

MEMPHIS HOUSING AUTHORITY
Memphis, Tennessee

BASIC FINANCIAL STATEMENTS
June 30, 2010

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1
REQUIRED SUPPLEMENTAL INFORMATION	
Management's Discussion and Analysis.....	3
FINANCIAL STATEMENTS	13
Statement of Net Assets	14
Statement of Revenues, Expenses and Changes in Net Assets	15
Statement of Cash Flows	16
Notes to Financial Statements.....	17
SUPPLEMENTAL INFORMATION	37
Financial Data Schedules:	
Entity-Wide Balance Sheet Summary	38
Entity-Wide Revenue and Expense Summary	40
Project Balance Sheet Summary	42
Project Revenue and Expense Summary	45
Statement and Certification of Program Cost	48
SINGLE AUDIT REPORT	49
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 <i>Government Auditing Standards</i>	50
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	52
Schedule of Expenditures of Federal Awards	54
Notes to Schedule of Expenditures of Federal Awards	55
Schedule of Findings and Questioned Costs	56
Schedule of Prior Year Findings and Questioned Costs	62

Independent Auditor's Report

Board of Commissioners
Memphis Housing Authority
Memphis, Tennessee

We have audited the accompanying financial statements of the business-type activities and discretely presented component units of the Memphis Housing Authority (the Authority) as of and for the year ended June 30, 2010, which collectively comprise Memphis Housing Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activities and discretely presented component units of the Authority as of June 30, 2010, and the respective changes in financial position and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2011, 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 opinions on the basic financial statements that collectively comprise the Authority's basic financial statements. The accompanying information identified in the Table of Contents as Financial Data Schedules and Statement and Certification of Program Cost on pages 39 to 48 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis 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
June 8, 2011

**MEMPHIS HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**

INTRODUCTION

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

This section of the Authority's annual financial report presents Management's analysis of the Authority's financial performance during the fiscal year ended June 30, 2010.

MEMPHIS HOUSING AUTHORITY PROGRAMS

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

Conventional Public Housing - Under the Conventional Public Housing Program, the Authority rents units that it owns to eligible low-income families, the elderly, and persons with disabilities. The Authority uses income limits developed by HUD which 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.

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

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

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

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

**MEMPHIS HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**

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 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 2010 have been reviewed by key management staff to assess the financial health of the Authority. The reader of this report should also understand that the interfund accounts, which balance between all funds, have been eliminated from the consolidated report and from this analysis. It is apparent in the future that the Authority must rely less on uncertain grant funding and develop alternative resources to maintain current service levels. The Authority has made the necessary financial and organizational changes to comply with the requirements of project based accounting in this year. Financial highlights of this past year are as follows:

- During FY 2010, total revenue decreased by \$8,278,251 or 8.58%; the decrease is primarily from a decrease in government grants earned and received.
- The Authority's total expenses decreased by 15.406% or \$13,470,159 as compared to prior fiscal year.
- The Authority's change in net assets increased by \$12,771,231 as compared to prior fiscal year; the increase is primarily due to the increase in notes receivable of \$13,581,841 from development partners involved in transforming the Authority's non-viable properties into mixed-income communities.

**MEMPHIS HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**

- Long-term debt outstanding decreased by \$1,840,000 during the year due to planned amortization of outstanding debt obligations.
- The Authority's cash balance as of June 30, 2010 was \$13,868,467, representing an increase of \$2,090,185 from June 30, 2009. Restricted cash was \$40,520 higher than in 2009 due to increase of HAP equity reserve in the Housing Choice Voucher Program as a result of higher funding advances during FY 2010.
- The business activities operating revenue exceeded expenses by \$15,464,389 due to HOPE VI and Capital Fund funds that were advanced to development partners. Additional detail on these transactions can be found in Note 5 of the financial statements.

FINANCIAL STATEMENT PRESENTATION

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 Revenues, 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 Revenues, 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 discloses net cash provided by, or used by, operating activities, non-capital financing activities, capital and related financing activities, and investing activities.

**MEMPHIS HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**

FINANCIAL ANALYSIS OF THE AUTHORITY

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
Statements of Net Assets
TABLE I**

<u>Account Descriptions</u>	<u>2010</u>	<u>2009</u>	<u>Total Change</u>	<u>% Change</u>
Current assets	\$ 19,615,694	\$ 21,211,750	\$ (1,596,056)	(7.52)%
Capital assets	83,403,683	87,259,362	(3,855,679)	(4.42)%
Other noncurrent assets	<u>105,925,529</u>	<u>92,348,504</u>	<u>13,577,025</u>	<u>14.70%</u>
Total assets	<u>\$ 208,944,906</u>	<u>\$ 200,819,616</u>	<u>\$ 8,125,290</u>	<u>4.05%</u>
Current liabilities	\$ 5,059,499	\$ 7,818,846	\$ (2,759,347)	(35.29)%
Noncurrent liabilities	<u>4,698,276</u>	<u>6,584,870</u>	<u>(1,886,594)</u>	<u>(28.65)%</u>
Total liabilities	<u>9,757,775</u>	<u>14,403,716</u>	<u>(4,645,941)</u>	<u>(32.26)%</u>
Invested in capital assets	83,403,683	87,259,362	(3,855,679)	(4.42)%
Restricted net assets	1,726,557	1,685,887	40,670	2.41%
Unrestricted net assets	<u>114,056,891</u>	<u>97,470,651</u>	<u>16,586,240</u>	<u>17.02%</u>
Total net assets	<u>199,187,131</u>	<u>186,415,900</u>	<u>12,771,231</u>	<u>6.85%</u>
Total liabilities and net assets	<u>\$ 208,944,906</u>	<u>\$ 200,819,616</u>	<u>\$ 8,125,290</u>	<u>4.05%</u>

As illustrated in the Statements of Net Assets, Total Assets increased by 4.05%. Liabilities decreased by 32.26%, and the overall Net Assets increased by 7.87%. The decrease in current assets is mainly due to a reduction in accounts receivables by \$4 million when compared to 2009. Capital Assets decreased by \$3,855,679 as illustrated further in this document. Current liabilities decreased by 35.29%, which was mainly due to changes in accounts payable and other liabilities. Total noncurrent liabilities decreased by 28.65% as a result of the 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 2010 and 2009.

**MEMPHIS HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**

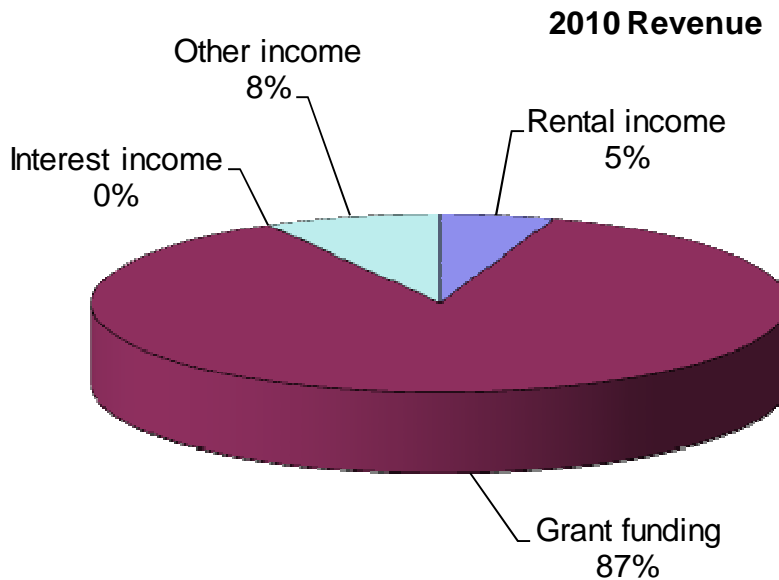
**Memphis Housing Authority
Statements of Revenues, Expenses and Changes in Net Assets
TABLE II**

	<u>2010</u>	<u>2009</u>	<u>Total Change</u>	<u>% Change</u>
Rental income	\$ 4,700,059	\$ 4,593,273	\$ 106,786	2.32%
Grant funding	76,281,551	88,277,816	(11,996,265)	(13.59)%
Interest income	11,988	67,084	(55,096)	(82.13)%
Other income	<u>7,237,442</u>	<u>3,571,118</u>	<u>3,666,324</u>	<u>102.67%</u>
Total revenue	<u>88,231,040</u>	<u>96,509,291</u>	<u>(8,278,251)</u>	<u>(8.58)%</u>
Administration	10,991,796	13,581,642	(2,589,846)	(19.07)%
Tenant services	954,266	1,174,044	(219,778)	(18.72)%
Utilities	2,940,209	3,078,182	(137,973)	(4.48)%
Maintenance	5,235,151	5,358,147	(122,996)	(2.30)%
Non-routine maintenance	5,334,060	12,331,814	(6,997,754)	(56.75)%
Protective services	566,864	543,119	23,745	4.37%
General expense	979,209	773,061	206,148	26.67%
Interest expense	203,400	320,851	(117,451)	(36.61)%
Housing assistance payments	40,086,411	43,029,687	(2,943,276)	(6.84)%
Depreciation	<u>8,168,443</u>	<u>9,009,421</u>	<u>(840,978)</u>	<u>(9.33)%</u>
Total expenses	<u>75,459,809</u>	<u>89,199,968</u>	<u>(13,740,159)</u>	<u>(15.40)%</u>
Change in net assets	12,771,231	7,309,323	5,461,908	74.73%
Beginning net assets	<u>186,415,900</u>	<u>179,106,577</u>	<u>7,309,323</u>	<u>4.08%</u>
Ending net assets	<u>\$ 199,187,131</u>	<u>\$ 186,415,900</u>	<u>\$ 12,771,231</u>	<u>6.85%</u>

**MEMPHIS HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**

REVENUES

In reviewing the Statements of Revenues, Expenses, and Net Assets, you will find that 87% 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 8%. Compared to the Fiscal Year ended June 30, 2010, revenues had an overall decrease of \$8,278,251 or 8.58%.



Rental Income - Tenant Revenue increased slightly from \$4,593,273 to \$4,700,059, an increase of \$106,786 from fiscal year 2009.

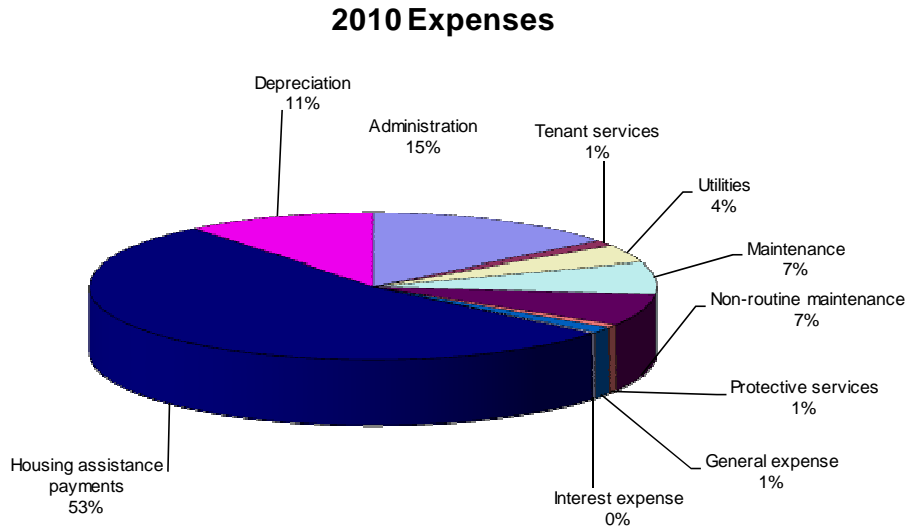
Program Grants/Subsidies - The Authority had a 13.59% decrease in Grant Revenue compared to the previous fiscal year. The Authority experienced a \$10 million increase in Capital Fund and ARRA grants mainly due to the redevelopment efforts at Lyon's Ridge and Village of Cypresswood apartments. The HOPE VI program items experienced a decrease in grant funding of \$13 million as a majority of the redevelopment efforts at University Place were completed during 2009. Funds received from the City of Memphis/HCD and CDBG were approximately \$11 million less in 2010 due to the lower contract advances for public improvements and site construction for the University Place project mixed-finance redevelopment efforts. The Housing Choice Voucher program had an increase of \$11 million as a result of the increased lease utilization during 2009.

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 \$55,096. In addition, the Authority did not receive any interest on notes receivable during 2010 compared to \$133,942 in 2009. Other income

**MEMPHIS HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**

increased by \$3,666,324 as a result of more Capital Improvement Funds (CIP) received from the City of Memphis/HCD than in 2009 for the Legends Park Redevelopment project.

EXPENSES



The Authority experienced a decrease in total expenses for the current year from \$89,199,968 to \$75,459,809 or 15.40%. 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 2010, administrative costs decreased by \$2,589,846 (19.07%) as expenses related to the DHAP program totaling \$2.1 million were not incurred as in 2009.

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 \$1,174,044 to \$954,266 (18.72%) due to less housing assistance payments provided to former tenants transitioning to homeownership compared to fiscal year 2009.

Utilities - The total utilities expense for the Authority had a decrease of \$137,973 (4.48%).

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

**MEMPHIS HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**

management, vehicles, etc. The Maintenance Expense for the Authority decreased by \$122,996 (2.3%) mainly as a result of repairs to vacant units at the various sites.

Non-routine Maintenance - The Authority had a decrease of \$6,997,754 (56.75%) in Non-routine Maintenance expenses compared to the previous fiscal year. This decrease was contributable to fewer expenses incurred for the University Place project funded by the HOPE VI program.

Protective Services - Protective Services Expense changed from \$543,119 to \$566,864, an increase of \$23,745 (4.37%) as a result of increased costs for security patrol at the various sites.

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 charted from \$773,061 to \$979,208 or an increase of \$206,148 (26.67%). This was directly attributable to the bad debt expense experienced by the Conventional Public Housing program.

Housing Assistance Payments (HAP) – 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 tenant rent and the applicable payment standard. During the year, the HAP expense decreased by \$2,943,276 (6.84%) due to less HAP funding provided by HUD.

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 \$840,978 compared with the 2009 level.

CAPITAL ASSETS

As of June 30, 2010, the Authority decreased its net capital assets by \$3,855,679 (4.42%). At the end of fiscal year 2010, the Authority had invested in Capital Assets of \$83,403,683, net of depreciation. All increases to capital assets are normal planned additions to the federal modernization program as outlined in the agency plan and depreciation expense was responsible for the overall decrease in total capital assets. The following illustrates the Capital Asset values for 2010 and 2009.

**MEMPHIS HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**

	Balance at June 30, 2009	Additions	Transfers /Deletions	Balance at June 30, 2010
Non-depreciable:				
Land	\$ 14,236,838	\$ -	\$ -	\$ 14,236,838
Construction in progress	9,679,431	3,931,049	(1,512,553)	12,097,927
Total non-depreciable	<u>23,916,269</u>	<u>3,931,049</u>	<u>(1,512,553)</u>	<u>26,334,765</u>
Depreciated:				
Buildings and improvements	205,183,066	313,526	1,512,553	207,009,145
Furniture and equipment	2,826,931	68,189	(188,353)	2,706,767
Total depreciated	<u>208,009,997</u>	<u>381,715</u>	<u>1,324,200</u>	<u>209,715,912</u>
Total capital assets	231,926,266	4,312,764	(188,353)	236,050,677
Less accumulated depreciation	<u>(144,666,904)</u>	<u>(8,168,443)</u>	<u>188,353</u>	<u>(152,646,994)</u>
Capital assets, net	<u>\$ 87,259,362</u>	<u>\$ (3,855,679)</u>	<u>\$ -</u>	<u>\$ 83,403,683</u>

DEBT ADMINISTRATION

As of June 30, 2010, the Authority has \$5,173,089 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, 2010:

Balance at the beginning of the period	\$ 7,013,089
Principal payments – planned amortization	<u>(1,840,000)</u>
Balance at June 30, 2010	<u>\$ 5,173,089</u>

Long-term debt decreased by \$1,840,000 during the fiscal year ended June 30, 2010 which represents the amount repaid to the City in relation to the HOPE VI activities for the Uptown Revitalization project.

ECONOMIC FACTORS

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

- HUD continues to fund the MHA's Operating Subsidy for the Public Housing program at levels at 100%, which is significantly higher than previous year's proration. It is not known whether these funding percentages will continue in future years. In addition to this funding level, MHA has also received current Capital Fund stimulus funds which will be expended over the next fiscal year as well as reflected in current operations in 2010.

**MEMPHIS HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**

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

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances. Should additional information be required or questions arise regarding this financial report, contact our office in writing at the following address:

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

FINANCIAL STATEMENTS

MEMPHIS HOUSING AUTHORITY
STATEMENT OF NET ASSETS
June 30, 2010

	<u>Authority</u>	<u>College Park</u>	<u>Uptown</u>	<u>Fowler</u>	<u>Total</u>
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 11,622,870	\$ 58,186	\$ 275,387	\$ -	\$ 11,956,443
Restricted cash	1,685,607	40,800	-	-	1,726,407
Tenant security deposits	141,976	30,675	9,262	3,704	185,617
Investments	775,616	-	-	-	775,616
Accounts receivable, net	4,352,830	59,718	-	8,789	4,421,337
Prepaid insurance and other deferred charges	380,972	20,125	13,536	2,891	417,524
Inventories, net	17,307	-	-	-	17,307
Notes, loans and mortgages receivable - current	115,443	-	-	-	115,443
	<u>19,092,621</u>	<u>209,504</u>	<u>298,185</u>	<u>15,384</u>	<u>19,615,694</u>
NONCURRENT ASSETS					
Capital assets, net	76,434,480	5,718,194	1,178,830	72,179	83,403,683
Notes, loans and mortgages receivable - noncurrent	105,925,529	-	-	-	105,925,529
	<u>182,360,009</u>	<u>5,718,194</u>	<u>1,178,830</u>	<u>72,179</u>	<u>189,329,212</u>
TOTAL ASSETS	<u>\$ 201,452,630</u>	<u>\$ 5,927,698</u>	<u>\$ 1,477,015</u>	<u>\$ 87,563</u>	<u>\$ 208,944,906</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable	\$ 1,773,432	\$ 45,768	\$ 24,058	\$ -	\$ 1,843,258
Accrued compensated absences, current portion	149,388	3,462	-	1,762	154,612
Deferred revenue	567,355	1,776	4,527	-	573,658
Accrued liabilities	226,425	-	3,152	2,117	231,694
Tenant security deposits	141,976	30,525	9,262	3,704	185,467
Current portion of long-term debt	1,890,000	-	-	-	1,890,000
Other current liabilities	161,875	6,938	11,989	8	180,810
	<u>4,910,451</u>	<u>88,469</u>	<u>52,988</u>	<u>7,591</u>	<u>5,059,499</u>
NON-CURRENT LIABILITIES					
Long-term debt, less current portion	3,283,089	-	-	-	3,283,089
Other non-current liabilities	23,680	-	-	-	23,680
Accrued compensated absences, less current portion	1,344,497	31,156	-	15,854	1,391,507
	<u>4,651,266</u>	<u>31,156</u>	<u>-</u>	<u>15,854</u>	<u>4,698,276</u>
Total liabilities	<u>9,561,717</u>	<u>119,625</u>	<u>52,988</u>	<u>23,445</u>	<u>9,757,775</u>
NET ASSETS					
Invested in capital assets, net of debt	76,434,480	5,718,194	1,178,830	72,179	83,403,683
Restricted net assets	1,685,607	40,950	-	-	1,726,557
Unrestricted net assets	113,770,826	48,929	245,197	(8,061)	114,056,891
	<u>191,890,913</u>	<u>5,808,073</u>	<u>1,424,027</u>	<u>64,118</u>	<u>199,187,131</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 201,452,630</u>	<u>\$ 5,927,698</u>	<u>\$ 1,477,015</u>	<u>\$ 87,563</u>	<u>\$ 208,944,906</u>

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, 2010

	<u>Authority</u>	<u>College Park</u>	<u>Uptown</u>	<u>Fowler</u>	<u>Eliminations</u>	<u>Total</u>
OPERATING REVENUES						
Rental income	\$ 3,711,890	\$ 262,863	\$ 569,987	\$ 155,319	\$ -	\$ 4,700,059
HUD subsidies	56,676,412	254,378	70,519	72,164	-	57,073,473
Other governmental grants	25,894	-	-	-	-	25,894
Other income	7,162,078	15,239	20,767	13,464	-	7,211,548
Fee revenue	1,910,053	-	-	-	(1,910,053)	-
Total operating revenues	<u>69,486,327</u>	<u>532,480</u>	<u>661,273</u>	<u>240,947</u>	<u>(1,910,053)</u>	<u>69,010,974</u>
OPERATING EXPENSES						
Administration	9,871,874	776,030	272,528	71,364	-	10,991,796
Tenant services	954,264	-	-	2	-	954,266
Utilities	2,815,416	34,997	11,748	78,048	-	2,940,209
Ordinary maintenance and operations	4,435,165	409,593	321,418	68,975	-	5,235,151
General expenses	1,467,184	30,928	35,904	12,057	-	1,546,073
Housing assistance payments	40,086,411	-	-	-	-	40,086,411
Fee expense	1,868,407	13,120	8,593	19,933	(1,910,053)	-
Total operating expenses	<u>61,498,721</u>	<u>1,264,668</u>	<u>650,191</u>	<u>250,379</u>	<u>(1,910,053)</u>	<u>61,753,906</u>
Operating income (loss) before depreciation	7,987,606	(732,188)	11,082	(9,432)	-	7,257,068
Depreciation	7,678,411	471,955	-	18,077	-	8,168,443
Total operating income (loss)	<u>309,195</u>	<u>(1,204,143)</u>	<u>11,082</u>	<u>(27,509)</u>	<u>-</u>	<u>(911,375)</u>
NON-OPERATING REVENUE (EXPENSES)						
Non-routine maintenance	(5,308,353)	(25,568)	-	(139)	-	(5,334,060)
Investment income	11,614	-	-	374	-	11,988
Interest expense	(203,400)	-	-	-	-	(203,400)
Other financing sources (uses)	(1,453,100)	676,387	775,118	1,595	-	-
Total nonoperating revenues (expenses)	<u>(6,953,239)</u>	<u>650,819</u>	<u>775,118</u>	<u>1,830</u>	<u>-</u>	<u>(5,525,472)</u>
Income (expense) before capital contributions	(6,644,044)	(553,324)	786,200	(25,679)	-	(6,436,847)
Capital contributions - HUD	18,642,860	22,236	538,570	4,412	-	19,208,078
CHANGE IN NET ASSETS	11,998,816	(531,088)	1,324,770	(21,267)	-	12,771,231
NET ASSETS, BEGINNING OF YEAR	<u>179,892,097</u>	<u>6,339,161</u>	<u>99,257</u>	<u>85,385</u>	<u>-</u>	<u>186,415,900</u>
NET ASSETS, END OF YEAR	<u>\$ 191,890,913</u>	<u>\$ 5,808,073</u>	<u>\$ 1,424,027</u>	<u>\$ 64,118</u>	<u>\$ -</u>	<u>\$ 199,187,131</u>

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

MEMPHIS HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
Year Ended June 30, 2010

	Authority	College Park	Uptown	Fowler	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from HUD	\$ 58,675,871	\$ 930,615	\$ 845,637	\$ 73,759	\$ 60,525,882
Cash received from tenants and others	10,876,115	216,797	594,973	163,015	11,850,900
Cash paid for administration and general	(15,263,642)	(807,525)	(347,660)	(121,180)	(16,540,007)
Cash paid for housing operating and tenant services	(6,818,200)	(400,188)	(279,945)	(114,496)	(7,612,829)
Cash paid for housing assistance payments	(40,086,411)	-	-	-	(40,086,411)
Net cash provided by (used in) operating activities	<u>7,383,733</u>	<u>(60,301)</u>	<u>813,005</u>	<u>1,098</u>	<u>8,137,535</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Principal paid on notes payable	(1,840,000)	-	-	-	(1,840,000)
Interest paid on notes payable	(203,400)	-	-	-	(203,400)
Net cash used in noncapital financing activities	<u>(2,043,400)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,043,400)</u>
CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES					
Proceeds from sale of fixed assets	-	-	-	-	-
Acquisition of capital assets	(3,034,492)	(196,339)	(1,076,188)	(5,745)	(4,312,764)
Non-routine maintenance	(5,308,353)	(25,568)	-	(139)	(5,334,060)
Capital grants - HUD	18,642,860	22,236	538,570	4,412	19,208,078
Net cash provided by (used in) capital and related activities	<u>10,300,015</u>	<u>(199,671)</u>	<u>(537,618)</u>	<u>(1,472)</u>	<u>9,561,254</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Issuance of notes receivables	(13,674,468)	-	-	-	(13,674,468)
Payments on notes receivables	92,628	-	-	-	92,628
Decrease in investments	(5,547)	-	-	-	(5,547)
Interest on investments	11,614	-	-	374	11,988
Net cash provided by (used in) investing activities	<u>(13,575,773)</u>	<u>-</u>	<u>-</u>	<u>374</u>	<u>(13,575,399)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS					
	2,064,575	(259,972)	275,387	-	2,079,990
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR					
	11,243,902	358,958	-	-	11,602,860
CASH AND CASH EQUIVALENTS, END OF YEAR					
	<u>\$ 13,308,477</u>	<u>\$ 98,986</u>	<u>\$ 275,387</u>	<u>\$ -</u>	<u>\$ 13,682,850</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES					
Operating income (loss)	\$ 309,195	\$ (1,204,143)	\$ 11,082	\$ (27,509)	\$ (911,375)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	7,678,411	471,955	-	18,077	8,168,443
Non cash transfer	(1,453,100)	676,387	775,118	1,595	-
Gain on sale of fixed assets	(3,996)	3,996	-	-	-
Provision for bad debts	416,792	-	11,352	-	428,144
Effects of changes in operating assets and liabilities:					
Accounts receivable	3,517,287	(61,412)	2,452	(5,768)	3,452,559
Prepaid expenses	(193,965)	-	-	180	(193,785)
Tenant security deposits	-	(150)	-	-	(150)
Prepaid expenses	19,000	(4,300)	(5,015)	-	9,685
Accounts payable and accrued liabilities	(2,634,446)	15,703	21,453	(3,101)	(2,600,391)
Compensated absences	(57,747)	34,618	-	17,616	(5,513)
Deferred revenue	(88,475)	107	1,767	-	(86,601)
Other liabilities	(125,223)	6,938	(5,204)	8	(123,481)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 7,383,733</u>	<u>\$ (60,301)</u>	<u>\$ 813,005</u>	<u>\$ 1,098</u>	<u>\$ 8,137,535</u>

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

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

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 discretely presented component units:

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

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.

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

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

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant Programs (continued)

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

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

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

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 Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. MHA and its component units maintain their accounts substantially in accordance with the chart of accounts prescribed by HUD and are organized utilizing the Fund Accounting model. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts.

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting and Measurement Focus (continued)

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.

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.

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues and Expenses

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

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

Cash and Cash Equivalents

For the purpose of the Statement of Net 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, 2010

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, 2010, 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, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related Development Project Notes Receivable (continued)

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.

New Accounting Pronouncements

The Authority also adopted GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. GASB No. 51 required that all intangible assets not specifically excluded by its requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets and recognized in the statement of net assets only if considered identifiable. Existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. For fiscal year 2010 the Authority did not have any intangible assets subject to GASB Statement No. 51.

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* became effective for the Authority in fiscal year 2010. GASB No. 53 addresses the recognition, measurement and disclosure of information regarding derivative instruments entered into by state and local governments. For fiscal year 2010 the Authority did not enter into any agreements that would be subject to GASB Statement No. 53.

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

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.

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, 2010, 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.

The following is a detail of cash and investments at June 30, 2010:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Security Deposits</u>	<u>Investments</u>
Cash and cash equivalents:				
Checking and money market accounts	\$ 11,624,385	\$ 1,569,018	\$ 185,617	\$ -
Contract retentions	90,813	-	-	-
Funds held by private management companies	240,495	157,389	-	-
Petty cash	750	-	-	-
	<u>11,956,443</u>	<u>1,726,407</u>	<u>185,617</u>	<u>-</u>
Investments:				
Money market accounts	-	-	-	79,140
Certificates of deposit	-	-	-	696,476
	<u>-</u>	<u>-</u>	<u>-</u>	<u>775,616</u>
Total cash and investments	<u><u>\$ 11,956,443</u></u>	<u><u>\$ 1,726,407</u></u>	<u><u>\$ 185,617</u></u>	<u><u>\$ 775,616</u></u>

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 3 – RESTRICTED CASH

Restricted cash consisted of the following at June 30, 2010:

HCVP HAP equity	\$ 791,053
Public Housing	61,874
COCC	95,515
Veterans Affairs Supporting Housing (VASH)	716,343
Disaster Housing Assistance Program (Ike)	49,432
Disaster Voucher Program	<u>12,190</u>
Total restricted cash	<u>\$ 1,726,407</u>

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2010 consisted of the following:

Tenants receivable	\$ 388,234
Accounts receivable - HUD	171,495
Accounts receivable - HCD	2,403,049
Accounts receivable - other	1,608,005
Accrued interest receivable	5,354,130
Allowance for doubtful accounts	<u>(5,503,576)</u>
Total accounts receivable	<u>\$ 4,421,337</u>

The above receivable balance excludes \$1,196,410 at June 30, 2010 of inter-fund receivable balances that have been eliminated along with the corresponding payable during the financial statement consolidation.

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 5 – NOTES RECEIVABLE

Notes receivable at June 30, 2010 consisted of the following:

Application Entity	Loan Date	Interest Rate	Due Date	2010
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	463,141
Renaissance Village Apartments, L.P. (Note A)	01/01/2003	4.09%	10/01/2043	685,000
Renaissance Village Apartments, L.P. (Note B)	01/01/2003	0.00%	01/01/2043	1,904,042
Uptown Square Apartments, L.P.	02/20/2003	0.00%	02/20/2043	14,410,609
Lemoyne Garden Senior, L.P. (Note A)	09/08/2000	6.09%	09/08/2040	920,000
Lemoyne Garden Senior, L.P. (Note B)	09/08/2000	0.50%	09/08/2050	2,935,740
Lemoyne Garden Family, L.P. (Note C)	11/29/2000	0.50%	11/29/2040	7,306,586
Uptown Village Apartments, LP	03/05/2004	0.00%	03/05/2044	4,075,000
Latham Terrace, LP	01/01/2006	4.52%	12/31/2077	5,061,792
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
University Place III, LP	08/08/2008	8.00%	08/08/2048	7,660,685
Ford Senior Villas, LP	05/15/2007	5.01%	04/01/2049	4,493,829
Uptown Senior Housing Development, LP	04/19/2006	0.00%	04/19/2046	4,943,000
Legends Park East	08/28/2008	8.00%	08/28/2047	2,800,000
Legends Park East	08/28/2009	8.00%	08/28/2048	7,000,000
Horn Lake Apartments LP	07/11/2008	4.60%	07/11/2010	3,969,577
Horn Lake Apartments LP	07/11/2008	4.60%	07/11/2010	2,300,000
Levi Landing LP	11/12/2009	0.00%	10/01/2049	2,423,600
Lyons Ridge Apartments LP	03/08/2010	0.00%	03/1/2012	970,417
Lakeview Road LP	11/12/2009	0.00%	10/01/2049	9,429,273
Village Parkway Apartments LP	03/08/2010	0.00%	03/10/2052	851,179
Total notes receivable				106,040,972
Less: current portion				(115,443)
Long-term notes receivable				\$ 105,925,529

Thomas W. Jones, Jr. and Dianne C. Jones — As a part of the redevelopment of the University Place area, the Authority acquired property owned by Thomas W. Jones, Jr. and Dianne C. Jones. To assist the Jones with relocating, on December 21, 2004, a loan of \$356,838 was provided with an interest rate of six percent to purchase property located at 241 East Industrial Drive, Memphis, Tennessee. The borrower agreed to make monthly principal and interest payments totaling \$2,557 through December 31, 2024. The loan is secured by a deed of trust on the above real estate. The borrower made total payments of principal and interest of \$0 during 2010.

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 2010 and 2009, \$92,628 of this loan balance was forgiven and charged to expense.

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 5 – NOTES RECEIVABLE (CONTINUED)

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 2010.

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 2010.

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 2010.

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 2010.

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 5 – NOTES RECEIVABLE (CONTINUED)

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 2010.

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 2010.

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 2010.

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 2010.

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 2010.

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 5 – NOTES RECEIVABLE (CONTINUED)

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 2010.

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 2010.

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 2010.

University Place Phase III, LP – As part of the redevelopment of the former Lamar Terrace site, MHA provided loans of \$7,660,685 for the construction of 136 housing units (26 public housing units) and other improvements such as landscaping, curbing and paving. The loans mature on August 8, 2040. Interest on the loans 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 2010.

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 2010.

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 5 – NOTES RECEIVABLE (CONTINUED)

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 2010.

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 2010.

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 2010.

Levi Landing LP - A permanent financing loan for \$2,423,600 was provided for a 32-unit (16 public housing units) multifamily apartment complex known as Levi Landing. The loan matures on October 1, 2049 and has an annual interest rate of 0.0%. Total advances made on this loan during 2010 were \$2,423,600

Lyons Ridge Apartments LP – A construction loan for \$4,250,000 was provided for the development and construction of a 102-unit elderly apartment complex. The construction loan will convert to term loan after certain events on or before the maturity date in March 2012. Total advances made on this loan during 2010 were \$970,417.

Lakeview Road LP – A permanent financing loan for \$9,429,273 was provided for a 152-unit (76 public housing units) multifamily apartment complex known as Lakeview Road Apartments. The loan matures on October 1, 2049 and has an annual interest rate of 0.0%. Total advances made on this loan during 2010 were \$9,429,273.

Village Parkway LP - A construction loan for \$3,991,527 was provided for the development and construction of a 116-unit multifamily apartment complex known as Village at Cypresswood. The loan matures on March 10, 2052 and had an annual interest rate of 0.0%. The advances made on this loan during 2010 were \$851,179.

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 6 – CAPITAL ASSETS

The following is a summary of changes in capital assets for fiscal year ended June 30, 2010:

	<u>Balance at June 30, 2009</u>	<u>Additions</u>	<u>Transfers /Deletions</u>	<u>Balance at June 30, 2010</u>
Non-depreciable:				
Land	\$ 14,236,838	\$ -	\$ -	\$ 14,236,838
Construction in progress	9,679,431	3,931,049	(1,512,553)	12,097,927
Total non-depreciable	<u>23,916,269</u>	<u>3,931,049</u>	<u>(1,512,553)</u>	<u>26,334,765</u>
Depreciated:				
Buildings and improvements	205,183,066	313,526	1,512,553	207,009,145
Furniture and equipment	2,826,931	68,189	(188,353)	2,706,767
Total depreciated	<u>208,009,997</u>	<u>381,715</u>	<u>1,324,200</u>	<u>209,715,912</u>
Total capital assets	231,926,266	4,312,764	(188,353)	236,050,677
Less accumulated depreciation	<u>(144,666,904)</u>	<u>(8,168,443)</u>	<u>188,353</u>	<u>(152,646,994)</u>
Capital assets, net	<u>\$ 87,259,362</u>	<u>\$ (3,855,679)</u>	<u>\$ -</u>	<u>\$ 83,403,683</u>

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

NOTE 7 – ACCRUED LIABILITIES AND DEFERRED REVENUE

Accrued liabilities and deferred revenue consisted of the following at June 30, 2010:

Accrued salaries and fringe benefits	\$ 231,694
Accrued compensated absences - current portion	1,472,653
Deferred revenue- McKinney Act refunding	463,141
Deferred revenue - other	<u>110,517</u>
Total	<u>\$ 2,278,005</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 2010, \$92,628 was recognized as income.

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 8 – LONG-TERM LIABILITIES

The future maturities of principal and interest payment obligations related to notes payable for the four years commencing July 1, 2010:

	<u>Balance at June 30, 2009</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance June 30, 2010</u>	<u>Due in One Year</u>
Notes payable - City of Memphis	\$ 7,013,089	\$ -	\$ 1,840,000	\$ 5,173,089	\$ 1,890,000
FSS escrow payables	160,708	-	137,028	23,680	-
Compensated absences	<u>1,551,632</u>	<u>-</u>	<u>5,513</u>	<u>1,546,119</u>	<u>154,612</u>
Total	<u>\$ 8,725,429</u>	<u>\$ -</u>	<u>\$ 1,982,541</u>	<u>\$ 6,742,888</u>	<u>\$ 2,044,612</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 2010, \$1,840,000 of principal and \$203,400 of interest was paid on these loans.

The future maturities of notes payable were as follows at June 30, 2010.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending:			
2011	\$ 1,890,000	\$ 157,500	\$ 2,047,500
2012	1,295,000	100,725	1,395,725
2013	1,310,043	61,950	1,371,993
2014	<u>678,046</u>	<u>31,875</u>	<u>709,921</u>
Total	<u>\$ 5,173,089</u>	<u>\$ 352,050</u>	<u>\$ 5,525,139</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.

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 9 – RETIREMENT PLAN (CONTINUED)

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 the Authority, which participate in the TCRS as individual entities are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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.

The Authority is required to contribute at an actuarially determined rate; the rate for the fiscal years ending June 30, 2010 was 12.62 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 2010, 2009 and 2008, Authority's annual pension payments to TCRS of \$748,854, \$830,179 and \$911,057, respectively, were equal to the Authority's required and actual contributions. Covered payroll for June 30, 2010, 2009 and 2008 was \$5,933,870, \$6,578,284 and \$6,472,183, respectively.

The required contribution for 2010 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.

**MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

NOTE 9 – RETIREMENT PLAN (CONTINUED)

Funding Status and Progress (continued)

TREND INFORMATION

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

Changes in Actuarial Assumption

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

The actuarial valuation performed as of July 1, 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 2010, 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. As of June 30, 2010, \$375,000 in grant funds was due from HCD. In conjunction with pass-through funding related to CDBG, as of June 30, 2010, \$1,477,613 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.

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 10 – RELATED PARTY TRANSACTION (CONTINUED)

MHA bills MLB for reimbursable expenses incurred on their behalf. There were no expenses billed in 2010.

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 2010, 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 \$1,261,768 were expensed in 2010.

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.

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

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, 2010, the outstanding balance on this conduit debt was \$1,499,490. 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.

NOTE 16 – FUTURE ACCOUNTING PRONOUNCEMENTS

The Authority is in the process of assessing the impact on its financial position or results of operations of implementing GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The statement will be effective for the Authority in fiscal year 2011. GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

SUPPLEMENTAL INFORMATION

MEMPHIS HOUSING AUTHORITY
ENTITY-WIDE BALANCE SHEET SUMMARY
June 30, 2010

Line		Business														Total	
Item #	Accounts Description	Project Totals	COCC	Activities	Hope VI	HCVP	Supportive Housing	CDBG	VASH	ROSS	DHAP	CSBG	DHAP IKE	DVP	ARRA	Elimination	Total
CURRENT ASSETS																	
Cash:																	
111	Unrestricted	\$ 4,220,836	\$ 1,799,597	\$ 404,695	\$ -	\$ 5,470,458	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,219	\$ 53,638	\$ -	\$ -	\$ 11,956,443
112	Restricted - Modernization anc	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
113	Other restricted	61,874	95,515	-	-	791,053	-	-	716,343	-	-	-	49,432	12,190	-	-	1,726,407
114	Tenant security deposits	185,617	-	-	-	-	-	-	-	-	-	-	-	-	-	-	185,617
100	Total cash	4,468,327	1,895,112	404,695	-	6,261,511	-	-	716,343	-	-	-	56,651	65,828	-	-	13,868,467
Accounts and notes receivable:																	
121	Accounts receivable - PHA proj	591,864	9,302	-	-	-	-	-	-	-	-	-	-	-	-	-	601,166
122	HUD other projects	-	-	-	-	-	95,688	-	-	4,334	-	-	-	-	71,473	-	171,495
124	Other government	-	1,498,113	542,536	-	-	-	362,400	-	-	-	-	-	-	-	-	2,403,049
125	Miscellaneous	72,069	366,337	282,828	-	39,896	-	-	-	-	245,517	-	-	192	-	-	1,006,839
126	Tenants	371,472	16,762	-	-	-	-	-	-	-	-	-	-	-	-	-	388,234
126.1	Allowance for doubtful accounts	(101,140)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(101,140)
126.10	Allowance for doubtful accounts	(16,456)	-	(5,385,980)	-	-	-	-	-	-	-	-	-	-	-	-	(5,402,436)
127	Notes, loans, & mortgages rece	-	-	115,443	-	-	-	-	-	-	-	-	-	-	-	-	115,443
129	Accrued interest receivable	-	5,917	5,348,213	-	-	-	-	-	-	-	-	-	-	-	-	5,354,130
120	Total receivables, net of allowances for uncollectibles	917,809	1,896,431	903,040	-	39,896	95,688	362,400	-	4,334	245,517	-	-	192	71,473	-	4,536,780
131	Investments - unrestricted	775,616	-	-	-	-	-	-	-	-	-	-	-	-	-	-	775,616
	Total current investments	775,616	-	-	-	-	-	-	-	-	-	-	-	-	-	-	775,616
142	Prepaid expenses and other asset	188,758	214,751	-	-	14,015	-	-	-	-	-	-	-	-	-	-	417,524
143	Inventories	50,477	-	-	-	-	-	-	-	-	-	-	-	-	-	-	50,477
143.1	Allowance for obsolete inventories	(33,170)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(33,170)
144	Interprogram - due from	-	977,444	-	-	217,095	-	-	-	-	1,871	-	-	-	-	(1,196,410)	-
150	Total current assets	6,367,817	4,983,738	1,307,735	-	6,532,517	95,688	362,400	716,343	4,334	245,517	1,871	56,651	66,020	71,473	(1,196,410)	19,615,694
NONCURRENT ASSETS																	
Fixed assets:																	
161	Land	5,225,306	9,011,532	-	-	-	-	-	-	-	-	-	-	-	-	-	14,236,838
162	Buildings	196,560,329	10,448,816	-	-	-	-	-	-	-	-	-	-	-	-	-	207,009,145
164	Furniture, equipment & mach - i	68,190	2,638,577	-	-	-	-	-	-	-	-	-	-	-	-	-	2,706,767
166	Accumulated depreciation	(148,597,915)	(4,049,079)	-	-	-	-	-	-	-	-	-	-	-	-	-	(152,646,994)
167	Construction in progress	6,147,183	-	-	5,950,744	-	-	-	-	-	-	-	-	-	-	-	12,097,927
160	Total fixed assets, net of accu	59,403,093	18,049,846	-	5,950,744	-	-	-	-	-	-	-	-	-	-	-	83,403,683
171	Notes, loans and mortgages r	-	-	105,925,529	-	-	-	-	-	-	-	-	-	-	-	-	105,925,529
180	Total noncurrent assets	59,403,093	18,049,846	105,925,529	5,950,744	-	-	-	-	-	-	-	-	-	-	-	189,329,212
190	TOTAL ASSETS	\$ 65,770,910	\$ 23,033,584	\$ 107,233,264	\$ 5,950,744	\$ 6,532,517	\$ 95,688	\$ 362,400	\$ 716,343	\$ 4,334	\$ 245,517	\$ 1,871	\$ 56,651	\$ 66,020	\$ 71,473	\$ (1,196,410)	\$ 208,944,906

MEMPHIS HOUSING AUTHORITY
ENTITY-WIDE BALANCE SHEET SUMMARY
June 30, 2010

Line Item #	Accounts Description	Project Totals	COCC	Business Activities	Hope VI	HCVP	Supportive Housing	CDBG	VASH	ROSS	DHAP	CSBG Food/ Nutrition	DHAP IKE	DVP	ARRA	Elimination	Total
CURRENT LIABILITIES																	
312	Accounts payable <= 90 days	\$ 711,849	\$ 2,578	\$ 282,828	\$ -	\$ 14,095	\$ -	\$ 362,400	\$ -	\$ 4,334	\$ -	\$ -	\$ -	\$ -	\$ 71,473	\$ -	\$ 1,449,557
313	Accounts payable > 90 days	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
321	Accrued wage/payroll taxes payable	150,426	81,110	-	-	-	-	-	-	-	-	158	-	-	-	-	231,694
322	Accrued compensated absences - current portion	80,991	64,295	-	-	9,171	-	-	-	-	-	155	-	-	-	-	154,612
324	Accrued Contingency Liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
331	Accounts payable - HUD	393,701	-	-	-	-	-	-	-	-	-	-	-	-	-	-	393,701
332	Accounts payable - PHA projects	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
341	Tenant security deposits	185,467	-	-	-	-	-	-	-	-	-	-	-	-	-	-	185,467
342	Deferred revenues	56,303	-	463,141	-	-	-	-	-	-	-	-	54,214	-	-	-	573,658
343	Current portion of LT debt - capital projects/ mortgage revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
344	Current portion of LT debt - operating borrowings	-	-	1,890,000	-	-	-	-	-	-	-	-	-	-	-	-	1,890,000
345	Other current liabilities	167,825	-	-	-	-	-	-	-	-	5,845	-	-	3,088	-	-	176,758
346	Other liabilities	2,318	1,734	-	-	-	-	-	-	-	-	-	-	-	-	-	4,052
347	Interprogram (due to)	-	-	90,826	-	864,230	95,688	-	-	-	145,666	-	-	-	-	(1,196,410)	-
310	Total current liabilities	1,748,880	149,717	2,726,795	-	887,496	95,688	362,400	-	4,334	151,511	313	54,214	3,088	71,473	(1,196,410)	5,059,499
NONCURRENT LIABILITIES																	
351	Long-term debt, net of current - capital projects/ mortgage revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
352	Long-term debt, net of current - operating borrowings	-	-	3,283,089	-	-	-	-	-	-	-	-	-	-	-	-	3,283,089
353	Non-current liabilities - other	-	-	-	-	23,680	-	-	-	-	-	-	-	-	-	-	23,680
354	Accrued compensated absences - noncurrent	728,924	578,647	-	-	82,544	-	-	-	-	-	1,392	-	-	-	-	1,391,507
350	Total noncurrent liabilities	728,924	578,647	3,283,089	-	106,224	-	-	-	-	-	1,392	-	-	-	-	4,698,276
300	Total liabilities	2,477,804	728,364	6,009,884	-	993,720	95,688	362,400	-	4,334	151,511	1,705	54,214	3,088	71,473	(1,196,410)	9,757,775
EQUITY																	
508.1	Invested in capital assets	59,403,093	18,049,846	-	5,950,744	-	-	-	-	-	-	-	-	-	-	-	83,403,683
511.1	Restricted net assets	62,024	95,515	-	-	791,053	-	-	716,343	-	-	-	49,432	12,190	-	-	1,726,557
512.1	Unrestricted net assets	3,827,989	4,159,859	101,223,380	-	4,747,744	-	-	-	-	94,006	166	(46,995)	50,742	-	-	114,056,891
513	Total equity/net assets	63,293,106	22,305,220	101,223,380	5,950,744	5,538,797	-	-	716,343	-	94,006	166	2,437	62,932	-	-	199,187,131
600	TOTAL LIABILITIES AND EQUITY/NET ASSETS	<u>\$ 65,770,910</u>	<u>\$ 23,033,584</u>	<u>\$ 107,233,264</u>	<u>\$ 5,950,744</u>	<u>\$ 6,532,517</u>	<u>\$ 95,688</u>	<u>\$ 362,400</u>	<u>\$ 716,343</u>	<u>\$ 4,334</u>	<u>\$ 245,517</u>	<u>\$ 1,871</u>	<u>\$ 56,651</u>	<u>\$ 66,020</u>	<u>\$ 71,473</u>	<u>\$ (1,196,410)</u>	<u>\$ 208,944,906</u>

MEMPHIS HOUSING AUTHORITY
ENTITY-WIDE REVENUE AND EXPENSE SUMMARY
Year Ended June 30, 2010

Line Item #	Accounts Description	Project		Business			Supportive										Elimination	Total
		Totals	COCC	Activities	Hope VI	HCVP	Housing	CDBG	VASH	ROSS	DHAP	CSBG	DHAP IKE	DVP	ARRA			
REVENUE																		
70300	Net tenant rental revenue	\$ 4,449,477	\$ 83,755	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,533,232	
70400	Tenant revenue - other	166,827	-	-	-	-	-	-	-	-	-	-	-	-	-	-	166,827	
70500	Total tenant revenue	4,616,304	83,755	-	-	-	-	-	-	-	-	-	-	-	-	-	4,700,059	
70600	HUD PHA operating grants	9,158,283	9,403	-	1,231,011	44,950,242	129,720	-	456,614	473,212	190,093	-	5,304	44,902	424,689	-	57,073,473	
70610	Capital grants	15,492,212	-	-	-	-	-	-	-	-	-	-	-	-	3,715,866	-	19,208,078	
70710	Management fee	-	809,204	-	-	-	-	-	-	-	-	-	-	-	-	(809,204)	-	
70720	Asset management fee	-	855,524	-	-	-	-	-	-	-	-	-	-	-	-	(855,524)	-	
70730	Bookkeeping fee	-	245,325	-	-	-	-	-	-	-	-	-	-	-	-	(245,325)	-	
70750	Other fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
70700	Total fee revenue	-	1,910,053	-	-	-	-	-	-	-	-	-	-	-	-	(1,910,053)	-	
70800	Other governmental grants	-	-	-	-	-	-	-	-	-	-	25,894	-	-	-	-	25,894	
71100	Investment income - unrestricted	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
71400	Fraud recovery	-	-	-	-	14,414	-	-	-	-	-	-	-	-	-	-	14,414	
71500	Other revenue	169,353	16,509	2,424,078	-	12,094	-	4,575,017	-	-	-	-	-	83	-	-	7,197,134	
71600	Gain or loss on sale of capital assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
72000	Investment Income - Restricted	8,765	3,181	42	-	-	-	-	-	-	-	-	-	-	-	-	11,988	
70000	Total revenue	29,444,917	2,022,901	2,424,120	1,231,011	44,976,750	129,720	4,575,017	456,614	473,212	190,093	25,894	5,304	44,985	4,140,555	(1,910,053)	88,231,040	
EXPENSES																		
Administrative:																		
91100	Administrative salaries	1,056,223	1,917,086	-	429,395	753,194	-	-	-	-	-	49,714	-	-	-	-	4,205,612	
91200	Auditing fees	56,696	1,528	-	6,330	-	-	-	-	-	853	-	-	-	-	-	65,407	
91300	Management fee	-	-	-	-	439,230	-	-	-	-	-	-	-	-	369,974	(809,204)	-	
91310	Bookkeeping fee	245,325	-	-	-	-	-	-	-	-	-	-	-	-	-	(245,325)	-	
91400	Advertising and marketing	-	5,218	-	-	-	-	-	-	-	-	-	-	-	-	-	10,722	
91500	Employee benefit contributions - administrative	335,450	683,538	-	26,385	223,676	-	-	-	-	-	10,922	-	-	-	-	1,279,971	
91700	Legal expense	-	8,479	10,304	-	-	-	8,072	-	-	-	-	-	-	-	-	124,169	
91800	Travel	-	18,878	28,863	1,061	2,736	-	-	-	-	-	-	-	-	-	-	51,538	
91900	Other	3,182,405	160,127	82,069	522,950	1,248,015	-	35,405	-	-	23,406	-	-	-	-	-	5,254,377	
	Total administrative	4,908,674	2,893,960	93,434	985,060	2,666,851	-	43,477	-	-	24,259	60,636	-	-	369,974	(1,054,529)	10,991,796	
92000	Asset management fee	855,524	-	-	-	-	-	-	-	-	-	-	-	-	-	(855,524)	-	
Tenant services:																		
92100	Salaries	124,394	149,608	-	-	76,975	-	-	-	18,887	-	-	-	-	-	-	369,864	
92200	Relocation costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
92300	Employee benefit contributions	-	-	-	-	-	-	-	-	405	-	-	-	-	-	-	405	
92400	Other	33,396	482	30,537	44,964	-	-	11,728	-	453,920	-	-	-	-	8,970	-	583,997	
	Total tenant services	157,790	150,090	30,537	44,964	76,975	-	11,728	-	473,212	-	-	-	-	8,970	-	954,266	
Utilities:																		
93100	Water	230,663	4,486	-	-	-	-	-	-	-	-	-	-	-	-	-	235,149	
93200	Electricity	1,721,430	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,820,430	
93300	Gas	610,214	11,892	-	-	-	-	-	-	-	-	-	-	-	-	-	622,106	
93400	Fuel	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
93600	Sewer	231,894	3,002	-	-	-	-	-	-	-	-	-	-	-	-	-	234,896	
93800	Other utilities expense	27,628	-	-	-	-	-	-	-	-	-	-	-	-	-	-	27,628	
	Total utilities	2,821,829	118,380	-	-	-	-	-	-	-	-	-	-	-	-	-	2,940,209	
Ordinary maintenance & operations:																		
94100	Labor	1,823,369	1,067	-	-	914	-	-	-	-	-	-	-	-	-	-	1,825,350	
94200	Materials and other	1,002,676	239,191	-	-	705	-	-	-	-	-	-	-	-	-	-	1,242,572	
94300	Contracts	1,673,833	-	500	-	6,787	-	-	-	-	-	-	-	-	-	-	1,681,120	
94500	Employee benefits contribution	486,109	-	-	-	-	-	-	-	-	-	-	-	-	-	-	486,109	
	Total ordinary maintenance & operations	4,985,987	240,258	500	-	8,406	-	-	-	-	-	-	-	-	-	-	5,235,151	
Protective services:																		
95100	Labor	140,547	22,619	-	-	607	-	-	-	-	-	-	-	-	-	-	163,773	
95200	Other contract costs	261,019	87,511	-	-	-	-	-	-	-	-	-	-	-	-	-	348,530	
95300	Other	-	6,297	-	-	-	-	-	-	-	-	-	-	-	-	-	6,432	
95500	Employee benefit contributions	48,129	-	-	-	-	-	-	-	-	-	-	-	-	-	-	48,129	
95000	Total protective services	449,830	116,427	-	-	607	-	-	-	-	-	-	-	-	-	-	566,864	
96100	Total Insurance premiums	420,596	56,143	-	-	31,551	-	-	-	-	-	548	-	-	-	-	508,838	

MEMPHIS HOUSING AUTHORITY
ENTITY-WIDE REVENUE AND EXPENSE SUMMARY
Year Ended June 30, 2010

Line Item #	Accounts Description	Project Totals	Business				Supportive										Elimination	Total
			COCC	Activities	Hope VI	HCVF	Housing	CDBG	VASH	ROSS	DHAP	CSBG	DHAP IKE	DVP	ARRA			
EXPENSES (Continued)																		
General expenses:																		
96200	Other general expenses	\$ 37,674	\$ 14,761	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 52,435	
96210	Compensated absences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
96300	Payments in lieu of taxes	-	-	20,084	-	-	-	-	-	-	-	-	-	-	-	-	20,084	
96400	Bad debt - tenant rents	319,585	-	-	-	-	-	-	-	-	-	-	-	-	-	-	319,585	
96800	Severance expense	26,386	41,127	-	3,675	7,079	-	-	-	-	-	-	-	-	-	-	78,267	
96000	Total general expenses	383,645	55,888	20,084	3,675	7,079	-	-	-	-	-	-	-	-	-	-	470,371	
96700	Total interest expense and amortization cost	-	-	203,400	-	-	-	-	-	-	-	-	-	-	-	-	203,400	
96900	Total operating expenses	14,983,875	3,631,146	347,955	1,033,699	2,791,469	-	55,205	-	473,212	24,259	61,184	-	-	378,944	(1,910,053)	21,870,895	
97000	Excess of operating revenue over operating expenses	14,461,042	(1,608,245)	2,076,165	197,312	42,185,281	129,720	4,519,812	456,614	-	165,834	(35,290)	5,304	44,985	3,761,611	-	66,360,145	
97100	Extraordinary maintenance	283,806	1,139	286,246	197,312	-	-	4,519,812	-	-	-	-	-	-	45,745	-	5,334,060	
97200	Casualty losses - non capitalized	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
97300	Housing assistance payments	-	-	-	-	39,449,931	119,175	-	386,265	-	88,364	-	4,782	37,894	-	-	40,086,411	
97400	Depreciation expense	7,556,952	611,491	-	-	-	-	-	-	-	-	-	-	-	-	-	8,168,443	
90000	Total expenses	22,824,633	4,243,776	634,201	1,231,011	42,241,400	119,175	4,575,017	386,265	473,212	112,623	61,184	4,782	37,894	424,689	(1,910,053)	75,459,809	
Other financing sources (uses):																		
10010	Operating transfer in	499,238	-	11,852,873	-	10,545	-	-	-	-	-	-	-	-	-	-	12,362,656	
10020	Operating transfer out	(12,352,111)	-	-	-	-	(10,545)	-	-	-	-	-	-	-	-	-	(12,362,656)	
10030	Operating transfers from / to primary government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
10060	Proceeds from property sales	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
10070	Extraordinary items, net gain / loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
10091	Inter project excell cash transfer in	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
10093	Operating transfer between programs and projects - in	846,658	\$ 444,955	-	-	-	-	-	-	-	-	-	-	-	-	-	1,291,613	
10094	Operating transfer between programs and projects - out	(1,291,613)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,291,613)	
10100	Total other financing sources (uses)	(12,297,828)	444,955	11,852,873	-	10,545	(10,545)	-	-	-	-	-	-	-	-	-	-	
10000	EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENSES	\$ (5,677,544)	\$ (1,775,920)	\$ 13,642,792	\$ -	\$ 2,745,895	\$ -	\$ -	\$ 70,349	\$ -	\$ 77,470	\$ (35,290)	\$ 522	\$ 7,091	\$ 3,715,866	\$ -	\$ 12,771,231	
Memo Account Information																		
11020	Required annual debt principal payments	\$ -	\$ -	\$ 1,890,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,890,000	
11030	Beginning equity	67,076,381	24,081,140	85,758,991	5,950,744	2,792,902	-	-	645,994	-	16,536	35,456	1,915	55,841	-	-	186,415,900	
11040	Prior period adjustments, equity transfers & correction	1,894,269	-	1,821,597	-	-	-	-	-	-	-	-	-	-	(3,715,866)	-	-	
11170	Administrative fee equity	-	-	-	-	4,747,744	-	-	-	-	-	-	-	-	-	-	4,747,744	
11180	Housing assistance payments equity	-	-	-	-	791,053	-	-	-	-	-	-	-	-	-	-	791,053	
11190	Unit months available	33,180	-	-	-	71,592	348	919.00	-	205	-	22	97	-	-	-	106,363	
11210	Unit months leased	31,492	-	-	-	65,834	293	919.00	-	205	-	22	97	-	-	-	98,862	
11270	Excess cash	2,690,756	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,690,756	
11640	Furniture & equipment - administrative purchases	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	

**MEMPHIS HOUSING AUTHORITY
PROJECT BALANCE SHEET SUMMARY
June 30, 2010**

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	\$ 911,328	\$ 1,387,180	\$ -	\$ 291,892	\$ 466,554	\$ -	\$ 435,836	\$ 263,601	\$ 56,347	\$ -
112	Restricted - Modernization and Development	-	-	-	-	-	-	-	-	-	-
113	Other restricted	-	-	-	-	5,683	-	-	8,145	7,246	-
114	Tenant security deposits	32,006	30,187	-	16,285	17,007	-	17,634	7,860	18,326	-
115	Restricted for Payment of Current Liabilities	-	-	-	-	-	-	-	-	-	-
100	Total cash	943,334	1,417,367	-	308,177	489,244	-	453,470	279,606	81,919	-
Accounts and notes receivable:											
121	Accounts receivable - PHA projects	302,059	-	-	176,867	19,545	-	19,546	39,463	19,546	-
125	Accounts receivable - miscellaneous	-	-	-	-	-	-	-	-	-	-
126	Tenants	72,137	153,898	-	28,633	27,502	-	25,384	17,442	27,844	-
126.1	Allowance for doubtful accounts - tenants	(16,794)	(29,701)	-	(10,388)	(17,295)	-	(9,660)	(4,396)	(10,848)	-
126.2	Allowance for Doubtful Accounts - Other	-	-	-	-	-	-	-	-	-	-
120	Total receivables, net of allowances for uncollectibles	357,402	124,197	-	195,112	29,752	-	35,270	52,509	36,542	-
131	Investments - unrestricted	775,616	-	-	-	-	-	-	-	-	-
	Total current investments	775,616	-	-	-	-	-	-	-	-	-
142	Prepaid expenses and other assets	32,200	29,840	728	15,926	19,486	5,719	19,263	6,232	16,589	-
143	Inventories	8,424	11,239	-	3,161	10,062	-	4,386	3,839	9,366	-
143.1	Allowance for obsolete inventories	(2,386)	(11,239)	-	(1,242)	(10,062)	-	(1,491)	(396)	(6,354)	-
144	Interprogram - due from	-	-	-	-	-	-	-	-	-	-
150	Total current assets	2,114,590	1,571,404	728	521,134	538,482	5,719	510,898	341,790	138,062	-
NONCURRENT ASSETS											
Fixed assets:											
161	Land	896,810	1,720,801	444,987	2,081	63,571	950,000	64,656	207,900	127,775	-
162	Buildings	41,798,525	54,043,278	43,268,227	10,871,259	12,517,429	-	8,961,061	5,515,281	9,054,987	-
164	Furniture, Equipment & Machinery - Administration	15,038	16,450	-	7,178	7,778	-	7,531	3,712	7,461	-
166	Accumulated depreciation	(32,891,082)	(42,735,133)	(36,824,975)	(7,457,365)	(8,528,023)	-	(6,919,758)	(3,526,324)	(6,920,440)	-
167	Construction in progress	434,178	1,040,335	322,171	1,619,119	194,023	-	341,170	1,031,986	253,509	-
160	Total fixed assets, net of accumulated depreciation	10,253,469	14,085,731	7,210,410	5,042,272	4,254,778	950,000	2,454,660	3,232,555	2,523,292	-
180	Total noncurrent assets	10,253,469	14,085,731	7,210,410	5,042,272	4,254,778	950,000	2,454,660	3,232,555	2,523,292	-
190	TOTAL ASSETS	\$ 12,368,059	\$ 15,657,135	\$ 7,211,138	\$ 5,563,406	\$ 4,793,260	\$ 955,719	\$ 2,965,558	\$ 3,574,345	\$ 2,661,354	\$ -
CURRENT LIABILITIES											
312	Accounts payable <= 90 days	\$ 313,809	\$ 25,460	\$ -	\$ 176,807	\$ 36,800	\$ -	\$ 20,626	\$ 39,549	\$ 37,244	\$ -
321	Accrued wage/payroll taxes payable	45,075	27,554	-	14,577	13,233	-	15,121	7,499	20,941	-
322	Accrued compensated absences - current portion	22,100	13,822	-	8,163	6,627	-	8,127	5,274	10,811	-
324	Accrued Contingency Liability	-	-	-	-	-	-	-	-	-	-
331	Accounts payable - HUD PHA programs	-	-	-	27,176	42,540	233,304	16,363	-	50,260	-
341	Tenant security deposits	32,006	30,187	-	16,285	17,007	-	17,634	7,860	18,326	-
342	Deferred revenues	-	-	-	-	-	50,000	-	-	-	-
345	Other current liabilities	5,676	1,076	4,478	18,352	26,832	2,507	11,830	14,957	28,530	-
346	Accrued liabilities - other	158	2	207	196	-	177	2	3	-	-
310	Total current liabilities	418,824	98,101	4,685	261,556	143,039	285,988	89,703	75,142	166,112	-
NONCURRENT LIABILITIES											
353	Non-current liabilities - other	-	-	-	-	-	-	-	-	-	-
354	Accrued compensated absences - noncurrent	198,900	124,395	-	73,479	59,646	-	73,142	47,463	97,304	-
350	Total noncurrent liabilities	198,900	124,395	-	73,479	59,646	-	73,142	47,463	97,304	-
300	Total liabilities	617,724	222,496	4,685	335,035	202,685	285,988	162,845	122,605	263,416	-
EQUITY											
508.1	Invested in capital assets	10,253,469	14,085,731	7,210,410	5,042,272	4,254,778	950,000	2,454,660	3,232,555	2,523,292	-
511.1	Restricted net assets	-	-	-	-	5,683	-	-	8,145	7,246	-
512.1	Unrestricted net assets	1,496,866	1,348,908	(3,957)	186,099	330,114	(280,269)	348,053	211,040	(132,600)	-
513	Total equity/net assets	11,750,335	15,434,639	7,206,453	5,228,371	4,590,575	669,731	2,802,713	3,451,740	2,397,938	-
600	TOTAL LIABILITIES AND EQUITY/NET ASSETS	12,368,059	15,657,135	7,211,138	5,563,406	4,793,260	955,719	2,965,558	3,574,345	2,661,354	-

**MEMPHIS HOUSING AUTHORITY
PROJECT BALANCE SHEET SUMMARY
June 30, 2010**

Line Item #	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:											
111	Unrestricted	\$ -	\$ -	\$ 58,186	\$ -	\$ -	\$ 275,387	\$ -	\$ 74,525	\$ -	\$ -
112	Restricted - Modernization and Development	-	-	-	-	-	-	-	-	-	-
113	Other restricted	-	-	40,800	-	-	-	-	-	-	-
114	Tenant security deposits	-	-	30,675	-	-	9,262	-	2,671	-	-
115	Restricted for Payment of Current Liabilities	-	-	-	-	-	-	-	-	-	-
100	Total cash	-	-	129,661	-	-	284,649	-	77,196	-	-
Accounts and notes receivable:											
121	Accounts receivable - PHA projects	-	-	-	-	-	-	-	-	-	-
125	Accounts receivable - miscellaneous	-	-	72,069	-	-	-	-	-	-	-
126	Tenants	-	-	4,105	-	-	-	-	3,680	-	-
126.1	Allowance for doubtful accounts - tenants	-	-	-	-	-	-	-	-	-	-
126.2	Allowance for Doubtful Accounts - Other	-	-	(16,456)	-	-	-	-	-	-	-
120	Total receivables, net of allowances for uncollectibles	-	-	59,718	-	-	-	-	3,680	-	-
131	Investments - unrestricted	-	-	-	-	-	-	-	-	-	-
	Total current investments	-	-	-	-	-	-	-	-	-	-
142	Prepaid expenses and other assets	-	-	20,125	-	-	13,536	-	2,881	-	-
143	Inventories	-	-	-	-	-	-	-	-	-	-
143.1	Allowance for obsolete inventories	-	-	-	-	-	-	-	-	-	-
144	Interprogram - due from	-	-	-	-	-	-	-	-	-	-
150	Total current assets	-	-	209,504	-	-	298,185	-	83,757	-	-
NONCURRENT ASSETS											
Fixed assets:											
161	Land	150,136	-	580,550	-	-	-	-	16,039	-	-
162	Buildings	-	-	7,216,767	-	-	-	-	1,784,677	-	-
166	Accumulated depreciation	-	-	(2,101,225)	-	-	-	-	(471,796)	-	-
167	Construction in progress	-	6,312	22,102	-	-	24,013	-	39,333	241	-
160	Total fixed assets, net of accumulated depreciation	150,136	6,312	5,718,194	-	-	24,013	-	1,369,369	241	-
180	Total noncurrent assets	150,136	6,312	5,718,194	-	-	24,013	-	1,369,369	241	-
190	TOTAL ASSETS	\$ 150,136	\$ 6,312	\$ 5,927,698	\$ -	\$ -	\$ 322,198	\$ -	\$ 1,453,126	\$ 241	\$ -
CURRENT LIABILITIES											
312	Accounts payable <= 90 days	\$ -	\$ -	\$ 45,768	\$ -	\$ -	\$ -	\$ -	\$ 948	\$ -	\$ -
321	Accrued wage/payroll taxes payable	-	-	-	-	-	3,152	-	1,157	-	-
322	Accrued compensated absences - current portion	-	-	3,462	-	-	-	-	843	-	-
324	Accrued Contingency Liability	-	-	-	-	-	-	-	-	-	-
331	Accounts payable - HUD PHA programs	-	-	-	-	-	24,058	-	-	-	-
341	Tenant security deposits	-	-	30,525	-	-	9,262	-	2,671	-	-
342	Deferred revenues	-	-	1,776	-	-	4,527	-	-	-	-
345	Other current liabilities	-	-	6,938	-	-	11,989	-	3,622	-	-
346	Accrued liabilities - other	-	-	-	-	-	-	-	-	-	-
310	Total current liabilities	-	-	88,469	-	-	52,988	-	9,241	-	-
NONCURRENT LIABILITIES											
353	Non-current liabilities - other	-	-	-	-	-	-	-	-	-	-
354	Accrued compensated absences - noncurrent	-	-	31,156	-	-	-	-	7,585	-	-
350	Total noncurrent liabilities	-	-	31,156	-	-	-	-	7,585	-	-
300	Total liabilities	-	-	119,625	-	-	52,988	-	16,826	-	-
EQUITY											
508.1	Invested in capital assets	150,136	6,312	5,718,194	-	-	24,013	-	1,369,369	241	-
511.1	Restricted net assets	-	-	40,950	-	-	-	-	-	-	-
512.1	Unrestricted net assets	-	-	48,929	-	-	245,197	-	66,931	-	-
513	Total equity/net assets	150,136	6,312	5,808,073	-	-	269,210	-	1,436,300	241	-
600	TOTAL LIABILITIES AND EQUITY/NET ASSETS	150,136	6,312	5,927,698	-	-	322,198	-	1,453,126	241	-

**MEMPHIS HOUSING AUTHORITY
PROJECT BALANCE SHEET SUMMARY
June 30, 2010**

Line Item #	Accounts Description	AMP 55	AMP 56	AMP 57	AMP 58	AMP 59	AMP 60	AMP 61	AMP 63	AMP 66	AMP 67	Other AMP	Total
CURRENT ASSETS													
Cash:													
111	Unrestricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,220,836
112	Restricted - Modernization and Development	-	-	-	-	-	-	-	-	-	-	-	-
113	Other restricted	-	-	-	-	-	-	-	-	-	-	-	61,874
114	Tenant security deposits	3,704	-	-	-	-	-	-	-	-	-	-	185,617
115	Restricted for Payment of Current Liabilities	-	-	-	-	-	-	-	-	-	-	-	-
100	Total cash	3,704	-	-	-	-	-	-	-	-	-	-	4,468,327
Accounts and notes receivable:													
121	Accounts receivable - PHA projects	-	-	-	-	-	-	-	-	-	-	14,838	591,864
125	Accounts receivable - miscellaneous	-	-	-	-	-	-	-	-	-	-	-	72,069
126	Tenants	10,847	-	-	-	-	-	-	-	-	-	-	371,472
126.1	Allowance for doubtful accounts - tenants	(2,058)	-	-	-	-	-	-	-	-	-	-	(101,140)
126.2	Allowance for Doubtful Accounts - Other	-	-	-	-	-	-	-	-	-	-	-	(16,456)
120	Total receivables, net of allowances for uncollectibles	8,789	-	-	-	-	-	-	-	-	-	14,838	917,809
131	Investments - unrestricted	-	-	-	-	-	-	-	-	-	-	-	775,616
	Total current investments	-	-	-	-	-	-	-	-	-	-	-	775,616
142	Prepaid expenses and other assets	2,891	-	-	-	-	-	-	-	-	-	3,342	188,758
143	Inventories	-	-	-	-	-	-	-	-	-	-	-	50,477
143.1	Allowance for obsolete inventories	-	-	-	-	-	-	-	-	-	-	-	(33,170)
144	Interprogram - due from	-	-	-	-	-	-	-	-	-	-	-	-
150	Total current assets	15,384	-	-	-	-	-	-	-	-	-	18,180	6,367,817
NONCURRENT ASSETS													
Fixed assets:													
161	Land	-	-	-	-	-	-	-	-	-	-	-	5,225,306
162	Buildings	189,805	-	-	-	537,618	796,071	-	-	-	-	5,344	196,560,329
		1,595	-	-	-	-	-	-	-	-	-	331	68,190
166	Accumulated depreciation	(158,087)	-	-	-	-	(63,707)	-	-	-	-	-	(148,597,915)
167	Construction in progress	38,866	-	-	42,319	574,880	-	-	-	-	-	162,626	6,147,183
160	Total fixed assets, net of accumulated depreciation	72,179	-	-	42,319	1,112,498	732,364	-	-	-	-	168,301	59,403,093
180	Total noncurrent assets	72,179	-	-	42,319	1,112,498	732,364	-	-	-	-	168,301	59,403,093
190	TOTAL ASSETS	\$ 87,563	\$ -	\$ -	\$ 42,319	\$ 1,112,498	\$ 732,364	\$ -	\$ -	\$ -	\$ -	\$ 186,481	\$ 65,770,910
CURRENT LIABILITIES													
312	Accounts payable <= 90 days	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,838	\$ 711,849
321	Accrued wage/payroll taxes payable	2,117	-	-	-	-	-	-	-	-	-	-	150,426
322	Accrued compensated absences - current portion	1,762	-	-	-	-	-	-	-	-	-	-	80,991
324	Accrued Contingency Liability	-	-	-	-	-	-	-	-	-	-	-	-
331	Accounts payable - HUD PHA programs	-	-	-	-	-	-	-	-	-	-	-	393,701
341	Tenant security deposits	3,704	-	-	-	-	-	-	-	-	-	-	185,467
342	Deferred revenues	-	-	-	-	-	-	-	-	-	-	-	56,303
345	Other current liabilities	8	-	-	-	-	-	-	-	-	-	31,030	167,825
346	Accrued liabilities - other	-	-	-	-	-	-	-	-	-	-	1,573	2,318
310	Total current liabilities	7,591	-	-	-	-	-	-	-	-	-	47,441	1,748,880
NONCURRENT LIABILITIES													
353	Non-current liabilities - other	-	-	-	-	-	-	-	-	-	-	-	-
354	Accrued compensated absences - noncurrent	15,854	-	-	-	-	-	-	-	-	-	-	728,924
350	Total noncurrent liabilities	15,854	-	-	-	-	-	-	-	-	-	-	728,924
300	Total liabilities	23,445	-	-	-	-	-	-	-	-	-	47,441	2,477,804
EQUITY													
508.1	Invested in capital assets	72,179	-	-	42,319	1,112,498	732,364	-	-	-	-	168,301	59,403,093
511.1	Restricted net assets	-	-	-	-	-	-	-	-	-	-	-	62,024
512.1	Unrestricted net assets	(8,061)	-	-	-	-	-	-	-	-	-	(29,261)	3,827,989
513	Total equity/net assets	64,118	-	-	42,319	1,112,498	732,364	-	-	-	-	139,040	63,293,106
600	TOTAL LIABILITIES AND EQUITY/NET ASSETS	87,563	-	-	42,319	1,112,498	732,364	-	-	-	-	186,481	65,770,910

**MEMPHIS HOUSING AUTHORITY
PROJECT REVENUE AND EXPENSE SUMMARY
June 30, 2010**

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	\$ 739,969	\$ 662,447	\$ -	\$ 442,439	\$ 434,338	\$ -	\$ 449,982	\$ 157,980	\$ 467,072	\$ -
70400	Tenant revenue - other	19,000	81,923	-	15,007	9,781	-	6,448	13,965	12,892	-
70500	Total tenant revenue	758,969	744,370	-	457,446	444,119	-	456,430	171,945	479,964	-
70600	HUD PHA operating grants	2,167,865	1,732,304	520,833	464,346	438,270	36,867	495,622	474,226	391,265	209,771
706.1	Capital grants	935,383	1,328,551	-	230,284	70,515	-	51,399	191,885	60,130	-
70700	Fee revenue	-	-	-	-	-	-	-	-	-	-
71500	Other revenue	42,612	31,412	-	4,478	5,475	-	12,622	6,271	4,698	-
72000	Investment income - Restricted	1,727	1,871	-	937	998	-	973	588	966	-
70000	Total revenue	3,906,556	3,838,508	520,833	1,157,491	959,377	36,867	1,017,046	844,915	937,023	209,771
EXPENSES											
Administrative:											
91100	Administrative salaries	\$ 233,765	\$ 176,754	\$ -	\$ 84,842	\$ 84,233	\$ -	\$ 84,906	\$ 63,789	\$ 147,497	\$ -
91200	Auditing fees	487	8,943	-	3,966	4,117	-	4,055	1,771	4,037	1,594
91300	Management fee	-	-	-	-	-	-	-	-	-	-
913.1	Bookkeeping fee	36,026	37,376	-	17,289	17,566	-	18,205	8,779	17,478	7,097
91400	Advertising and marketing	7	12	-	2	7	-	7	10	7	-
91500	Employee benefit contributions - administrative	77,565	57,463	-	30,371	30,108	-	26,276	22,359	58,917	-
91700	Legal expense	-	-	-	-	-	-	-	-	-	-
91800	Travel	3,396	1,876	-	180	1,787	-	3,574	1,792	1,785	-
91900	Other	67,292	661,217	-	27,491	37,748	-	42,554	40,061	36,099	97,038
	Total administrative	418,538	943,641	-	164,141	175,566	-	179,577	138,561	265,820	105,729
92000	Asset management fee	194,712	201,118	-	93,447	94,944	-	98,390	47,429	94,457	-
Tenant services:											
92100	Salaries	-	-	-	50,883	30,307	-	13,029	-	30,175	-
92400	Other	4,242	11,865	-	4,898	2,756	-	4,903	1,503	2,826	-
92500	Total tenant services	4,242	11,865	-	55,781	33,063	-	17,932	1,503	33,001	-
Utilities:											
93100	Water	63,975	38,448	-	16,139	41,179	-	15,244	20,369	10,748	7,308
93200	Electricity	424,780	258,822	-	197,020	156,481	-	174,928	145,892	138,423	85,099
93300	Gas	207,839	221,207	-	20,647	20,853	-	34,240	41,517	16,161	6,696
93400	Fuel	-	-	-	-	-	-	-	-	-	-
93600	Sewer	73,337	42,544	-	15,298	43,144	-	14,668	18,014	9,046	4,939
93800	Other utilities expense	1,015	1,115	-	-	-	-	-	247	498	-
	Total utilities	770,946	562,136	-	249,104	261,657	-	239,080	226,039	174,876	104,042
Ordinary maintenance & operations:											
94100	Labor	550,491	335,818	-	154,515	160,298	-	185,553	83,577	210,907	-
94200	Materials and other	258,133	185,345	-	96,756	58,124	-	99,446	34,788	160,270	-
94300	Contracts	270,689	188,086	-	107,665	117,009	8,420	129,600	24,127	258,488	-
94500	Employee benefits contribution	66,777	109,174	-	55,312	57,296	-	57,423	29,294	84,246	-
	Total ordinary maintenance & operations	1,146,090	818,423	-	414,248	392,727	8,420	472,022	171,786	713,911	-
Protective services:											
95100	Labor	30,775	34,972	-	15,388	15,387	-	15,387	6,994	15,387	-
95200	Other contract costs	9,760	122	-	60,072	65,837	-	64,288	-	60,593	-
95300	Other	-	135	-	-	-	-	-	-	-	-
95500	Employee benefit contributions	10,212	11,369	-	5,508	5,500	-	4,762	2,451	6,146	-
95000	Total protective services	50,747	46,598	-	80,968	86,724	-	84,437	9,445	82,126	-
96100	Total Insurance premiums	83,288	71,380	1,539	38,757	42,303	12,169	43,329	16,348	41,800	-
General expenses:											
96200	Other general expenses	4,004	15,927	-	2,023	2,535	-	1,542	1,626	9,278	-
96400	Bad debt - tenant rents	-	-	-	-	-	-	-	-	-	-
69800	Severance Expense	3,640	4,136	-	1,820	11,661	-	1,820	827	1,820	-
96000	Total general expenses	7,644	20,063	-	3,843	14,196	-	3,362	2,453	11,098	-
96900	Total operating expenses	2,676,207	2,675,224	1,539	1,100,289	1,101,180	20,589	1,138,129	613,564	1,417,089	209,771
97000	Excess of operating revenue over operating expenses	1,230,349	1,163,284	519,294	57,202	(141,803)	16,278	(121,083)	231,351	(480,066)	-
97100	Extraordinary maintenance	25,403	104,619	-	16,919	13,424	-	12,247	30,673	24,206	-
97400	Depreciation expense	1,917,962	1,476,736	1,326,941	550,864	620,587	-	405,268	267,978	381,675	-
90000	Total expenses	4,619,572	4,256,579	1,326,480	1,668,072	1,735,191	20,589	1,555,644	912,215	1,822,970	209,771
Other financing sources (uses):											
10010	Operating transfer in	160,000	-	-	68,488	-	-	95,542	-	175,208	-
10020	Operating transfer out	(499,238)	-	-	-	-	-	-	-	-	-
10093	Transfers between Program and Project- In	-	-	92,602	31,153	31,148	-	31,148	-	31,149	-
10094	Transfers between Project and Program- Out	(435,653)	-	-	(9,302)	-	-	-	-	-	-
10100	Total other financing sources (uses)	(774,891)	-	92,602	90,339	31,148	-	126,690	-	206,357	-
10000	EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENSES	\$ (1,487,907)	\$ (418,071)	\$ (715,045)	\$ (420,242)	\$ (744,666)	\$ 16,278	\$ (411,908)	\$ (67,300)	\$ (679,590)	\$ -
Memo Account Information											
11030	Beginning equity	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	-
11040	Prior period adjustments, equity transfers & correction	105,462	23,327	-	85,670	255,801	-	52,732	168,289	360,448	-
11190	Unit months available	5,040	5,520	-	2,400	2,580	-	2,472	1,200	2,472	1,812
11210	Unit months leased	4,808	4,970	-	2,282	2,327	-	2,418	1,166	2,319	1,773

MEMPHIS HOUSING AUTHORITY
PROJECT REVENUE AND EXPENSE SUMMARY
June 30, 2010

Line	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	\$ -	\$ -	\$ 262,863	\$ -	\$ -	\$ 569,987	\$ -	\$ 89,176	\$ -	\$ -
70400	Tenant revenue - other	-	-	-	-	-	-	-	1,175	-	-
70500	Total tenant revenue	-	-	262,863	-	-	569,987	-	90,351	-	-
70600	HUD PHA operating grants	224,420	93,247	254,378	195,046	92,571	70,171	78,577	45,117	59,396	131,671
706.1	Capital grants	-	-	22,236	-	-	868	-	5,382	-	-
70700	Fee revenue	-	-	-	-	-	-	-	-	-	-
71500	Other revenue	-	-	15,239	-	-	20,767	-	2,825	895	2,170
72000	Investment income - Restricted	-	-	-	-	-	-	-	331	-	-
70000	Total revenue	224,420	93,247	554,716	195,046	92,571	661,793	78,577	144,006	60,291	133,841
EXPENSES											
Administrative:											
91100	Administrative salaries	\$ -	\$ -	\$ 55,391	\$ -	\$ -	\$ 75,097	\$ -	\$ 20,319	\$ -	\$ -
91200	Auditing fees	1,700	-	3,135	1,558	637	11,493	797	691	674	1,594
91300	Management fee	-	-	-	-	-	-	-	-	-	-
913.1	Bookkeeping fee	7,902	-	13,120	6,594	1,816	8,593	3,424	2,508	2,126	6,476
91400	Advertising and marketing	-	-	-	-	-	3,448	-	-	-	-
91500	Employee benefit contributions - administrative	-	-	-	-	-	13,868	-	7,138	-	-
91700	Legal expense	-	-	8,479	-	-	-	-	-	-	-
91800	Travel	-	-	-	-	-	4,488	-	2,644	-	-
91900	Other	214,818	-	709,025	186,894	61,763	163,956	74,356	2,644	46,105	101,594
	Total administrative	224,420	-	789,150	195,046	64,216	280,943	78,577	33,300	48,905	109,664
92000	Asset management fee	-	-	-	-	-	-	-	13,509	-	585
Tenant services:											
92100	Salaries	-	-	-	-	-	-	-	-	-	-
92400	Other	-	-	-	-	-	-	-	401	-	-
92500	Total tenant services	-	-	-	-	-	-	-	401	-	-
Utilities:											
93100	Water	-	-	949	-	-	58	-	5,388	-	-
93200	Electricity	-	-	9,015	-	-	11,191	-	34,168	44,434	-
93300	Gas	-	-	2,889	-	-	348	-	18,482	-	-
93400	Fuel	-	-	-	-	-	-	-	-	-	-
93600	Sewer	-	-	739	-	-	151	-	3,538	875	-
93800	Other utilities expense	-	-	21,405	-	-	-	-	1,013	-	-
	Total utilities	-	-	34,997	-	-	11,748	-	62,589	45,309	-
Ordinary maintenance & operations:											
94100	Labor	-	-	44,402	-	-	53,221	-	11,380	-	-
94200	Materials and other	-	-	19,050	-	-	69,702	-	10,718	-	-
94300	Contracts	-	-	346,141	-	-	188,666	-	11,753	-	-
94500	Employee benefits contribution	-	-	-	-	-	9,829	-	3,998	-	-
	Total ordinary maintenance & operations	-	-	409,593	-	-	321,418	-	37,849	-	-
Protective services:											
95100	Labor	-	-	-	-	-	658	-	2,798	-	-
95200	Other contract costs	-	-	-	-	-	-	-	-	-	-
95300	Other	-	-	-	-	-	-	-	-	-	-
95500	Employee benefit contributions	-	-	-	-	-	122	-	983	-	-
95000	Total protective services	-	-	-	-	-	780	-	3,781	-	-
96100	Total Insurance premiums	-	645	26,932	-	-	23,098	-	6,548	-	-
General expenses:											
96200	Other general expenses	-	-	-	-	-	674	-	65	-	-
96400	Bad debt - tenant rents	-	-	3,996	-	-	11,352	-	-	49,942	24,095
69800	Severance Expense	-	-	-	-	-	-	-	331	-	-
96000	Total general expenses	-	-	3,996	-	-	12,026	-	396	49,942	24,095
96900	Total operating expenses	224,420	645	1,264,668	195,046	64,216	650,013	78,577	158,373	144,156	134,344
97000	Excess of operating revenue over operating expenses	-	92,602	(709,952)	-	28,355	11,780	-	(14,367)	(83,865)	(503)
97100	Extraordinary maintenance	-	-	25,568	-	-	-	-	3,126	-	-
97400	Depreciation expense	-	-	471,955	-	-	-	-	118,909	-	-
90000	Total expenses	224,420	645	1,762,191	195,046	64,216	650,013	78,577	280,408	144,156	134,344
Other financing sources (uses):											
10010	Operating transfer in	-	-	-	-	-	-	-	-	-	-
10020	Operating transfer out	-	-	-	-	-	-	-	-	-	-
10093	Transfers between Program and Project- In	-	-	374,512	-	-	237,500	-	12,107	-	-
10094	Transfers between Project and Program- Out	-	(92,602)	-	-	-	-	-	-	-	-
10100	Total other financing sources (uses)	-	(92,602)	374,512	-	-	237,500	-	12,107	-	-
10000	EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENSES	\$ -	\$ -	\$ (832,963)	\$ -	\$ 28,355	\$ 249,280	\$ -	\$ (124,295)	\$ (83,865)	\$ (503)
Memo Account Information											
11030	Beginning equity	150,136	6,312	6,339,161	-	(28,355)	19,930	-	1,559,479	84,106	503
11040	Prior period adjustments, equity transfers & correction	-	-	301,875	-	-	-	-	1,116	-	-
11190	Unit months available	1,104	-	1,812	912	264	252	480	336	312	960
11210	Unit months leased	1,062	-	1,773	881	264	252	458	335	289	945

**MEMPHIS HOUSING AUTHORITY
PROJECT REVENUE AND EXPENSE SUMMARY
June 30, 2010**

Line Item #	Accounts Description	AMP 55	AMP 56	AMP 57	AMP 58	AMP 59	AMP 60	AMP 61	AMP 63	AMP 66	AMP 67	Other AMP	Total
REVENUE													
70300	Net tenant rental revenue	\$ 148,683	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,787	\$ -	\$ -	\$ -	\$ 1,754	\$ 4,449,477
70400	Tenant revenue - other	6,636	-	-	-	-	-	-	-	-	-	-	166,827
70500	Total tenant revenue	155,319	-	-	-	-	-	22,787	-	-	-	1,754	4,616,304
70600	HUD PHA operating grants	72,164	139,888	188,487	-	348	138,264	56,965	-	79,485	14,976	291,743	9,158,283
706.1	Capital grants	4,412	-	-	45	537,657	-	-	-	9,429,273	2,423,600	200,592	15,492,212
70700	Fee revenue	-	-	-	-	-	-	-	-	-	-	-	-
71500	Other revenue	13,464	-	4,897	-	-	-	1,086	-	-	-	442	169,353
72000	Investment income - Restricted	374	-	-	-	-	-	-	-	-	-	-	8,765
70000	Total revenue	245,733	139,888	193,384	45	538,005	138,264	80,838	-	9,508,758	2,438,576	494,531	29,444,917
EXPENSES													
Administrative:													
91100	Administrative salaries	\$ 29,630	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,056,223
91200	Auditing fees	797	1,496	1,611	-	-	292	761	-	-	-	490	56,696
91300	Management fee	-	-	-	-	-	-	-	-	-	-	-	-
913.1	Bookkeeping fee	3,518	5,607	7,374	-	-	3,911	3,093	-	7,949	1,498	-	245,325
91400	Advertising and marketing	2	-	-	-	-	-	-	-	-	-	1,716	5,218
91500	Employee benefit contributions - administrative	11,385	-	-	-	-	-	-	-	-	-	-	335,450
91700	Legal expense	-	-	-	-	-	-	-	-	-	-	-	8,479
91800	Travel	-	-	-	-	-	-	-	-	-	-	-	18,878
91900	Other	29,550	132,268	123,421	178	-	142,371	53,523	-	71,536	13,478	45,425	3,182,405
	Total administrative	74,882	139,371	132,406	178	-	146,574	57,377	-	79,485	14,976	47,631	4,908,674
92000	Asset management fee	16,415	518	-	-	-	-	-	-	-	-	-	855,524
Tenant services:													
92100	Salaries	-	-	-	-	-	-	-	-	-	-	-	124,394
92400	Other	2	-	-	-	-	-	-	-	-	-	-	33,396
92500	Total tenant services	2	-	-	-	-	-	-	-	-	-	-	157,790
Utilities:													
93100	Water	9,714	-	-	-	-	-	-	-	-	-	1,144	230,663
93200	Electricity	41,177	-	-	-	-	-	-	-	-	-	-	1,721,430
93300	Gas	19,335	-	-	-	-	-	-	-	-	-	-	610,214
93400	Fuel	-	-	-	-	-	-	-	-	-	-	-	-
93600	Sewer	5,487	-	-	-	-	-	-	-	-	-	114	231,894
93800	Other utilities expense	2,335	-	-	-	-	-	-	-	-	-	-	27,628
	Total utilities	78,048	-	-	-	-	-	-	-	-	-	1,258	2,821,829
Ordinary maintenance & operations:													
94100	Labor	33,207	-	-	-	-	-	-	-	-	-	-	1,823,369
94200	Materials and other	10,344	-	-	-	-	-	-	-	-	-	-	1,002,676
94300	Contracts	12,664	-	-	-	-	-	-	-	-	-	10,525	1,673,833
94500	Employee benefits contribution	12,760	-	-	-	-	-	-	-	-	-	-	486,109
	Total ordinary maintenance & operations	68,975	-	-	-	-	-	-	-	-	-	10,525	4,985,987
Protective services:													
95100	Labor	2,801	-	-	-	-	-	-	-	-	-	-	140,547
95200	Other contract costs	347	-	-	-	-	-	-	-	-	-	-	261,019
95300	Other	-	-	-	-	-	-	-	-	-	-	-	135
95500	Employee benefit contributions	1,076	-	-	-	-	-	-	-	-	-	-	48,129
95000	Total protective services	4,224	-	-	-	-	-	-	-	-	-	-	449,830
96100	Total Insurance premiums	7,502	-	-	-	-	-	-	-	-	-	4,958	420,596
General expenses:													
96200	Other general expenses	-	-	-	-	-	-	-	-	-	-	-	37,674
96400	Bad debt - tenant rents	-	5,905	115,123	-	-	-	107,120	-	-	-	2,052	319,585
96800	Severance Expense	331	-	-	-	-	-	-	-	-	-	-	26,386
96000	Total general expenses	331	5,905	115,123	-	-	-	107,120	-	-	-	2,052	383,645
96900	Total operating expenses	250,379	145,794	247,529	178	-	146,574	164,497	-	79,485	14,976	66,424	14,983,875
97000	Excess of operating revenue over operating expenses	(4,646)	(5,906)	(54,145)	(133)	538,005	(8,310)	(83,659)	-	9,429,273	2,423,600	428,107	14,461,042
97100	Extraordinary maintenance	139	-	-	-	-	-	-	-	-	-	27,482	283,806
97400	Depreciation expense	18,077	-	-	-	-	-	-	-	-	-	-	7,556,952
90000	Total expenses	268,595	145,794	247,529	178	-	146,574	164,497	-	79,485	14,976	93,906	22,824,633
Other financing sources (uses):													
10010	Operating transfer in	-	-	-	-	-	-	-	-	-	-	-	499,238
10020	Operating transfer out	-	-	-	-	-	-	-	-	(9,429,273)	(2,423,600)	-	(12,352,111)
10093	Transfers between Program and Project- In	-	-	-	-	-	-	-	-	-	-	5,339	846,658
10094	Transfers between Project and Program- Out	-	-	-	-	-	-	-	(504,449)	-	-	(249,607)	(1,291,613)
10100	Total other financing sources (uses)	-	-	-	-	-	-	-	(504,449)	(9,429,273)	(2,423,600)	(244,268)	(12,297,828)
10000	EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENSES	\$ (22,862)	\$ (5,906)	\$ (54,145)	\$ (133)	\$ 538,005	\$ (8,310)	\$ (83,659)	\$ (504,449)	\$ -	\$ -	\$ 158,357	\$ (5,677,544)
Memo Account Information													
11030	Beginning equity	85,385	5,906	54,145	42,452	36,875	740,674	83,659	504,449	-	-	(17,653)	67,076,381
11040	Prior period adjustments, equity transfers & correction	1,595	-	-	-	537,618	-	-	-	-	-	336	1,894,269
11190	Unit months available	480	828	984	-	-	528	432	-	-	-	-	33,180
11210	Unit months leased	471	818	945	-	-	520	416	-	-	-	-	31,492

MEMPHIS HOUSING AUTHORITY
STATEMENT AND CERTIFICATION OF PROGRAM COSTS
June 30, 2010

2006 Capital Fund Program Grant	<u>TN43R00150106</u>
Funds approved	\$ 3,589,598
Funds expended	<u>3,589,598</u>
Excess of funds approved	<u>\$ -</u>
Funds advanced	\$ 3,589,598
Funds expended	<u>3,589,598</u>
Excess of funds advanced	<u>\$ -</u>

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, 2010, and have issued our report thereon dated June 8, 2011. 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.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs and responses as items 2010-01 to 2010-03 to be significant deficiencies 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.

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 June 8, 2011.

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 Henderson LLP

Baltimore, Maryland
June 8, 2011

**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, 2010. 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, 2010. 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 items 2010-01, 2010-04 and 2010-05.

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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 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 items 2010-01, 2010-04 and 2010-05. *A significant deficiency in internal control over compliance* is a deficiencies, 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 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
June 8, 2011

MEMPHIS HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2010

	CFDA Number	Federal Expenditures
U.S. Department of Housing and Urban Development (HUD)		
Supportive Housing for Persons with Disabilities	14.181	\$ 129,720
Public and Indian Housing Program	14.850	8,722,630
HOPE VI	14.866	1,231,011
Resident Opportunity and Supportive Services	14.870	473,212
Disaster Housing Assistance Grant	97.109	112,623
Housing Choice Voucher Program:		
Housing Choice Voucher	14.871	42,627,665
Disaster Voucher Program	14.871	37,894
Disaster Housing Assistance Program - IKE	14.871	4,782
Housing Choice Voucher Program Total		42,670,341
Capital Fund Program Cluster:		
Capital Funds Program	14.872	15,927,865
Formula Capital Fund Stimulus Grant	14.885	4,140,555
Capital Fund Program Cluster Total		20,068,420
TOTAL FEDERAL EXPENDITURES		\$ 73,407,957

The accompanying notes are an integral part of this schedule.

MEMPHIS HOUSING AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2010

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, 2010.

NOTE 3 – LOAN GUARANTEES

At year ended June 30, 2010, 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 2010 Single Audit report are disclosed in Schedule I and the status of the prior year findings and questioned costs is disclosed in Schedule II.

**MEMPHIS HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010**

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? | _____ | Yes | X | No |
| • Significant deficiency(ies) identified that are not considered to be material weaknesses? | X | Yes | _____ | None reported |
| • Noncompliance material to financial statements noted? | _____ | Yes | X | No |

Federal Awards

Internal control over major programs:

- | | | | | |
|---|-------|-----|-------|---------------|
| • Material weakness(es) identified? | _____ | Yes | X | No |
| • Significant deficiency(ies) identified that are not considered to be material weaknesses? | X | Yes | _____ | 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? _____ X Yes _____ No

Identification of Major Programs

Name of Federal Program or Cluster	CFDA Numbers	Amount
Capital Fund Program Cluster	14.872/14.885	20,068,420
Housing Choice Voucher Program	14.871	42,670,341

Dollar threshold used to distinguish between type A and type B programs: \$2,202,239

Auditee qualified as low-risk auditee? _____ Yes x No

**MEMPHIS HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010**

II. FINDINGS – FINANCIAL STATEMENT FINDINGS

Finding 2010-01: 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 and multiple revisions to the Financial Data Schedule. The June 30, 2010 financial statements were not completed until June 2011. 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, 2010 within 9 months after year end, i.e. March 31, 2011. In addition, the Authority is required to submit the Data Collection Form to the Federal Audit Clearinghouse 6 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 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 delay with completing the 2009 financial audit caused delays with the 2010 audit. The Authority will ensure that future reports meet the reporting requirements of HUD's Uniform Financial Reporting Standards for HUD Housing Programs and OMB reporting deadlines. The Authority will also work more closely with the auditors to ensure timely completion of audit reviews and completion of final audit.

Contact:

Vickie Aldridge, 901.544.1329

Corrective Action/Anticipated Completion Date

August 2011

**MEMPHIS HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010**

2010-02: 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 to support new user access to the Network and Visual homes was missing for the new users.
- 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 Visual Homes administration in that the system administrator can perform accounting transactions. In addition there was an excessive amount of staff that had administrator access (9), including one staff that had 2 administrator accounts.
- Terminated users still had access to the system, were missing termination tickets, or had termination tickets that were not completed in a timely manner.

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, require that an organization have logical access controls that ensure that access to systems, data, and programs are 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

We have drafted a procedures document which includes account creation/deletion procedures and periodic IT/MHA review. Once approved by agency, it will be communicated to the respective departmental staff. This is scheduled to be effective and in use by June 1st.

Contacts:

James Collins, 901.544.1274

Corrective Action/Anticipated Completion Date

July 2011

**MEMPHIS HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010**

2010-03: Information System Change Management

Condition

Controls over system and application changes are weak and not adequately documented. The Memphis IT Help Desk system did not have the capability to identify and track system changes made to the Visual Homes application and supporting IT Environment for the audit period.

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

Our current CMR process meets the listed requirements, but was not in place or followed during the audit period. This process will be reviewed by our management staff to determine ways to enforce the usage of our change management system.

Contact:

James Collins, 901.544.1274

Corrective Action/Anticipated Completion Date

July 2011

**MEMPHIS HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010**

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2010-04: Housing Choice Voucher Program, CFDA – 14.871
Federal Agency: U.S. Department of Housing and Urban Development
Compliance Requirement: Special Tests – Reasonable Rent
Type of Finding: Noncompliance, Significant Deficiency

Condition/Context

3 of 48 files tested for rent reasonableness did not document if the determination was performed prior to the contract effective date, nor was a HAP contract provided.

Criteria

Per 24 CFR sections 982.4, 982.54(d)(15), 982.158(f)(7), and 982.507), the PHA must determine that the rent to owner is reasonable at the time of initial leasing. Also, the PHA must determine reasonable rent during the term of the contract: (a) before any increase in the rent to owner; and (b) at the HAP contract anniversary if there is a five percent decrease in the published Fair Market Rent (FMR) in effect 60 days before the HAP contract anniversary. The PHA must maintain records to document the basis for the determination that rent to 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

We were unable to determine the amount of questioned costs related to these exceptions.

Recommendation

We recommend the Authority implement procedures to ensure that contract rent changes are properly documented and maintained on file in accordance with HUD's requirements.

Management's Response

An extensive training program was provided by professional facilitators in March 2011 which included HUD's required Rent Reasonableness documentation.

Contact:

Ms. Terrill Bates, 901.544.1217

Corrective Action/Anticipated Completion Dates

June 2011

**MEMPHIS HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010**

Finding 2010-05: Housing Choice Voucher Program, CFDA – 14.871
Federal Agency: U.S. Department of Housing and Urban Development
Compliance Requirement: Eligibility
Type of Finding: Noncompliance, Significant Deficiency

Condition/Context

Testing of 40 Housing Choice Voucher tenant files found exceptions in 7 files, which included the following:

- 2 files did not include third party verification of income and assets used in the tenant rental calculation.
- 5 files did not include third party verification of deductions/expenses from tenant income related to dependents deduction.

Criteria

24 CFR section 982.516 & section 960.259 states the PHA must obtain and document in the tenant file third party verification of income, assets, expenses, or other factors that affect the determination of adjusted income, or document in the tenant file why third party verification was not available.

Effect

The amount of housing assistance payments and subsidy could be incorrect based on missing or inaccurate information. In addition, the Authority is not in compliance with federal regulations.

Cause

The Authority did not collect all necessary third party verification information and other forms prior to completing the reexamination.

Questioned Costs

We were unable to determine the amount of questioned costs related to these exceptions.

Recommendation

We recommend that management increase the number of recertifications reviewed on a monthly basis until they can ensure a majority of the files meet HUD's eligibility requirements. We also recommend that management identify the specialists responsible for the erroneous files and investigate whether findings represent a systemic problem or are limited to a few specialists. Additional training for housing specialists would also improve accuracy.

Management's Response

The five households will be contacted via mail within 7 days to inquire as to the legal status of the family members in question.

Contact:

Ms. Terrill Bates, 901.544.1217

Corrective Action/Anticipated Completion Dates

June 2011

MEMPHIS HOUSING AUTHORITY
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010

2009-01, 2008-01 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.

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.

Status

This finding has been cleared.

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.

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.

Status

This finding has not been corrected and is included in the current year as 2010-01.

MEMPHIS HOUSING AUTHORITY
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010

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.

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.

Status

This finding has not been corrected and is included in the current year as 2010-02.

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.

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.

Status

This finding has not been corrected and is included in the current year as 2010-03.

MEMPHIS HOUSING AUTHORITY
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010

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 reasonableness did not document if the determination was performed prior to the contract effective date.

Recommendation

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

Status

This finding has not been corrected and is included in the current year as 2010-04.