	54,214	-	-	660,259
344	Current portion of LT debt - operating borrowings	-	-	1,840,000	-	-	-	-	-	-	-	-	-	-	-	-	1,840,000
345	Other current liabilities	116,974	2,241	-	-	-	-	-	-	-	-	-	-	-	-	-	119,215
346	Other liabilities	48,048	-	-	-	-	-	-	-	-	-	-	-	-	-	-	48,048
347	Interprogram (due to)	81,157	-	-	-	152,131	425,000	86,732	1,189,123	-	5,068	53,614	62,983	-	-	(2,055,808)	-
310	Total current liabilities	1,180,767	891,827	2,429,090	-	1,220,420	1,142,766	86,732	1,694,207	-	74,153	1,016,536	64,779	73,377	-	(2,055,808)	7,818,846
NONCURRENT LIABILITIES																	
352	Long-term debt, net of current - operating borrowings	-	-	5,173,089	-	-	-	-	-	-	-	-	-	-	-	-	5,173,089
353	Non-current liabilities - other	35,076	112,794	-	-	-	12,838	-	-	-	-	-	-	-	-	-	160,708
354	Accrued compensated absences - noncurrent	675,259	557,711	7,384	-	-	8,130	-	-	-	1,474	-	1,115	-	-	-	1,251,073
350	Total noncurrent liabilities	710,335	670,505	5,180,473	-	-	20,968	-	-	-	1,474	-	1,115	-	-	-	6,584,870
300	Total liabilities	1,891,102	1,562,332	7,609,563	-	1,220,420	1,163,734	86,732	1,694,207	-	75,627	1,016,536	65,894	73,377	-	(2,055,808)	14,403,716
EQUITY																	
508.1	Invested in capital assets	62,119,275	19,189,343	-	-	5,950,744	-	-	-	-	-	-	-	-	-	-	87,259,362
511.1	Restricted net assets	168,702	-	-	-	-	-	-	645,994	-	791,723	-	73,377	6,091	-	-	1,685,887
512.1	Unrestricted net assets	4,788,404	4,891,797	85,758,991	35,456	-	2,792,902	-	-	-	-	(775,187)	-	(71,462)	49,750	-	97,470,651
513	Total equity/net assets	67,076,381	24,081,140	85,758,991	35,456	5,950,744	2,792,902	-	-	645,994	-	16,536	-	1,915	55,841	-	186,415,900
600	TOTAL LIABILITIES AND EQUITY/NET ASSETS	\$ 68,967,483	\$ 25,643,472	\$ 93,368,554	\$ 35,456	\$ 7,171,164	\$ 3,956,636	\$ 86,732	\$ 1,694,207	\$ 645,994	\$ 75,627	\$ 1,033,072	\$ 65,894	\$ 75,292	\$ 55,841	\$ (2,055,808)	\$ 200,819,616

MEMPHIS HOUSING AUTHORITY
ENTITY-WIDE REVENUE AND EXPENSE SUMMARY
Year Ended June 30, 2009

Line Item #	Accounts Description	Project Totals	Business COCC	Federal Activities	Federal Assistance	Hope VI	Supportive HCVP	Housing	CDBG	VASH	ROSS	DHAP	CSBG	DHAP IKE	DVP	Elimination	Total
REVENUE																	
70300	Net tenant rental revenue	\$ 4,341,890	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,341,890
70400	Tenant revenue - other	145,480	105,903	-	-	-	-	-	-	-	-	-	-	-	-	-	251,383
70500	Total tenant revenue	4,487,370	105,903	-	-	-	-	-	-	-	-	-	-	-	-	-	4,593,273
70600	HUD PHA operating grants	7,951,260	-	-	-	14,426,865	33,205,038	117,212	191,412	630,314	392,898	2,482,655	-	36,697	123,007	-	59,557,358
706.10	Capital grants	9,372,235	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9,372,235
70710	Management fee	-	1,264,347	-	-	-	-	-	-	-	-	-	-	-	-	(1,264,347)	-
70720	Asset management fee	-	267,896	-	-	-	-	-	-	-	-	-	-	-	-	(267,896)	-
70730	Bookkeeping fee	-	230,687	-	-	-	-	-	-	-	-	-	-	-	-	(230,687)	-
70750	Other fees	-	479,908	-	-	-	-	-	-	-	-	-	-	-	-	-	479,908
70700	Total fee revenue	-	2,242,838	-	-	-	-	-	-	-	-	-	-	-	-	(1,762,930)	479,908
70800	Other governmental grants	-	-	3,520,851	-	-	-	-	15,779,286	-	-	-	48,086	-	-	-	19,348,223
71100	Investment income - unrestricted	18,983	47,694	407	-	-	-	-	-	-	-	-	-	-	-	-	67,084
71400	Fraud recovery	-	-	-	-	-	16,839	-	-	-	-	-	-	-	-	-	16,839
71500	Other revenue	1,563,765	321,705	604,175	-	-	68,361	-	-	-	-	200,458	-	-	-	-	2,758,464
71600	Gain or loss on sale of capital assets	315,907	-	-	-	-	-	-	-	-	-	-	-	-	-	-	315,907
70000	Total revenue	23,709,520	2,718,140	4,125,433	-	14,426,865	33,290,238	117,212	15,970,698	630,314	392,898	2,683,113	48,086	36,697	123,007	(1,762,930)	96,509,291
EXPENSES																	
Administrative:																	
91100	Administrative salaries	981,946	2,193,253	37,843	-	435,663	814,247	-	-	-	66,446	-	-	-	-	-	4,529,398
91200	Auditing fees	112,270	-	-	-	9,979	39,917	-	-	-	-	1,996	-	-	-	-	164,162
91300	Management fee	839,347	-	-	-	-	425,000	-	-	-	-	-	-	-	-	(1,264,347)	-
913.10	Bookkeeping fee	230,687	-	-	-	-	-	-	-	-	-	-	-	-	-	(230,687)	-
91400	Advertising and marketing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
91500	Employee benefit contributions - administrative	299,170	668,220	24,624	-	115,856	218,029	-	-	-	-	-	-	-	-	-	1,325,899
91700	Legal expense	9,057	115,054	114,493	-	-	-	-	30,773	-	-	-	-	-	-	-	269,377
91900	Other	1,385,954	206,125	478,772	-	25,773	2,722,147	-	275,837	-	-	2,175,120	-	23,078	-	-	7,292,806
	Total administrative	3,858,431	3,182,652	655,732	-	587,271	4,219,340	-	306,610	-	66,446	2,177,116	-	23,078	-	(1,495,034)	13,581,642
92000	Asset management fee	267,896	-	-	-	-	-	-	-	-	-	-	-	-	-	(267,896)	-
Tenant services:																	
92100	Salaries	124,213	147,314	-	-	-	57,214	-	-	-	-	-	49,403	-	-	-	378,144
92200	Relocation costs	-	-	-	-	5,958	-	-	-	-	-	-	-	-	-	-	5,958
92300	Employee benefit contributions	37,844	44,882	-	-	-	20,025	-	-	-	-	-	8,126	-	-	-	110,877
92400	Other	91,760	23,268	196,329	-	16,470	-	-	24,786	-	326,452	-	-	-	-	-	679,065
	Total tenant services	253,817	215,464	196,329	-	22,428	77,239	-	24,786	-	326,452	-	57,529	-	-	-	1,174,044
Utilities:																	
93100	Water	353,675	7,785	-	-	-	-	-	-	-	-	-	-	-	-	-	361,460
93200	Electricity	1,789,275	116,186	-	-	-	-	-	-	-	-	-	-	-	-	-	1,905,461
93300	Gas	763,425	16,674	-	-	-	-	-	-	-	-	-	-	-	-	-	780,099
93800	Other utilities expense	30,721	441	-	-	-	-	-	-	-	-	-	-	-	-	-	31,162
	Total utilities	2,937,096	141,086	-	-	-	-	-	-	-	-	-	-	-	-	-	3,078,182
Ordinary maintenance & operations:																	
94100	Labor	2,173,671	1,157	-	-	-	-	-	-	-	-	-	-	-	-	-	2,174,828
94200	Materials and other	877,106	53,679	-	-	-	-	-	-	-	-	-	-	-	-	-	930,785
94300	Contracts	1,445,769	144,159	-	-	-	-	-	-	-	-	-	-	-	-	-	1,589,928
94500	Employee benefits contribution	662,253	353	-	-	-	-	-	-	-	-	-	-	-	-	-	662,606
	Total ordinary maintenance & operations	5,158,799	199,348	-	-	-	-	-	-	-	-	-	-	-	-	-	5,358,147
Protective services:																	
95100	Labor	182,545	35,808	-	-	-	-	-	-	-	-	-	-	-	-	-	218,353
95200	Other contract costs	211,387	25,198	-	-	-	19,397	-	-	-	-	-	-	-	-	-	255,982
95300	Other	-	2,258	-	-	-	-	-	-	-	-	-	-	-	-	-	2,258
95500	Employee benefit contributions	55,617	10,909	-	-	-	-	-	-	-	-	-	-	-	-	-	66,526
95000	Total protective services	449,549	74,173	-	-	-	19,397	-	-	-	-	-	-	-	-	-	543,119
96100	Total Insurance premiums	434,473	79,010	-	-	-	25,672	-	-	-	-	-	-	-	-	-	539,155

MEMPHIS HOUSING AUTHORITY
ENTITY-WIDE REVENUE AND EXPENSE SUMMARY
Year Ended June 30, 2009

Line Item #	Accounts Description	Project Totals	COCC	Business Activities	Federal Assistance	Hope VI	HCVF	Supportive Housing	CDBG	VASH	ROSS	DHAP	CSBG	DHAP IKE	DVP	Elimination	Total
EXPENSES (Continued)																	
General expenses:																	
96200	Other general expenses	\$ 12,270	\$ 19,251	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31,521
96210	Compensated absences	-	65,621	-	-	-	-	-	-	-	-	-	-	-	-	-	65,621
96300	Payments in lieu of taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
96400	Bad debt - tenant rents	136,764	-	-	-	-	-	-	-	-	-	-	-	-	-	-	136,764
96500	Bad debt - mortgages	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
96600	Bad debt - other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
96800	Severance expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
96000	Total general expenses	149,034	84,872	-	-	-	-	-	-	-	-	-	-	-	-	-	233,906
96700	Total interest expense and amortization cost	-	-	320,851	-	-	-	-	-	-	-	-	-	-	-	-	320,851
96900	Total operating expenses	13,509,095	3,976,605	1,172,912	-	609,699	4,341,648	-	331,396	-	392,898	2,177,116	57,529	23,078	-	(1,762,930)	24,829,046
97000	Excess of operating revenue over operating expenses	10,200,425	(1,258,465)	2,952,521	-	13,817,166	28,948,590	117,212	15,639,302	630,314	-	505,997	(9,443)	13,619	123,007	-	71,680,245
97100	Extraordinary maintenance	87,737	-	528,867	-	254,677	-	-	11,460,533	-	-	-	-	-	-	-	12,331,814
97200	Casualty losses - non capitalized	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
97300	Housing assistance payments	-	-	-	-	-	41,292,978	117,212	-	88,666	-	1,445,292	-	11,704	73,835	-	43,029,687
97400	Depreciation expense	8,770,889	238,532	-	-	-	-	-	-	-	-	-	-	-	-	-	9,009,421
90000	Total expenses	22,367,721	4,215,137	1,701,779	-	864,376	45,634,626	117,212	11,791,929	88,666	392,898	3,622,408	57,529	34,782	73,835	(1,762,930)	89,199,968
Other financing sources (uses):																	
10010	Operating transfer in	506,930	-	23,195,978	-	-	-	-	-	-	-	-	-	-	-	-	23,702,908
10020	Operating transfers out	(5,961,650)	-	-	-	(13,562,489)	-	-	(4,178,769)	-	-	-	-	-	-	-	(23,702,908)
10030	Operating transfers from / to primary government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10060	Proceeds from property sales	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10070	Extraordinary items, net gain / loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10091	Inter project excoll cash transfer in	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10093	Operating transfer between programs and projects - in	-	6,448,325	-	-	-	-	-	-	-	-	-	65,886	-	-	-	6,514,211
10094	Operating transfer between programs and projects - out	(6,514,211)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(6,514,211)
10100	Total other financing sources (uses)	(11,968,931)	6,448,325	23,195,978	-	(13,562,489)	-	-	(4,178,769)	-	-	-	65,886	-	-	-	-
10000	EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENSES	\$ (10,627,132)	\$ 4,951,328	\$ 25,619,632	\$ -	\$ -	\$ (12,344,388)	\$ -	\$ -	\$ 541,648	\$ -	\$ (939,295)	\$ 56,443	\$ 1,915	\$ 49,172	\$ -	\$ 7,309,323
Memo Account Information																	
11030	Beginning equity	\$ 77,703,513	\$ 19,129,812	\$ 60,139,359	\$ 35,456	\$ 5,950,744	\$ 15,137,290	\$ -	\$ -	\$ 104,346	\$ -	\$ 955,831	\$ (56,443)	\$ -	\$ 6,669	\$ -	\$ 179,106,577
11040	Prior period adjustments, equity transfers & correction	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11170	Administrative fee equity	-	-	-	-	-	3,482,059	-	-	-	-	-	-	-	-	-	-
11180	Housing assistance payments equity	-	-	-	-	-	(935,037)	-	-	-	-	-	-	-	-	-	-
11190	Unit months available	32,280	-	-	-	-	71,592	348	-	-	-	3,566	-	16	200	-	-
11210	Unit months leased	30,207	-	-	-	-	70,734	304	-	-	-	3,566	-	16	159	-	-
11270	Excess cash	3,140,875	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11640	Furniture & equipment - administrative purchases	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

MEMPHIS HOUSING AUTHORITY
PROJECT BALANCE SHEET SUMMARY
June 30, 2009

Line Item #	Accounts Description	AMP 2	AMP 8	AMP 9	AMP 13	AMP 14	AMP 16	AMP 18	AMP 21	AMP 23	AMP 43
CURRENT ASSETS											
Cash:											
111	Unrestricted	\$ 1,022,711	\$ 928,295	\$ -	\$ 453,318	\$ 662,348	\$ -	\$ 559,726	\$ 251,496	\$ 410,733	\$ -
113	Other restricted	-	-	-	3,448	-	2,684	-	47,833	-	-
114	Tenant security deposits	32,140	27,336	-	16,086	16,028	-	16,900	8,213	17,126	-
100	Total cash	1,054,851	955,631	-	472,852	678,376	2,684	576,626	307,542	427,859	-
Accounts and notes receivable:											
121	Accounts receivable - PHA projects	-	63,325	-	-	-	-	-	-	-	-
125	Accounts receivable - miscellaneous	-	-	-	-	-	-	-	-	-	-
126	Tenants	81,111	146,153	8,420	24,009	28,416	101	34,573	24,056	27,801	-
126.1	Allowance for doubtful accounts - tenants	(76,285)	(123,447)	(7,715)	(14,027)	(20,904)	(93)	(24,672)	(5,527)	(22,475)	-
120	Total receivables, net of allowances for uncollectibles	4,826	86,031	705	9,982	7,512	8	9,901	18,529	5,326	-
131	Investments - unrestricted	770,069	-	-	-	-	-	-	-	-	-
	Total current investments	770,069	-	-	-	-	-	-	-	-	-
142	Prepaid expenses and other assets	32,751	30,239	-	16,430	19,155	6,451	19,039	6,750	17,090	-
143	Inventories	9,226	16,869	-	3,164	10,061	-	4,584	3,839	9,367	-
143.1	Allowance for obsolete inventories	(2,386)	(9,093)	-	(1,242)	(9,156)	-	(1,491)	(396)	(6,354)	-
144	Interprogram - due from	-	-	-	-	-	-	-	-	-	-
150	Total current assets	1,869,337	1,079,677	705	501,186	705,948	9,143	608,659	336,264	453,288	-
NONCURRENT ASSETS											
Fixed assets:											
161	Land	896,809	1,720,801	44,987	2,081	63,571	950,000	64,655	207,900	127,775	-
162	Buildings	41,708,101	54,036,401	43,033,309	10,761,614	12,238,258	-	8,884,712	5,350,703	8,670,851	-
166	Accumulated depreciation	(30,997,428)	(41,079,679)	(35,479,674)	(6,917,960)	(7,919,880)	-	(6,521,932)	(3,269,849)	(6,547,401)	-
167	Construction in progress	24,296	310,935	322,171	1,402,406	127,595	-	294,669	865,216	200,213	-
160	Total fixed assets, net of accumulated depreciation	11,631,778	14,988,458	7,920,793	5,248,141	4,509,544	950,000	2,722,104	3,153,970	2,451,438	-
180	Total noncurrent assets	11,631,778	14,988,458	7,920,793	5,248,141	4,509,544	950,000	2,722,104	3,153,970	2,451,438	-
190	TOTAL ASSETS	\$ 13,501,115	\$ 16,068,135	\$ 7,921,498	\$ 5,749,327	\$ 5,215,492	\$ 959,143	\$ 3,330,763	\$ 3,490,234	\$ 2,904,726	\$ -
CURRENT LIABILITIES											
312	Accounts payable <= 90 days	\$ 60,317	\$ 55,014	\$ -	\$ 66,310	\$ 16,312	\$ -	\$ 23,891	\$ 44,713	\$ 12,404	\$ -
313	Accounts payable > 90 days past due	-	-	-	-	-	-	-	-	-	-
321	Accrued wage/payroll taxes payable	28,279	18,448	-	10,690	9,928	-	10,669	6,213	15,015	-
322	Accrued compensated absences - current portion	21,831	12,906	-	7,761	5,483	-	8,513	5,555	11,623	-
331	Accounts payable - HUD PHA programs	-	-	-	-	-	239,218	-	-	-	-
341	Tenant security deposits	32,140	27,338	-	16,085	16,027	-	16,900	8,213	17,126	-
342	Deferred revenues	9,391	8,321	-	4,465	4,497	-	4,631	1,551	4,752	-
345	Other current liabilities	4,625	573	-	11,226	-	50,000	11,188	52	22,117	-
346	Accrued liabilities - other	-	-	-	-	17,983	-	-	-	-	-
347	Inter program - due to	15,271	-	-	-	16,472	16,472	16,470	16,472	-	-
310	Total current liabilities	171,854	122,600	-	116,537	86,702	305,690	92,262	82,769	83,037	-
NONCURRENT LIABILITIES											
353	Non-current liabilities - other	-	-	-	-	-	-	-	6,721	-	-
354	Accrued compensated absences - noncurrent	196,481	116,152	-	69,847	49,350	-	76,612	49,993	104,609	-
350	Total noncurrent liabilities	196,481	116,152	-	69,847	49,350	-	76,612	56,714	104,609	-
300	Total liabilities	368,335	238,752	-	186,384	136,052	305,690	168,874	139,483	187,646	-
EQUITY											
508.1	Invested in capital assets	11,631,778	14,988,458	7,920,793	5,248,141	4,509,544	950,000	2,722,104	3,153,970	2,451,438	-
511.1	Restricted net assets	-	-	-	3,448	-	2,684	-	47,833	-	-
512.1	Unrestricted net assets	1,501,002	840,925	705	311,354	569,896	(299,231)	439,785	148,948	265,642	-
513	Total equity/net assets	13,132,780	15,829,383	7,921,498	5,562,943	5,079,440	653,453	3,161,889	3,350,751	2,717,080	-
600	TOTAL LIABILITIES AND EQUITY/NET ASSETS	\$ 13,501,115	\$ 16,068,135	\$ 7,921,498	\$ 5,749,327	\$ 5,215,492	\$ 959,143	\$ 3,330,763	\$ 3,490,234	\$ 2,904,726	\$ -

MEMPHIS HOUSING AUTHORITY
PROJECT BALANCE SHEET SUMMARY
June 30, 2009

Accounts Description	AMP 44	AMP 45	AMP 46	AMP 47	AMP 48	AMP 49	AMP 50	AMP 51	AMP 53	AMP 54
CURRENT ASSETS										
Cash:										
Unrestricted	\$ -	\$ -	\$ 300,882	\$ -	\$ -	\$ -	\$ -	\$ 47,665	\$ -	\$ -
Other restricted	-	-	58,076	-	-	-	-	56,661	-	-
Tenant security deposits	-	-	30,537	-	-	915	-	2,560	-	-
Total cash	-	-	389,495	-	-	915	-	106,886	-	-
Accounts and notes receivable:										
Accounts receivable - PHA projects	-	-	-	-	-	-	-	-	-	-
Accounts receivable - miscellaneous	-	-	-	-	-	-	-	-	22,884	503
Tenants	-	-	2,302	-	-	1,734	-	10,395	60,981	-
Allowance for doubtful accounts - tenants	-	-	-	-	-	-	-	(6,530)	-	-
Total receivables, net of allowances for uncollectibles	-	-	2,302	-	-	1,734	-	3,865	83,865	503
Investments - unrestricted	-	-	-	-	-	-	-	-	-	-
Total current investments	-	-	-	-	-	-	-	-	-	-
Prepaid expenses and other assets	-	-	15,825	-	-	4,125	-	3,121	-	-
Inventories	-	-	-	-	-	-	-	-	-	-
Allowance for obsolete inventories	-	-	-	-	-	-	-	-	-	-
Interprogram - due from	-	-	-	-	-	-	-	-	-	-
Total current assets	-	-	407,622	-	-	6,774	-	113,872	83,865	503
NONCURRENT ASSETS										
Fixed assets:										
Land	150,136	-	580,551	-	-	-	-	16,040	-	-
Buildings	-	-	7,044,829	-	-	-	-	1,784,677	-	-
Accumulated depreciation	-	-	(1,631,570)	-	-	-	-	(373,269)	-	-
Construction in progress	-	6,312	-	-	-	23,145	-	37,275	241	-
Total fixed assets, net of accumulated depreciation	150,136	6,312	5,993,810	-	-	23,145	-	1,464,723	241	-
Total noncurrent assets	150,136	6,312	5,993,810	-	-	23,145	-	1,464,723	241	-
TOTAL ASSETS	\$ 150,136	\$ 6,312	\$ 6,401,432	\$ -	\$ -	\$ 29,919	\$ -	\$ 1,578,595	\$ 84,106	\$ 503
CURRENT LIABILITIES										
Accounts payable <= 90 days	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,607	\$ -	\$ 1,155	\$ -	\$ -
Accounts payable > 90 days past due	-	-	-	-	-	-	-	-	-	-
Accrued wage/payroll taxes payable	-	-	-	-	-	2,276	-	1,828	-	-
Accrued compensated absences - current portion	-	-	-	-	-	-	-	1,358	-	-
Accounts payable - HUD PHA Programs	-	-	-	-	-	-	-	-	-	-
Tenant security deposits	-	-	30,537	-	-	915	-	2,560	-	-
Deferred revenues	-	-	1,669	-	-	580	-	-	-	-
Other current liabilities	-	-	-	-	-	3,611	-	-	-	-
Accrued liabilities - other	-	-	30,065	-	-	-	-	-	-	-
Inter program - due to	-	-	-	-	-	-	-	-	-	-
Total current liabilities	-	-	62,271	-	-	9,989	-	6,901	-	-
NONCURRENT LIABILITIES										
Non-current liabilities - other	-	-	-	-	28,355	-	-	-	-	-
Accrued compensated absences - noncurrent	-	-	-	-	-	-	-	12,215	-	-
Total noncurrent liabilities	-	-	-	-	28,355	-	-	12,215	-	-
Total liabilities	-	-	62,271	-	28,355	9,989	-	19,116	-	-
EQUITY										
Invested in capital assets	150,136	6,312	5,993,810	-	-	23,145	-	1,464,723	241	-
Restricted net assets	-	-	58,076	-	-	-	-	56,661	-	-
Unrestricted net assets	-	-	287,275	-	(28,355)	(3,215)	-	38,095	83,865	503
Total equity/net assets	150,136	6,312	6,339,161	-	(28,355)	19,930	-	1,559,479	84,106	503
TOTAL LIABILITIES AND EQUITY/NET ASSETS	\$ 150,136	\$ 6,312	\$ 6,401,432	\$ -	\$ -	\$ 29,919	\$ -	\$ 1,578,595	\$ 84,106	\$ 503

**MEMPHIS HOUSING AUTHORITY
PROJECT BALANCE SHEET SUMMARY
June 30, 2009**

Line Item #	Accounts Description	AMP 55	AMP 56	AMP 57	AMP 58	AMP 59	AMP 60	AMP 61	AMP 62	AMP 63	Other AMP	Total
CURRENT ASSETS												
Cash:												
111	Unrestricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,637,174
113	Other restricted	-	-	-	-	-	-	-	-	-	-	168,702
114	Tenant security deposits	3,634	-	-	1,830	2,117	-	-	-	-	-	175,422
100	Total cash	3,634	-	-	1,830	2,117	-	-	-	-	-	4,981,298
Accounts and notes receivable:												
121	Accounts receivable - PHA projects	-	-	-	5,940	4,488	-	-	-	-	-	73,753
125	Accounts receivable - miscellaneous	400	5,906	54,145	-	-	-	83,659	-	506,930	-	674,427
126	Tenants	14,763	-	-	873	769	-	-	-	-	-	466,457
126.1	Allowance for doubtful accounts - tenants	(12,142)	-	-	-	-	-	-	-	-	(14,928)	(328,745)
120	Total receivables, net of allowances for uncollectibles	3,021	5,906	54,145	6,813	5,257	-	83,659	-	506,930	(14,928)	885,892
131	Investments - unrestricted	-	-	-	-	-	-	-	-	-	-	770,069
	Total current investments	-	-	-	-	-	-	-	-	-	-	770,069
142	Prepaid expenses and other assets	3,071	-	-	2,210	2,186	-	-	-	-	5,514	183,957
143	Inventories	-	-	-	-	-	-	-	-	-	-	57,110
143.1	Allowance for obsolete inventories	-	-	-	-	-	-	-	-	-	-	(30,118)
144	Interprogram - due from	-	-	-	-	-	-	-	-	-	-	-
150	Total current assets	9,726	5,906	54,145	10,853	9,560	-	83,659	-	506,930	(9,414)	6,848,208
NONCURRENT ASSETS												
Fixed assets:												
161	Land	-	-	-	-	-	-	-	-	-	-	4,825,306
162	Buildings	189,805	-	-	-	-	-	796,071	-	-	-	194,499,331
166	Accumulated depreciation	(140,010)	-	-	-	-	-	(55,397)	-	-	-	(140,934,049)
167	Construction in progress	34,716	-	-	42,274	37,223	-	-	-	-	-	3,728,687
160	Total fixed assets, net of accumulated depreciation	84,511	-	-	42,274	37,223	740,674	-	-	-	-	62,119,275
180	Total noncurrent assets	84,511	-	-	42,274	37,223	740,674	-	-	-	-	62,119,275
190	TOTAL ASSETS	\$ 94,237	\$ 5,906	\$ 54,145	\$ 53,127	\$ 46,783	\$ 740,674	\$ 83,659	\$ -	\$ 506,930	\$ (9,414)	\$ 68,967,483
CURRENT LIABILITIES												
312	Accounts payable <= 90 days	\$ 1,837	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 284,560
313	Accounts payable > 90 days past due	-	-	-	-	-	-	-	-	2,481	-	2,481
321	Accrued wage/payroll taxes payable	3,381	-	-	465	409	-	-	-	-	-	107,601
322	Accrued compensated absences - current portion	-	-	-	-	-	-	-	-	-	-	75,030
331	Accounts payable - HUD PHA Programs	-	-	-	-	-	-	-	-	-	-	239,218
341	Tenant security deposits	3,634	-	-	1,830	2,117	-	-	-	-	-	175,422
342	Deferred revenues	-	-	-	1,159	1,021	-	-	-	-	8,239	50,276
345	Other current liabilities	-	-	-	7,221	6,361	-	-	-	-	-	116,974
346	Accrued liabilities - other	-	-	-	-	-	-	-	-	-	-	48,048
347	Inter program - due to	-	-	-	-	-	-	-	-	-	-	81,157
310	Total current liabilities	8,852	-	-	10,675	9,908	-	-	-	2,481	8,239	1,180,767
NONCURRENT LIABILITIES												
353	Non-current liabilities - other	-	-	-	-	-	-	-	-	-	-	35,076
354	Accrued compensated absences - noncurrent	-	-	-	-	-	-	-	-	-	-	675,259
350	Total noncurrent liabilities	-	-	-	-	-	-	-	-	-	-	710,335
300	Total liabilities	8,852	-	-	10,675	9,908	-	-	-	2,481	8,239	1,891,102
EQUITY												
508.1	Invested in capital assets	84,511	-	-	42,274	37,223	740,674	-	-	-	-	62,119,275
511.1	Restricted net assets	-	-	-	-	-	-	-	-	-	-	168,702
512.1	Unrestricted net assets	874	5,906	54,145	178	(348)	-	83,659	-	504,449	(17,653)	4,788,404
513	Total equity/net assets	85,385	5,906	54,145	42,452	36,875	740,674	83,659	-	504,449	(17,653)	67,076,381
600	TOTAL LIABILITIES AND EQUITY/NET ASSETS	\$ 94,237	\$ 5,906	\$ 54,145	\$ 53,127	\$ 46,783	\$ 740,674	\$ 83,659	\$ -	\$ 506,930	\$ (9,414)	\$ 68,967,483

MEMPHIS HOUSING AUTHORITY
PROJECT REVENUE AND EXPENSE SUMMARY
June 30, 2009

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	\$ 739,073	\$ 590,927	\$ -	\$ 420,056	\$ 437,952	\$ -	\$ 446,437	\$ 174,324	\$ 453,835	\$ -
70400	Tenant revenue - other	14,030	62,217	102	124	1,060	-	-	14,221	1,021	-
70500	Total tenant revenue	753,103	653,144	102	420,180	439,012	-	446,437	188,545	454,856	-
70600	HUD PHA operating grants	1,867,006	1,472,107	584,400	835,512	461,507	116,560	354,818	176,648	294,460	209,528
706.10	Capital grants	113,765	315,933	322,171	874,942	132,593	-	299,667	964,530	205,213	-
71100	Investment income - unrestricted	4,246	4,650	-	2,001	2,173	-	2,103	1,040	2,082	-
71500	Other revenue	331,785	377,554	-	158,985	172,574	-	168,689	84,658	164,879	-
71600	Gain or loss on sale of capital assets	-	-	-	-	-	-	-	-	-	-
70000	Total revenue	3,069,905	2,823,388	906,673	2,291,620	1,207,859	116,560	1,271,714	1,415,421	1,121,490	209,528
EXPENSES											
Administrative:											
91100	Administrative salaries	169,977	178,986	-	85,997	84,449	-	83,534	64,079	149,129	-
91200	Auditing fees	20,227	11,225	-	4,663	5,246	-	5,246	2,440	5,027	1,952
91300	Management fee	147,956	178,497	-	92,675	95,796	-	97,945	47,794	95,188	-
913.10	Bookkeeping fee	36,738	33,024	-	17,147	17,726	-	18,123	8,846	17,612	7,149
91400	Advertising and marketing	-	-	-	-	-	-	-	-	-	-
91500	Employee benefit contributions - administrative	51,787	54,532	-	26,201	25,729	-	25,450	19,523	45,435	-
91700	Legal expense	-	-	-	-	-	-	-	-	-	-
91900	Other	136,789	32,448	-	51,470	20,313	-	27,783	16,705	25,635	38,066
	Total administrative	563,474	488,712	-	278,153	249,259	-	258,081	159,387	338,026	47,167
92000	Asset management fee	50,400	55,200	-	23,760	25,800	-	24,960	12,000	24,720	3,840
Tenant services:											
92100	Salaries	-	-	-	47,860	30,398	-	12,676	2,885	30,394	-
92300	Employee benefit contributions	-	-	-	14,581	9,261	-	3,863	879	9,260	-
92400	Other	10,643	10,566	-	8,839	8,616	-	10,826	32,570	8,998	-
	Total tenant services	10,643	10,566	-	71,280	48,275	-	27,365	36,334	48,652	-
Utilities:											
93100	Water	101,622	68,370	-	28,368	22,176	-	27,257	37,570	23,167	15,747
93200	Electricity	409,504	242,482	-	218,438	165,540	-	170,597	146,489	163,692	125,282
93300	Gas	255,296	277,316	-	23,991	30,217	-	41,101	53,996	20,733	8,541
93800	Other utilities expense	-	-	-	-	-	-	-	245	-	-
	Total utilities	766,422	588,168	-	270,797	217,933	-	238,955	238,300	207,592	149,570
Ordinary maintenance & operations:											
94100	Labor	677,672	355,467	145	185,826	153,051	-	231,901	117,529	236,638	-
94200	Materials and other	154,913	263,693	-	75,337	98,024	284	77,287	54,311	72,171	-
94300	Contracts	116,670	379,578	300	115,923	137,913	24,050	104,891	47,291	98,182	-
94500	Employee benefits contribution	206,467	108,300	-	56,616	46,630	-	70,653	35,808	72,097	-
	Total ordinary maintenance & operations	1,155,722	1,107,038	445	433,702	435,618	24,334	484,732	254,939	479,088	-
Protective services:											
95100	Labor	42,509	48,305	-	21,255	10,573	-	21,256	9,660	21,256	-
95200	Other contract costs	675	739	-	48,841	46,923	-	46,268	161	43,701	-
95500	Employee benefit contributions	12,952	14,719	-	6,475	3,221	-	6,476	2,943	6,476	-
95000	Total protective services	56,136	63,763	-	76,571	60,717	-	74,000	12,764	71,433	-
96100	Total Insurance premiums	85,341	76,624	1,455	41,870	47,873	11,190	48,840	16,868	44,937	-
General expenses:											
96200	Other general expenses	6,330	1,103	-	342	1,418	-	812	939	697	-
96400	Bad debt - tenant rents	18,706	35,234	44	5,299	10,802	91	9,581	2,949	12,724	-
96000	Total general expenses	25,036	36,337	44	5,641	12,220	91	10,393	3,888	13,421	-
96900	Total operating expenses	2,713,174	2,426,408	1,944	1,201,774	1,097,695	35,615	1,167,326	734,480	1,227,869	200,577
97000	Excess of operating revenue over operating expenses	356,731	396,980	904,729	1,089,846	110,164	80,945	104,388	680,941	(106,379)	8,951
97100	Extraordinary maintenance	5,091	2,075	-	341	709	1,369	859	-	-	-
97400	Depreciation expense	2,017,830	1,734,746	1,799,364	553,474	623,450	-	412,632	263,579	387,706	-
90000	Total expenses	4,736,095	4,163,229	1,801,308	1,755,589	1,721,854	36,984	1,580,817	998,059	1,615,575	200,577
Other financing sources (uses):											
10010	Operating transfer in	-	-	-	-	-	-	-	-	-	-
10020	Operating transfer out	-	-	-	-	-	-	-	-	-	-
10094	Operating transfer between programs and projects - out	(207,813)	(805,409)	(1,307,384)	(1,253,826)	-	-	(109,315)	(91,930)	(45,840)	-
10100	Total other financing sources (uses)	(207,813)	(805,409)	(1,307,384)	(1,253,826)	-	-	(109,315)	(91,930)	(45,840)	-
10000	EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENSES	\$ (1,874,003)	\$ (2,145,250)	\$ (2,202,019)	\$ (717,795)	\$ (513,995)	\$ 79,576	\$ (418,418)	\$ 325,432	\$ (539,925)	\$ 8,951
Memo Account Information											
11030	Beginning equity	\$ 15,006,783	\$ 17,974,633	\$ 10,123,517	\$ 6,280,738	\$ 5,593,435	\$ 573,877	\$ 3,580,307	\$ 3,025,319	\$ 3,257,005	\$ (8,951)
11190	Unit months available	5,028	5,520	-	2,376	2,568	-	2,484	1,200	2,460	960
11210	Unit months leased	4,886	4,401	-	2,274	2,351	-	2,404	1,167	2,336	953
11270	Excess cash	1,438,453	717,407	-	-	508,128	(306,645)	397,405	136,680	-	-

MEMPHIS HOUSING AUTHORITY
PROJECT REVENUE AND EXPENSE SUMMARY
June 30, 2009

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	\$ -	\$ -	\$ 256,626	\$ -	\$ -	\$ 120,909	\$ -	\$ 109,293	\$ -	\$ -
70400	Tenant revenue - other	-	-	-	-	-	-	-	6,223	-	-
70500	Total tenant revenue	-	-	256,626	-	-	120,909	-	115,516	-	-
70600	HUD PHA operating grants	156,884	7,289	222,362	178,022	19,685	29,939	73,446	25,713	150,918	132,125
706.10	Capital grants	-	6,312	-	-	-	23,145	-	37,275	241	-
71100	Investment income - unrestricted	-	-	-	-	-	-	-	283	-	-
71500	Other revenue	-	-	-	-	-	4,544	3,795	23,301	2,597	4,936
71600	Gain or loss on sale of capital assets	-	315,907	-	-	-	-	-	-	-	-
70000	Total revenue	156,884	329,508	478,988	178,022	19,685	178,537	77,241	202,088	153,756	137,061
EXPENSES											
Administrative:											
91100	Administrative salaries	-	-	55,754	-	-	12,650	-	18,628	-	-
91200	Auditing fees	2,245	-	24,714	1,854	536	3,070	976	683	634	1,952
91300	Management fee	-	-	-	-	-	-	-	13,632	-	7,154
913.10	Bookkeeping fee	8,050	-	13,601	6,813	1,944	12,524	3,544	2,532	2,191	-
91400	Advertising and marketing	-	-	-	-	-	-	-	-	-	-
91500	Employee benefit contributions - administrative	-	-	16,987	-	-	3,854	-	5,675	-	-
91700	Legal expense	-	-	9,017	-	-	-	-	-	-	-
91900	Other	143,015	-	261,770	115,493	35,209	26,498	49,342	2,195	35,511	49,399
	Total administrative	153,310	-	381,843	124,160	37,689	58,596	53,862	43,345	38,336	58,505
92000	Asset management fee	4,416	-	7,392	3,648	1,056	1,008	1,920	3,360	1,248	3,840
Tenant services:											
92100	Salaries	-	-	-	-	-	-	-	-	-	-
92300	Employee benefit contributions	-	-	-	-	-	-	-	-	-	-
92400	Other	-	-	-	-	-	-	-	48	-	-
	Total tenant services	-	-	-	-	-	-	-	48	-	-
Utilities:											
93100	Water	-	-	1,458	-	-	599	-	8,406	831	-
93200	Electricity	-	-	10,677	-	-	1,679	-	35,085	43,336	-
93300	Gas	-	-	2,867	-	-	730	-	21,919	-	-
93800	Other utilities expense	-	-	24,682	-	-	-	-	687	-	-
	Total utilities	-	-	39,684	-	-	3,008	-	66,097	44,167	-
Ordinary maintenance & operations:											
94100	Labor	-	-	49,642	-	-	13,309	-	37,884	-	-
94200	Materials and other	-	-	18,347	-	-	8,913	-	15,125	-	-
94300	Contracts	-	-	189,861	-	-	37,154	-	26,603	-	-
94500	Employee benefits contribution	-	-	15,124	-	-	4,055	-	11,542	-	-
	Total ordinary maintenance & operations	-	-	272,974	-	-	63,431	-	91,154	-	-
Protective services:											
95100	Labor	-	-	-	-	-	-	-	3,863	-	-
95200	Other contract costs	-	-	-	-	-	4,947	-	45	-	-
95500	Employee benefit contributions	-	-	-	-	-	-	-	1,177	-	-
95000	Total protective services	-	-	-	-	-	4,947	-	5,085	-	-
96100	Total insurance premiums	-	1,119	10,728	-	-	4,914	-	8,071	-	-
General expenses:											
96200	Other general expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 132	\$ -	\$ -	\$ -	\$ -
96400	Bad debt - tenant rents	-	-	10,716	-	-	5,140	-	1,763	-	-
96000	Total general expenses	-	-	10,716	-	-	5,272	-	1,763	-	-
96900	Total operating expenses	157,726	1,119	723,337	127,808	38,745	141,176	55,782	218,923	83,751	62,345
97000	Excess of operating revenue over	(842)	328,389	(244,349)	50,214	(19,060)	37,361	21,459	(16,835)	70,005	74,716
97100	Extraordinary maintenance	-	-	60,198	-	-	3,069	-	-	-	-
97400	Depreciation expense	219,044	-	469,656	-	-	-	-	115,401	-	-
90000	Total expenses	376,770	1,119	1,253,191	127,808	38,745	144,245	55,782	334,324	83,751	62,345
Other financing sources (uses):											
10010	Operating transfer in	-	-	-	-	-	-	-	-	-	-
10020	Operating transfer out	-	-	-	-	-	-	-	-	-	-
10094	Operating transfer between programs	(1,386,509)	(856,260)	-	-	-	-	-	(172,159)	-	(84,637)
10100	Total other financing sources (uses)	(1,386,509)	(856,260)	-	-	-	-	-	(172,159)	-	(84,637)
10000	EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENSES	\$ (1,606,395)	\$ (527,871)	\$ (774,203)	\$ 50,214	\$ (19,060)	\$ 34,292	\$ 21,459	\$ (304,395)	\$ 70,005	\$ (9,921)
Memo Account Information											
11030	Beginning equity	\$ 1,756,531	\$ 534,183	\$ 7,113,364	\$ (50,214)	\$ (9,295)	\$ (14,362)	\$ (21,459)	\$ 1,863,874	\$ 14,101	\$ 10,424
11190	Unit months available	1,104	-	1,824	912	264	252	480	336	312	960
11210	Unit months leased	1,072	-	1,813	906	259	252	472	335	292	952
11270	Excess cash	(13,143)	-	211,172	-	-	-	(4,648)	-	76,886	503

MEMPHIS HOUSING AUTHORITY
PROJECT REVENUE AND EXPENSE SUMMARY
June 30, 2009

Line Item #	Accounts Description	AMP 55	AMP 56	AMP 57	AMP 58	AMP 59	AMP 60	AMP 61	AMP 62	AMP 63	Other AMP	Total
REVENUE												
70300	Net tenant rental revenue	\$ 135,865	\$ -	\$ -	\$ 242,746	\$ 213,847	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,341,890
70400	Tenant revenue - other	6,083	-	-	-	40,399	-	-	-	-	-	145,480
70500	Total tenant revenue	141,948	-	-	242,746	254,246	-	-	-	-	-	4,487,370
70600	HUD PHA operating grants	151,326	120,525	100,577	58,614	8,179	32,382	74,558	-	-	36,170	7,951,260
706.10	Capital grants	34,716	-	-	42,274	37,223	-	585	5,889,598	72,052	-	9,372,235
71100	Investment income - unrestricted	405	-	-	-	-	-	-	-	-	-	18,983
71500	Other revenue	33,978	-	11,157	9,196	8,101	-	3,036	-	-	-	1,563,765
71600	Gain or loss on sale of capital assets	-	-	-	-	-	-	-	-	-	-	315,907
70000	Total revenue	362,373	120,525	111,734	352,830	307,749	32,382	78,179	5,889,598	72,052	36,170	23,709,520
EXPENSES												
Administrative:												
91100	Administrative salaries	31,175	-	-	25,300	22,288	-	-	-	-	-	981,946
91200	Auditing fees	12,451	1,684	2,001	1,260	1,110	196	878	-	-	-	112,270
91300	Management fee	16,520	6,208	-	21,256	18,726	-	-	-	-	-	839,347
913.10	Bookkeeping fee	3,542	-	7,358	3,780	2,964	2,438	3,041	-	-	-	230,687
91400	Advertising and marketing	-	-	-	-	-	-	-	-	-	-	-
91500	Employee benefit contributions - administrative	9,498	-	-	7,708	6,791	-	-	-	-	-	299,170
91700	Legal expense	40	-	-	-	-	-	-	-	-	-	9,057
91900	Other	16,280	67,813	134,583	34,923	26,909	67	37,172	-	-	566	1,385,954
	Total administrative	89,506	75,705	143,942	94,227	78,788	2,701	41,091	-	-	566	3,858,431
92000	Asset management fee	4,800	3,312	3,936	2,016	1,776	1,760	1,728	-	-	-	267,896
Tenant services:												
92100	Salaries	-	-	-	-	-	-	-	-	-	-	124,213
92300	Employee benefit contributions	-	-	-	-	-	-	-	-	-	-	37,844
92400	Other	69	-	-	-	-	-	585	-	-	-	91,760
	Total tenant services	69	-	-	-	-	-	585	-	-	-	253,817
Utilities:												
93100	Water	15,853	-	-	1,197	1,054	-	-	-	-	-	353,675
93200	Electricity	50,157	-	-	3,358	2,959	-	-	-	-	-	1,789,275
93300	Gas	23,972	-	-	1,460	1,286	-	-	-	-	-	763,425
93800	Other utilities expense	5,107	-	-	-	-	-	-	-	-	-	30,721
	Total utilities	95,089	-	-	6,015	5,299	-	-	-	-	-	2,937,096
Ordinary maintenance & operations:												
94100	Labor	64,546	-	-	26,615	23,446	-	-	-	-	-	2,173,671
94200	Materials and other	5,178	-	-	17,822	15,701	-	-	-	-	-	877,106
94300	Contracts	12,958	-	-	74,295	65,461	-	-	-	-	14,639	1,445,769
94500	Employee benefits contribution	19,665	-	-	8,109	7,143	-	-	-	-	-	662,209
	Total ordinary maintenance & operations	102,347	-	-	126,841	111,751	-	-	-	-	14,639	5,158,755
Protective services:												
95100	Labor	3,868	-	-	-	-	-	-	-	-	-	182,545
95200	Other contract costs	476	-	-	9,894	8,717	-	-	-	-	-	211,387
95500	Employee benefit contributions	1,178	-	-	-	-	-	-	-	-	-	55,617
95000	Total protective services	5,522	-	-	9,894	8,717	-	-	-	-	-	449,549
96100	Total Insurance premiums	7,540	-	-	10,486	9,858	-	-	-	-	6,759	434,473
General expenses:												
96200	Other general expenses	-	-	-	264	233	-	-	-	-	-	12,270
96400	Bad debt - tenant rents	4,423	-	-	10,280	9,056	-	-	-	-	-	136,808
96000	Total general expenses	4,423	-	-	10,544	9,289	-	-	-	-	-	149,078
96900	Total operating expenses	309,296	79,017	147,878	260,023	225,478	4,461	43,404	-	-	21,964	13,509,095
97000	Excess of operating revenue over	53,077	41,508	(36,144)	92,807	82,271	27,921	34,775	5,889,598	72,052	14,206	10,200,425
97100	Extraordinary maintenance	-	-	-	6,138	5,407	-	-	-	2,481	-	87,737
97400	Depreciation expense	18,610	-	-	-	-	55,397	-	-	-	100,000	8,770,889
90000	Total expenses	327,906	79,017	147,878	266,161	230,885	59,858	43,404	-	2,481	121,964	22,367,721
Other financing sources (uses):												
10010	Operating transfer in	-	-	-	-	-	-	-	-	506,930	-	506,930
10020	Operating transfer out	-	-	-	-	-	-	-	(5,889,598)	(72,052)	-	(5,961,650)
10094	Operating transfer between programs	-	(80,741)	-	(35,703)	(48,764)	(27,921)	-	-	-	-	(6,514,211)
10100	Total other financing sources (uses)	-	(80,741)	-	(35,703)	(48,764)	(27,921)	-	(5,889,598)	434,878	-	(11,968,931)
10000	EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENSES	\$ 34,467	\$ (39,233)	\$ (36,144)	\$ 50,966	\$ 28,100	\$ (55,397)	\$ 34,775	\$ -	\$ 504,449	\$ (85,794)	\$ (10,627,132)
Memo Account Information												
11030	Beginning equity	\$ 50,918	\$ 45,139	\$ 90,289	\$ (8,514)	\$ 8,775	\$ 796,071	\$ 48,884	\$ -	\$ -	\$ 68,141	\$ 77,703,513
11190	Unit months available	480	-	984	564	384	396	432	-	-	-	32,280
11210	Unit months leased	472	-	981	515	384	325	405	-	-	-	30,207
11270	Excess cash	-	-	-	-	(21,323)	-	-	-	-	-	3,140,875

SINGLE AUDIT REPORT

**Independent Auditor's 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 the basic financial statements of Memphis Housing Authority (the Authority) as of and for the year ended June 30, 2009, and have issued our report thereon dated November 18, 2010. 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 of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2009-01 through 2009-03 to be material weaknesses in internal control over financial reporting.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2009-04 to be a significant deficiency.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Authority in a separate letter dated November 18, 2010.

The Authority's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Authority's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Commissioners, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Gunderson LLP

Baltimore, Maryland
November 18, 2010

**Independent Auditor's 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 compliance of Memphis Housing Authority's (the Authority) with the types of compliance requirements described in the OMB Circular A-133, *Compliance Supplement*, that could have a direct and material effect on each major federal program for the period ended June 30, 2009. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the 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, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2009-05.

Internal Control Over Compliance

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

material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as item 2009-05. *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.

The Authority's responses to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Authority's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Commissioners and management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Gunderson LLP

Baltimore, Maryland
November 18, 2010

MEMPHIS HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2009

Federal Grantor/Program Title	CFDA	Federal
U.S. Department of Housing and Urban Development (HUD)		
Public and Indian Housing Program	14.850	\$ 7,532,328
HOPE IV	14.866	14,426,866
Capital Funds Program	14.872	9,791,167
Housing Choice Voucher Program	14.871	45,634,626
Resident Opportunity and Supportive Services	14.870	392,898
Disaster Voucher Program	14.DVP	73,835
Disaster Housing Assistance Grant	97.109	2,659,685
Disaster Housing Assistance Grant - IKE	14.IKE	34,782
Community Development Block Grants	14.218	191,412
Veterans Assistance Support Housing	14.VSH	88,666
Supportive Housing for Persons with Disabilities	14.181	<u>117,212</u>
Total federal awards		<u>\$ 80,943,477</u>

This schedule should be read in conjunction with the accompanying
notes to schedule of expenditures of federal awards.

MEMPHIS HOUSING AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2009

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, 2009.

NOTE 3 – LOAN GUARANTEES

At year ended June 30, 2009, the Authority is not the guarantor of any loans outstanding other than those disclosed in the basic financial statements.

NOTE 4 – FINDINGS AND QUESTIONED COSTS

The findings and questioned costs identified in connection with the 2009 Single Audit report are disclosed in Schedule I and the status of the prior year findings and questioned costs is disclosed in Schedule II.

These notes should be read in conjunction with the accompanying
schedule of expenditures of federal awards.

**MEMPHIS HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2009**

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

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

	<u> X </u>	Yes	<u> </u>	
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Identification of Major Programs

Name of Federal Program or Cluster	CFDA Numbers	Amount
HOPE IV	14.866	\$ 14,426,866
Capital Fund Program	14.872	9,791,167
Housing Choice Voucher Program	14.871/14.VSM/14.DVP	45,797,127
Disaster Housing Assistance Grant	97.109/14.IKE	2,694,467

Dollar threshold used to distinguish between type A and type B programs: \$2,428,304

Auditee qualified as low-risk auditee? No

	<u> </u>	Yes	<u> x </u>	
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**MEMPHIS HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2009**

II. FINDINGS – FINANCIAL STATEMENT FINDINGS

2009-01 - Internal Controls Over General Ledger Maintenance and Financial Reporting

Condition/Context

Internal controls over the preparation of financial data 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 cash, notes receivable, capital assets, accounts payable, 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 cash, notes receivable, capital assets, accounts payable, 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

The Authority will 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. The Authority will also look at obtaining a fee accountant or consultant to provide technical assistance and assist with financial reviews.

Contact: Vickie Aldridge, Office 901.544.1329

Corrective Action/Anticipated Completion Date

March 2011

**MEMPHIS HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2009**

Finding 2009-02: Significant Delay in the Audit Process

Condition

There were significant delays in the audit process due to the availability of information and significant effort to reconcile numerous account balances. The June 30, 2009 financial statements were not completed until late 2010. 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, 2009 within 9 months after year end, i.e. March 31, 2010. 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 inaccurate account balances that required numerous audit adjustments and lack of providing timely information on financial data to the auditors.

Effect

Noncompliance with HUD's Uniform Financial Reporting Standards for HUD Housing Programs 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

The Authority is reviewing and revising current procedures to ensure that future reports meet the reporting requirements of HUD's Uniform Financial Reporting Standards for HUD Housing Programs and OMB reporting deadline.

Contact: Vickie Aldridge, Office 901.544.1329

Corrective Action/Anticipated Completion Date

December 2010

**MEMPHIS HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2009**

2009-03: Information System Access

Condition

Access controls over information systems are weak, are not in compliance with recommended policies, are not consistently followed, and are not properly monitored for changes in status and propriety. Reviews at the individual, application, and system levels identified the following exceptions:

- Documentation was missing to support account activity and users with administration rights.
- Active directory does not require password parameters including complexity, length, and account lockouts. There are no periodic reviews performed of user access rights, audit logs, or violation reports for unauthorized access.
- There is a lack of segregation of duties with ECS administration in that users can request, approve and assign access rights.
- Terminated users still had access to the system with the ability to create purchase orders.

Criteria

The internal control framework as identified in the Committee of Sponsoring Organizations (COSO) internal control model specifies the criteria for acceptable internal control practices. In addition, Control Objectives for Information and Related Technology (COBIT), released by the COBIT Steering Committee and the IT Governance Institute, requires that an organization have logical access controls that ensure that access to systems, data, and programs is restricted to authorized users.

Effect

Unauthorized access to the network, applications, including financial accounting systems, and data could result in the exposure, modification, or loss of sensitive data.

Cause

There is a lack of review processes and monitoring of user access.

Auditor's Recommendation

We recommend that user access approval continuance and termination be properly approved, reviewed, and monitored on a regular basis and that this process be documented.

Management's Response

Since the 2009 audit was performed we have implemented a new system that addresses the listed conditions with the exception of the Active Directory. Within our new Visual Homes system all account creation/deletion and password changes are administered by the City of Memphis Helpdesk and Data Center following Supervisor/Manager request and approval. All level of access is within the Visual Homes system and is managed by our Application/Development team following Supervisor/Manager approval. Both processes include at minimum, an email request from which an incident is generated for tracking and at maximum an Access Form must be submitted and signed by the departmental Manager/Director.

In regards to the ECS server, all inactive accounts have been purged from the system. There was a global password reset performed on the remaining accounts. All level of access is centrally managed by our Applications/Development staff following Supervisor approval.

**MEMPHIS HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2009**

In regards to Active Directory, implementation of an increased password policy that meets the recommendation is currently under review by the respective departments and scheduled to be completed within 60-90 days.

Contacts: James Collins, Office 901.544.1294, Mobile 901.570.1932
Prasad Epuri, Office 901.636.6640

Corrective Action/Anticipated Completion Date
February 2011

2009-04: Information System Change Management

Condition

Controls over system and application changes are weak and not adequately documented:

- Users have the ability to make changes in ECS.
- There is no monitoring of the production environment for unauthorized system changes.
- Documentation of change management was missing including change management request forms and listing of users with ability to make changes.

Criteria

The internal control framework as identified in the COSO internal control model specifies the criteria for acceptable internal control practices.

Effect

Inadequate controls over production systems and their modifications could lead to unauthorized and inappropriate access and changes to key financial systems. This in turn could lead to unauthorized updates to financial information.

Cause

Procedures in place to manage system changes are not sufficient.

Auditor's Recommendation

Change management documents, including formal approval for change initiation, testing script and related results, and final approval prior to changes moving to production systems should be retained and archived. In addition, individual user ID's should be created, and developer access should be removed from production systems.

Management's Response

The ECS is currently under review to be decommissioned and is no longer our primary production system. Our Visual Homes system incorporates all activity listed in the recommendation. Change management documents, formal approval, customization/script testing and agency approval prior to moving into production are all activities currently being exercised.

Contact: James Collins, Office 901.544.1294, Mobile 901.570.1932

Corrective Action/Anticipated Completion Date
November 2009

**MEMPHIS HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2009**

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2009-05: U.S. Department of Housing and Urban Development, Housing Choice Voucher Program, CFDA – 14.871

Condition/Context

3 of 25 files tested for rent reasonable did not document if the determination was performed prior to the contract effective date.

Criteria

24 CFR Sections 982.4(d)(15), 982.158(f)(7) and 982.507 state that the Authority must determine reasonable rent during the term of the contract before any increase in the rent to owner. In addition, the Authority must maintain records to document the basis for determination that the rent to the owner is a reasonable rent.

Effect

The Authority may not be able to support compliance with the special tests and provision requirements due to lack of documentation over the determination date of the reasonable rent calculations.

Cause

Lack of internal controls and monitoring over the rent reasonableness and file maintenance.

Questioned Costs

Unknown.

Recommendation

We recommend the Authority implement procedures to ensure that contract rent changes are properly documented and maintained on file.

Management's Response

HCV maintains a log of all contract rent change requests received from owners. During the regular quality control process, HCV reviews files for proper documentation of contract rent change requests.

Contact: Terrill Bates, Office 901.544.1117

Corrective Action/Anticipated Completion Dates

November 2010

MEMPHIS HOUSING AUTHORITY
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2009

**2008-01: Internal Controls Over General Ledger Maintenance and Financial Reporting -
Material Weakness**

Condition

During our audit procedures we noted the following adjustments which were necessary to correct the trial balance, all of which were corrected during the audit:

Management failed to post necessary adjustments to the general ledger in order to adjust net assets and other general ledger amounts to agree to the prior year audited financial statements.

Recommendation

The Authority should retain the current fee accountants to assist in the posting of all current year audit adjustments to the general ledger, as well as to assist in preparation and reconciliation of the FDS and supporting schedules for next year. Consistent use of the same fee accountants from year to year should provide for efficiencies from knowledge gained in the prior year.

The Authority should continue to provide training to accounting staff to ensure they are adequately trained to prepare the necessary reconciliations to the general ledger.

The Authority should review staff responsibilities to ensure that responsibility for maintenance and reconciliation on a monthly basis of ALL areas of the general ledger (including interfund accounts) are assigned to persons with adequate training and knowledge.

Status

This finding has not been corrected and is included in the current year as 2009-01.

2008-02: Internal Controls over Accounts Payable Cutoff at Year End

As a result of our audit procedures, we discovered approximately \$1.85 million in invoices related to construction activities performed prior to year-end that were not recorded in the proper period. These expenditures are related to grant activity and are reimbursable by the related grants. Failure to accrue these expenditures at year-end resulted in understatements of expenditures, accounts payable, grant income and receivables, prior to our audit adjustment.

Recommendation

We recommend the Authority establish procedures for review of accounts payable batches subsequent to year-end to ensure all significant amounts are posted in the proper period. Also, instruct staff responsible for posting accounts payable as to the importance of proper cut-off at year-end and how to determine the proper period to which an invoice relates.

Status

This finding has been resolved.

MEMPHIS HOUSING AUTHORITY
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2009

2008-03: Calculation of Rental Assistance Payments Related to Relocation
Federal Program Community Development Block Grant Program (CDBG) -
CFDA# 14.218

Condition

During 2007, the Authority initiated the relocation of tenants residing in buildings acquired in connection with the Master Development Plan a/k/a University Place. We tested this major program in the prior year and noted weaknesses in internal control and compliance as reported in finding 2007-07. HUD also performed a compliance review of this program and reported weaknesses and compliance violations, one of which was that the Authority did not make the allowable rental assistance payments. In response to these reported violations, the Authority calculated the rental assistance payments for all eligible displaced persons from the prior year. However, some of the payments were not calculated properly resulting in overpayments in 2008.

Recommendation

An integral part of the control environment is the establishment of written procedures and monitoring the impact, benefits and continued compliance derived from those procedures in meeting goals and objectives of a federal program being administered. We acknowledge that management has determined it will not administer any future relocation activities. However, we recommend management continue to strengthen and improve internal control, including supervisory controls necessary to ensure that program requirements are adhered to and that all future programs are managed by persons knowledgeable of program requirements.

Status

This finding has been resolved.

2008-04: Calculation of Disaster Housing Assistance Payments
Disaster Housing Assistance Program (DHAP) — CFDA# 97.109

Condition

The HAP payment was miscalculated for three individuals, resulting in underpayments of monthly amounts.

Recommendation

This program is scheduled to end in March 2009; however it is possible that the Authority may administer other programs in the future that are dependent upon information provided by other departments. Therefore, we recommend the Authority take steps to improve the process for communicating any departmental policy and/or procedural changes that may have an impact on another department's ability to properly perform its functions.

Status

This finding has been resolved.