

MEMPHIS HOUSING AUTHORITY
Memphis, Tennessee

BASIC FINANCIAL STATEMENTS
June 30, 2011

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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, 2011, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activities and discretely presented component units of the Authority as of June 30, 2011, 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 5, 2012, 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, Statement and Certification of Program Cost, and Schedule of Closed Grants on pages 36 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.

CliftonLarsonAllen LLP

Baltimore, Maryland
June 5, 2012

**MEMPHIS HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

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, 2011.

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, 2011

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 2011 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 2011, total revenue increased by \$10,838,643 or 12.28%; the increase is primarily from American Recovery Reinvestment Act (ARRA) grants earned and received.
- The Authority's total expenses increased by \$15,364,522 or 20.36% as compared to prior fiscal year.
- The Authority's net assets increased by \$8,245,352 as compared to the prior fiscal year; the increase is primarily due to the increase in notes receivable of \$11,388,072 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, 2011

- Long-term debt outstanding increased by \$548,812 during the year due to loan advances from the City of Memphis in relation to the HOPE VI activities for the Uptown Revitalization project.
- The Authority's cash balance as of June 30, 2011 was \$18,724,639, representing an increase of \$4,856,172 from June 30, 2010. Restricted cash was \$5,243,839 higher than in 2010 due to increase of HAP equity reserve in the Housing Choice Voucher Program as a result of higher funding advances during FY 2011.
- The business activities operating revenue exceeded expenses by \$10,603,097 due to HOPE VI and Capital Fund funds that were advanced to development partners. Additional detail on these transactions can be found in Note 4 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, 2011**

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>2011</u> | <u>2010</u> | <u>Total Change</u> | <u>% Change</u> |
|-----------------------------------------|------------------------------|------------------------------|-----------------------------|----------------------|
| Current assets | \$ 26,850,535 | \$ 19,615,694 | \$ 7,234,841 | 36.88% |
| Capital assets | 76,330,316 | 83,403,683 | (7,073,367) | (8.48)% |
| Other noncurrent assets | <u>117,336,416</u> | <u>105,925,529</u> | <u>11,410,887</u> | <u>10.77%</u> |
| Total assets | <u>\$ 220,517,267</u> | <u>\$ 208,944,906</u> | <u>\$ 11,572,361</u> | <u>5.54%</u> |
| Current liabilities | \$ 7,600,061 | \$ 5,059,499 | \$ 2,540,562 | 50.21% |
| Noncurrent liabilities | <u>5,484,723</u> | <u>4,698,276</u> | <u>786,447</u> | <u>16.74%</u> |
| Total liabilities | <u>13,084,784</u> | <u>9,757,775</u> | <u>3,327,009</u> | <u>34.10%</u> |
| Invested in capital assets | 76,330,316 | 83,403,683 | (7,073,367) | (8.48)% |
| Restricted net assets | 5,506,911 | 1,726,557 | 3,780,354 | 218.95% |
| Unrestricted net assets | <u>125,595,256</u> | <u>114,056,891</u> | <u>11,538,365</u> | <u>10.12%</u> |
| Total net assets | <u>207,432,483</u> | <u>199,187,131</u> | <u>8,245,352</u> | <u>4.14%</u> |
| Total liabilities and net assets | <u>\$ 220,517,267</u> | <u>\$ 208,944,906</u> | <u>\$ 11,572,361</u> | <u>5.54%</u> |

As illustrated in the Statements of Net Assets, Total Assets increased by 5.54%. Liabilities increased by 34.10%, and the overall Net Assets increased by 4.14%. The increase in current assets is mainly due to the increase in restricted Cash of \$5,243,839 when compared to 2010. Capital Assets decreased by \$7,073,367 as illustrated further in this document. Current liabilities increased by 50.21%, which was mainly due to changes in accounts payable and other liabilities. Total noncurrent liabilities increased by 16.74% as a result of the increase in long-term debt of \$548,812.

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 2011 and 2010.

**MEMPHIS HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

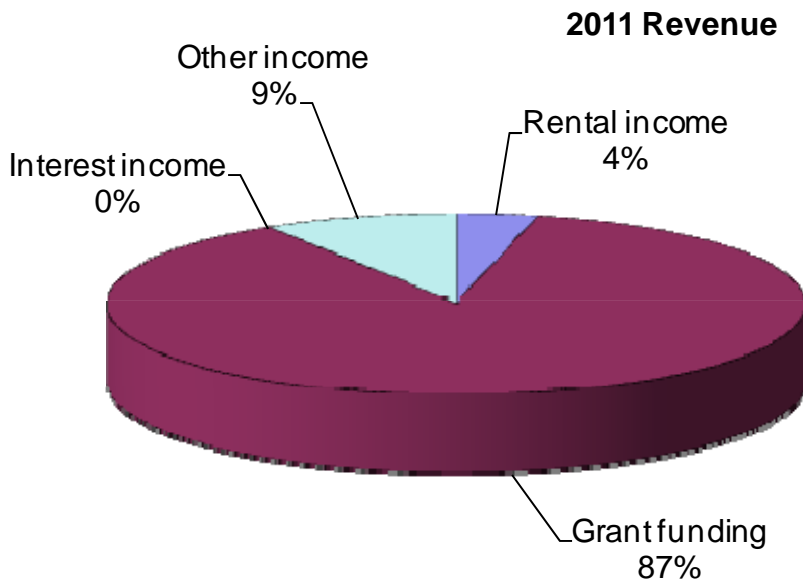
**Memphis Housing Authority
Statements of Revenues, Expenses and Changes in Net Assets
TABLE II**

| | <u>2011</u> | <u>2010</u> | <u>Total Change</u> | <u>% Change</u> |
|-----------------------------|------------------------------|------------------------------|----------------------------|----------------------|
| Rental income | \$ 3,785,500 | \$ 4,700,059 | \$ (914,559) | (19.46)% |
| Grant funding | 86,301,118 | 76,281,551 | 10,019,567 | 13.13% |
| Interest income | 8,663 | 11,988 | (3,325) | (27.74)% |
| Other income | <u>8,974,402</u> | <u>7,237,442</u> | <u>1,736,960</u> | <u>24.00%</u> |
| Total revenue | <u>99,069,683</u> | <u>88,231,040</u> | <u>10,838,643</u> | <u>12.28%</u> |
| Administration | 15,590,886 | 10,991,796 | 4,599,090 | 41.84% |
| Tenant services | 1,627,706 | 954,266 | 673,440 | 70.57% |
| Utilities | 3,315,944 | 2,940,209 | 375,735 | 12.78% |
| Maintenance | 4,023,624 | 5,235,151 | (1,211,527) | (23.14)% |
| Non-routine maintenance | 10,775,561 | 5,334,060 | 5,441,501 | 102.01% |
| Protective services | 565,177 | 566,864 | (1,687) | (0.30)% |
| General expense | 799,972 | 979,209 | (179,237) | (18.30)% |
| Interest expense | 273,676 | 203,400 | 70,276 | 34.55% |
| Housing assistance payments | 43,936,708 | 40,086,411 | 3,850,297 | 9.60% |
| Depreciation | <u>9,915,077</u> | <u>8,168,443</u> | <u>1,746,634</u> | <u>21.38%</u> |
| Total expenses | <u>90,824,331</u> | <u>75,459,809</u> | <u>15,364,522</u> | <u>20.36%</u> |
| Change in net assets | 8,245,352 | 12,771,231 | (4,525,879) | (35.44)% |
| Beginning net assets | <u>199,187,131</u> | <u>186,415,900</u> | <u>12,771,231</u> | <u>6.85%</u> |
| Ending net assets | <u>\$ 207,432,483</u> | <u>\$ 199,187,131</u> | <u>\$ 8,245,352</u> | <u>4.14%</u> |

**MEMPHIS HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

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 4% of total revenue. Interest Revenue and Other Revenue comprises the remaining 9%. Compared to the Fiscal Year ended June 30, 2010, revenues had an overall increase of \$10,838,643 or 12.28%.



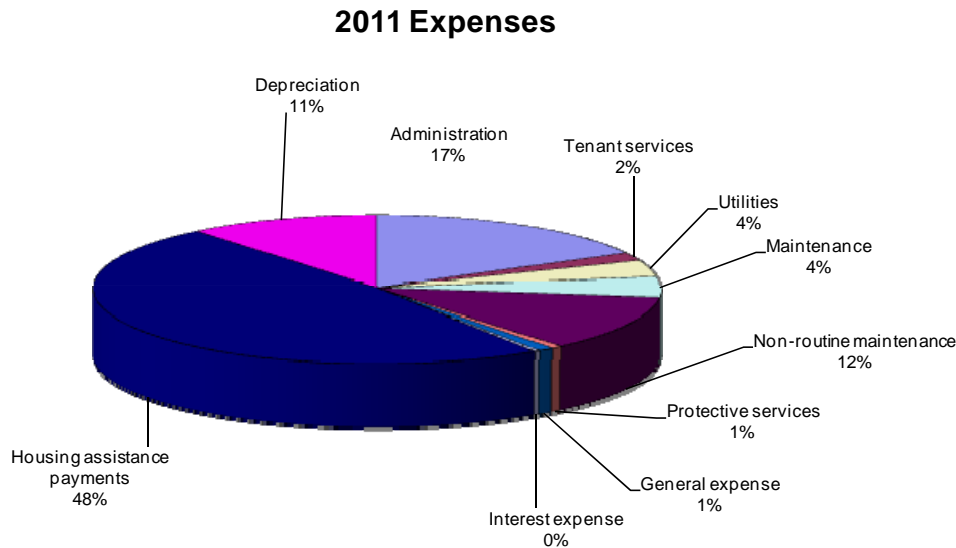
Rental Income - Tenant Revenue decreased slightly from \$4,700,059 to \$3,785,500, a decrease of \$914,559 from fiscal year 2010.

Program Grants/Subsidies - The Authority had a 13.13% increase 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 Housing Choice Voucher program had an increase of \$5 million as a result of the increased lease utilization during 2011.

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 \$3,325. Other income increased by \$1,736,950 as a result of more Capital Improvement Funds (CIP) received from the City of Memphis/HCD than in 2010 for the Legends Park Redevelopment project.

**MEMPHIS HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

EXPENSES



The Authority experienced an increase in total expenses for the current year from \$75,459,809 to \$90,824,331 or 20.36%. 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 increased by \$4,599,090 (41.84%) as the pension contribution rate increased from 12.62% to 14.05% in addition to the health insurance premiums increased by 8%.

Tenant Services - Tenant Services costs include all costs incurred by the Authority to provide social services and relocation efforts to the residents. Tenant Services costs increased from \$954,266 to \$1,627,706 (70.57%) due to expenses incurred for case management for relocating Dixie Homes residents as a result of the redevelopment efforts for the Legends Park project.

Utilities - The total utilities expense for the Authority had an increase of \$375,735 (12.78)%.

Maintenance - Maintenance costs are all costs incurred by the Authority to maintain the Public Housing units available for occupancy, which are owned by the Authority in a safe and sanitary manner. Costs include personnel costs, materials used to maintain the units, contracts for waste management, vehicles, etc. The Maintenance Expense for the Authority decreased by \$1,211,527 (23.14%) mainly as a result of fewer repairs completed compared to 2010.

**MEMPHIS HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

Non-routine Maintenance - The Authority had an increase of \$5,441,501 (102.01%) in Non-routine Maintenance expenses compared to the previous fiscal year. This increase was contributable to work performed at the Public Housing sites with funding from the ARRA grants in addition to expenses incurred for the Legends Park project funded by the HOPE VI program.

Protective Services - Protective Services Expense changed slightly from \$566,864 to \$565,177, a decrease of \$1,687 (.30%).

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 \$979,209 to \$799,972 or a decrease of \$179,237 (18.30%). This was attributable to a decrease in bad debt expense compared to 2010 and reductions in insurance premiums in 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 increased by \$3,850,297 (9.60%) due to more 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 increased by \$1,746,634 compared with the 2010 level.

CAPITAL ASSETS

As of June 30, 2011, the Authority decreased its net capital assets by \$7,073,367 (8.48%). At the end of fiscal year 2011, the Authority had invested in Capital Assets of \$76,330,316, 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 2011 and 2010.

**MEMPHIS HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

| | Balance at June 30, 2010 | Additions | Transfers/ Deletions | Balance at June 30, 2011 |
|-------------------------------|-------------------------------------|-----------------------|---------------------------------|-------------------------------------|
| Non-depreciable: | | | | |
| Land | \$ 14,236,838 | \$ - | \$ (1,086,500) | \$ 13,150,338 |
| Construction in progress | 12,097,927 | 3,654,988 | (10,984,982) | 4,767,933 |
| Total non-depreciable | <u>26,334,765</u> | <u>3,654,988</u> | <u>(12,071,482)</u> | <u>17,918,271</u> |
| Depreciated: | | | | |
| Buildings and improvements | 207,009,145 | 212,039 | 10,984,982 | 218,206,166 |
| Furniture and equipment | 2,706,767 | 61,396 | (213) | 2,767,950 |
| Total depreciated | <u>209,715,912</u> | <u>273,435</u> | <u>10,984,769</u> | <u>220,974,116</u> |
| Total capital assets | 236,050,677 | 3,928,423 | (1,086,713) | 238,892,387 |
| Less accumulated depreciation | <u>(152,646,994)</u> | <u>(9,915,077)</u> | <u>-</u> | <u>(162,562,071)</u> |
| Capital assets, net | <u>\$ 83,403,683</u> | <u>\$ (5,986,654)</u> | <u>\$ (1,086,713)</u> | <u>\$ 76,330,316</u> |

DEBT ADMINISTRATION

As of June 30, 2011, the Authority has \$5,721,902 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, 2011:

| | |
|----------------------------------------|----------------------------|
| Balance at the beginning of the period | \$ 5,173,089 |
| Additions to debt | <u>548,813</u> |
| Balance at June 30, 2011 | <u><u>\$ 5,721,902</u></u> |

Long-term debt increased by \$548,812 during the fiscal year which represents the loans received from the City of Memphis 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. Future funding offsets based on operating reserve levels could negatively impact the future operations of some older properties.

**MEMPHIS HOUSING AUTHORITY
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- 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, 2011

| | <u>Authority</u> | <u>College Park</u> | <u>Uptown</u> | <u>Fowler</u> | <u>Total</u> |
|-------------------------------------------------------|-----------------------|---------------------|---------------------|-------------------|-----------------------|
| ASSETS | | | | | |
| CURRENT ASSETS | | | | | |
| Cash and cash equivalents | \$ 12,681,884 | \$ 177,255 | \$ 222,974 | \$ 42,553 | \$ 13,124,666 |
| Restricted cash | 5,270,774 | - | - | 190,045 | 5,460,819 |
| Tenant security deposits | 96,034 | 30,753 | 9,382 | 2,985 | 139,154 |
| Investments | 768,259 | 34,369 | - | - | 802,628 |
| Accounts receivable, net | 6,665,738 | (12,209) | 42,665 | 30,738 | 6,726,932 |
| Prepaid insurance and other deferred charges | 454,143 | 20,308 | 3,946 | 4,494 | 482,891 |
| Inventories, net | 20,817 | - | - | - | 20,817 |
| Notes, loans and mortgages receivable - current | 92,628 | - | - | - | 92,628 |
| | <u>26,050,277</u> | <u>250,476</u> | <u>278,967</u> | <u>270,815</u> | <u>26,850,535</u> |
| NONCURRENT ASSETS | | | | | |
| Capital assets, net | 63,952,011 | 6,216,379 | 6,101,312 | 60,614 | 76,330,316 |
| Notes, loans and mortgages receivable - noncurrent | 117,336,416 | - | - | - | 117,336,416 |
| | <u>181,288,427</u> | <u>6,216,379</u> | <u>6,101,312</u> | <u>60,614</u> | <u>193,666,732</u> |
| TOTAL ASSETS | <u>\$ 207,338,704</u> | <u>\$ 6,466,855</u> | <u>\$ 6,380,279</u> | <u>\$ 331,429</u> | <u>\$ 220,517,267</u> |
| LIABILITIES AND NET ASSETS | | | | | |
| CURRENT LIABILITIES | | | | | |
| Accounts payable | \$ 4,639,481 | \$ 8,578 | \$ 2,664 | \$ 18,663 | \$ 4,669,386 |
| Accrued compensated absences, current portion | 140,402 | - | - | 1,795 | 142,197 |
| Deferred revenue | 370,512 | 460 | 1,738 | - | 372,710 |
| Accrued liabilities | 198,862 | 37,476 | 8,466 | 1,447 | 246,251 |
| Tenant security deposits | 96,034 | 30,753 | 9,382 | 2,985 | 139,154 |
| Current portion of long-term debt | 1,513,813 | - | - | - | 1,513,813 |
| Other current liabilities | 434,465 | 78,667 | 1,605 | 1,813 | 516,550 |
| | <u>7,393,569</u> | <u>155,934</u> | <u>23,855</u> | <u>26,703</u> | <u>7,600,061</u> |
| NON-CURRENT LIABILITIES | | | | | |
| Long-term debt, less current portion | 4,208,089 | - | - | - | 4,208,089 |
| Other non-current liabilities | 10 | - | - | - | 10 |
| Accrued compensated absences, less current portion | 1,263,602 | - | - | 13,022 | 1,276,624 |
| | <u>5,471,701</u> | <u>-</u> | <u>-</u> | <u>13,022</u> | <u>5,484,723</u> |
| Total liabilities | <u>12,865,270</u> | <u>155,934</u> | <u>23,855</u> | <u>39,725</u> | <u>13,084,784</u> |
| NET ASSETS | | | | | |
| Invested in capital assets, net of debt | 63,952,011 | 6,216,379 | 6,101,312 | 60,614 | 76,330,316 |
| Restricted net assets | 5,282,497 | 34,369 | - | 190,045 | 5,506,911 |
| Unrestricted net assets | 125,238,926 | 60,173 | 255,112 | 41,045 | 125,595,256 |
| | <u>194,473,434</u> | <u>6,310,921</u> | <u>6,356,424</u> | <u>291,704</u> | <u>207,432,483</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 207,338,704</u> | <u>\$ 6,466,855</u> | <u>\$ 6,380,279</u> | <u>\$ 331,429</u> | <u>\$ 220,517,267</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, 2011

| | <u>Authority</u> | <u>College Park</u> | <u>Uptown</u> | <u>Fowler</u> | <u>Eliminations</u> | <u>Total</u> |
|-----------------------------------------------|-----------------------|---------------------|---------------------|-------------------|---------------------|-----------------------|
| OPERATING REVENUES | | | | | | |
| Rental income | \$ 3,193,037 | \$ 259,018 | \$ 186,891 | \$ 146,554 | \$ - | \$ 3,785,500 |
| HUD subsidies | 80,929,234 | 676,553 | 192,170 | 179,407 | - | 81,977,364 |
| Other governmental grants | 284,504 | - | - | - | - | 284,504 |
| Other income | 8,088,617 | - | 7,655 | 194,557 | - | 8,290,829 |
| Fee revenue | 2,821,954 | - | - | - | (2,821,954) | - |
| | | | | | | |
| Total operating revenues | <u>95,317,346</u> | <u>935,571</u> | <u>386,716</u> | <u>520,518</u> | <u>(2,821,954)</u> | <u>94,338,197</u> |
| OPERATING EXPENSES | | | | | | |
| Administration | 15,024,591 | 381,201 | 105,948 | 79,146 | - | 15,590,886 |
| Tenant services | 1,617,140 | 10,272 | - | 294 | - | 1,627,706 |
| Utilities | 3,181,827 | 37,265 | 2,297 | 94,555 | - | 3,315,944 |
| Ordinary maintenance and operations | 3,498,032 | 380,310 | 94,911 | 50,371 | - | 4,023,624 |
| General expenses | 1,308,175 | 19,481 | 17,507 | 19,986 | - | 1,365,149 |
| Housing assistance payments | 43,936,708 | - | - | - | - | 43,936,708 |
| Fee expense | 2,755,170 | 19,244 | 22,975 | 24,565 | (2,821,954) | - |
| | | | | | | |
| Total operating expenses | <u>71,321,643</u> | <u>847,773</u> | <u>243,638</u> | <u>268,917</u> | <u>(2,821,954)</u> | <u>69,860,017</u> |
| | | | | | | |
| Operating income (loss) before depreciation | 23,995,703 | 87,798 | 143,078 | 251,601 | - | 24,478,180 |
| | | | | | | |
| Depreciation | <u>8,164,813</u> | <u>486,158</u> | <u>1,244,120</u> | <u>19,986</u> | <u>-</u> | <u>9,915,077</u> |
| | | | | | | |
| Total operating income (loss) | <u>15,830,890</u> | <u>(398,360)</u> | <u>(1,101,042)</u> | <u>231,615</u> | <u>-</u> | <u>14,563,103</u> |
| NON-OPERATING REVENUE (EXPENSES) | | | | | | |
| Non-routine maintenance | (10,658,414) | (86,333) | (30,814) | - | - | (10,775,561) |
| Investment income | 8,058 | - | - | 605 | - | 8,663 |
| Interest expense | (273,676) | - | - | - | - | (273,676) |
| Gain on sale of capital assets | 399,069 | - | - | - | - | 399,069 |
| Other financing sources (uses) | (6,755,251) | 714,945 | 6,062,817 | (22,511) | - | - |
| | | | | | | |
| Total nonoperating revenues (expenses) | <u>(17,280,214)</u> | <u>628,612</u> | <u>6,032,003</u> | <u>(21,906)</u> | <u>-</u> | <u>(10,641,505)</u> |
| | | | | | | |
| Income (expense) before capital contributions | (1,449,324) | 230,252 | 4,930,961 | 209,709 | - | 3,921,598 |
| | | | | | | |
| Capital contributions - HUD | <u>4,031,845</u> | <u>272,596</u> | <u>1,436</u> | <u>17,877</u> | <u>-</u> | <u>4,323,754</u> |
| | | | | | | |
| CHANGE IN NET ASSETS | 2,582,521 | 502,848 | 4,932,397 | 227,586 | - | 8,245,352 |
| | | | | | | |
| NET ASSETS, BEGINNING 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> |
| | | | | | | |
| NET ASSETS, END OF YEAR | <u>\$ 194,473,434</u> | <u>\$ 6,310,921</u> | <u>\$ 6,356,424</u> | <u>\$ 291,704</u> | <u>\$ -</u> | <u>\$ 207,432,483</u> |

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

MEMPHIS HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
Year Ended June 30, 2011

| | <u>Authority</u> | <u>College Park</u> | <u>Uptown</u> | <u>Fowler</u> | <u>Total</u> |
|------------------------------------------------------------------------------------------------|----------------------|---------------------|---------------------|-------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Cash received from HUD | \$ 71,694,026 | \$ 1,391,648 | \$ 6,254,987 | \$ 156,896 | \$ 79,497,557 |
| Cash received from tenants and others | 11,377,333 | 322,815 | 148,335 | 311,402 | 12,159,885 |
| Cash paid for administration and general | (14,537,155) | (410,954) | (169,988) | (127,316) | (15,245,413) |
| Cash paid for housing operating and tenant services | (6,945,951) | (392,791) | (89,767) | (118,445) | (7,546,954) |
| Cash paid for housing assistance payments | <u>(43,936,708)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(43,936,708)</u> |
| Net cash provided by operating activities | <u>17,651,545</u> | <u>910,718</u> | <u>6,143,567</u> | <u>222,537</u> | <u>24,928,367</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | |
| Issuance of notes payable | 548,813 | - | - | - | 548,813 |
| Interest paid on notes payable | <u>(273,676)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(273,676)</u> |
| Net cash provided by noncapital financing activities | <u>275,137</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>275,137</u> |
| CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES | | | | | |
| Proceeds from sale of fixed assets | 1,485,782 | - | - | - | 1,485,782 |
| Acquisition of capital assets | 3,230,943 | (984,343) | (6,166,602) | (8,421) | (3,928,423) |
| Non-routine maintenance | (10,658,414) | (86,333) | (30,814) | - | (10,775,561) |
| Capital grants - HUD | <u>4,031,845</u> | <u>272,596</u> | <u>1,436</u> | <u>17,877</u> | <u>4,323,754</u> |
| Net cash provided by (used in) capital and related activities | <u>(1,909,844)</u> | <u>(798,080)</u> | <u>(6,195,980)</u> | <u>9,456</u> | <u>(8,894,448)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Issuance of notes receivables | (11,994,954) | - | - | - | (11,994,954) |
| Payments on notes receivables | 606,882 | - | - | - | 606,882 |
| Purchase of investments | 7,357 | (34,369) | - | - | (27,012) |
| Interest on investments | <u>8,058</u> | <u>-</u> | <u>-</u> | <u>605</u> | <u>8,663</u> |
| Net cash provided by (used in) investing activities | <u>(11,372,657)</u> | <u>(34,369)</u> | <u>-</u> | <u>605</u> | <u>(11,406,421)</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | | | | |
| | 4,644,181 | 78,269 | (52,413) | 232,598 | 4,902,635 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | | | | | |
| | <u>13,308,477</u> | <u>98,986</u> | <u>275,387</u> | <u>-</u> | <u>13,682,850</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | | | | | |
| | <u>\$ 17,952,658</u> | <u>\$ 177,255</u> | <u>\$ 222,974</u> | <u>\$ 232,598</u> | <u>\$ 18,585,485</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | | | | |
| Operating income (loss) | \$ 15,830,890 | \$ (398,360) | \$ (1,101,042) | \$ 231,615 | \$ 14,563,103 |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | | | | |
| Depreciation | 8,164,813 | 486,158 | 1,244,120 | 19,986 | 9,915,077 |
| Non cash transfer | (6,755,251) | 714,945 | 6,062,817 | (22,511) | - |
| Provision for bad debts | 159,031 | 6,814 | 757 | 7,760 | 174,362 |
| Effects of changes in operating assets and liabilities: | | | | | |
| Accounts receivable | (2,471,939) | 65,113 | (43,422) | (29,709) | (2,479,957) |
| Investment | | | | | |
| Prepaid expenses | (73,171) | (183) | 9,590 | (1,603) | (65,367) |
| Tenant security deposits | - | 150 | - | - | 150 |
| Inventories | (3,510) | - | - | - | (3,510) |
| Accounts payable and accrued liabilities | 2,838,486 | 286 | (16,080) | 17,993 | 2,840,685 |
| Compensated absences | (89,881) | (34,618) | - | (2,799) | (127,298) |
| Deferred revenue | (196,843) | (1,316) | (2,789) | - | (200,948) |
| Other liabilities | <u>248,920</u> | <u>71,729</u> | <u>(10,384)</u> | <u>1,805</u> | <u>312,070</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>\$ 17,651,545</u> | <u>\$ 910,718</u> | <u>\$ 6,143,567</u> | <u>\$ 222,537</u> | <u>\$ 24,928,367</u> |

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

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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, 2011

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 4 to the financial statements and provides program support on behalf of these entities. See Note 4 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, 2011

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, 2011

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, 2011

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, 2011

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, 2011, 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, 2011

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 has adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* which became 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. For fiscal year 2011 the Authority did not have any impact from GASB 54.

NOTE 2 – CASH AND INVESTMENTS

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

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

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

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

Investment Rate Risk – Fair value fluctuates with interest rates, and increasing interest rates could cause fair value to decline below original cost. To limit the Authority's exposure to fair value losses arising from increasing interest rates, the Authority's investment policy limits the term of investment maturities to remain sufficiently liquid to enable the Authority to meet all operating requirements which might be reasonably anticipated. The Authority's management believes the liquidity in the investment portfolio is adequate to meet cash flow requirements and to preclude the Authority from having to sell investments below original cost for that purpose. The investments at June 30, 2010 met the Authority's investment policy as of that date.

At June 30, 2011, 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, 2011:

| | <u>Unrestricted</u> | <u>Restricted</u> | <u>Security Deposits</u> | <u>Investments</u> | <u>Investment Restricted</u> |
|--------------------------------------------|----------------------|---------------------|------------------------------|--------------------|----------------------------------|
| Cash and cash equivalents: | | | | | |
| Checking and money market accounts | \$ 12,600,536 | \$ 5,270,774 | \$ 139,154 | \$ - | \$ - |
| Contract retentions | 150,431 | - | - | - | - |
| Funds held by private management companies | 372,949 | 190,045 | - | - | - |
| Petty cash | 750 | - | - | - | - |
| | <u>13,124,666</u> | <u>5,460,819</u> | <u>139,154</u> | <u>-</u> | <u>-</u> |
| Investments: | | | | | |
| Money market accounts | - | - | - | 79,053 | - |
| Certificates of deposit | - | - | - | 689,206 | 34,369 |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>768,259</u> | <u>34,369</u> |
| Total cash and investments | <u>\$ 13,124,666</u> | <u>\$ 5,460,819</u> | <u>\$ 139,154</u> | <u>\$ 768,259</u> | <u>\$ 34,369</u> |

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2011 consisted of the following:

| | |
|----------------------------------|----------------------------|
| Tenants receivable, net | \$ 286,313 |
| Accounts receivable - HUD | 4,188,061 |
| Accounts receivable - HCD | 1,910,490 |
| Accounts receivable - other | 435,502 |
| Allowance for doubtful accounts | <u>(93,434)</u> |
| Total accounts receivable | <u>\$ 6,726,932</u> |

The above receivable balance excludes \$75,697 at June 30, 2011 of inter-fund receivable balances that have been eliminated along with the corresponding payable during the financial statement consolidation.

NOTE 4 – NOTES RECEIVABLE

Notes receivable at June 30, 2011 consisted of the following:

| Application Entity | Loan Date | Interest Rate | Due Date | 2011 |
|-----------------------------------------------|------------|---------------|------------|------------------------------|
| 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 | 370,513 |
| 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 |
| Lemoine Garden Senior, L.P. (Note A) | 09/08/2000 | 6.09% | 09/08/2040 | 920,000 |
| Lemoine Garden Senior, L.P. (Note B) | 09/08/2000 | 0.50% | 09/08/2050 | 2,935,740 |
| Lemoine 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 | 4,920,461 |
| University Place Southeast, LP | 05/11/2006 | 8.00% | 11/11/2052 | 6,486,921 |
| 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 | 4,250,000 |
| Lakeview Road LP | 11/12/2009 | 0.00% | 10/01/2049 | 9,429,273 |
| Village Parkway Apartments LP | 03/08/2010 | 0.00% | 03/10/2052 | 3,991,527 |
| Legends Park West | 11/12/2009 | 0.00% | 10/01/2049 | <u>5,409,036</u> |
| Total notes receivable | | | | 117,429,044 |
| Less: current portion | | | | <u>(92,628)</u> |
| Long-term notes receivable | | | | <u>\$ 117,336,416</u> |

Included in other assets is \$7,123,781 in accrued interest receivable that has been recognized on the note receivables. The Authority has allowed for the entire accrued interest balance.

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 4 – NOTES RECEIVABLE (CONTINUED)

Thomas W. Jones, Jr. and Dianne C. Jones — As a part of the redevelopment of the University Place area, the Authority acquired property owned by Thomas W. Jones, Jr. and Dianne C. Jones. To assist the Jones with relocating, on December 21, 2004, a loan of \$356,838 was provided with an interest rate of six percent to purchase property located at 241 East Industrial Drive, Memphis, Tennessee. The borrower agreed to make monthly principal and interest payments totaling \$2,557 through December 31, 2024. The loan is secured by a deed of trust on the above real estate. The borrower made total payments of principal and interest of \$0 during 2011.

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 2011 and 2010, \$92,628 of this loan balance was forgiven and charged to expense.

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

Note A - The second priority loan of \$685,000 was provided on January 1, 2003, and interest accrues at 4.09 percent and matures on January 1, 2043. Debt services will be paid annually from 50 percent of available surplus cash as defined in the agreement. Cash flows are not guaranteed to be sufficient to repay all accrued interest and as a result, all accrued interest amounts are offset by an allowance for uncollectible interest. Notes receivable amounts on this loan are considered non-current. No payments were received on this note during 2011.

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 2011.

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 4 – NOTES RECEIVABLE (CONTINUED)

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 2011.

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 2011.

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 2011.

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 2011.

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 4 – NOTES RECEIVABLE (CONTINUED)

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 2011.

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 2011.

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. Additional amounts were borrowed on this loan during the year of \$165,988. Total outstanding loan for the period ending June 30, 2011 was \$4,920,461 No payments were received on this note during 2011.

University Place Southeast, LP — A construction loan of up to \$7,009,117 was provided to University Place Southeast, LP on May 11, 2006, for the construction of a 118 unit senior development, 82 units of which shall be operated as public housing. Interest on this loan accrues at eight percent to a maximum of \$492,000. Interest and principal are payable out of cash flows and all unpaid amounts are due at maturity of November 11, 2052. Cash flow is not guaranteed to be sufficient to repay all accrued interest and as a result, all accrued interest amounts are offset by an allowance for uncollectible interest. A payment in the amount of \$606,882 was received on this note during 2011.

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 2011.

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 4 – NOTES RECEIVABLE (CONTINUED)

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 2011.

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 2011.

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 2011.

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 2011.

Legends Park East, LP - As part of the redevelopment of the former Dixie Homes site, MHA provided a loan of \$9,800,000 for the construction of 134 housing units (53 public housing units) and other improvements such as landscaping, curbing and paving. The loan matures on August 28, 2040. Interest on this loan accrues at 8.00 percent annually. Cash flow is not guaranteed to be sufficient to repay all accrued interest and as a result, all accrued interest amounts are offset by an allowance for uncollectible interest. No payments were received on this note during 2011.

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 2011.

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 4 – NOTES RECEIVABLE (CONTINUED)

Levi Landing LP - A permanent financing loan for \$2,423,600 was provided for a 32-unit (16 public housing units) multifamily apartment complex known as Levi Landing. The loan matures on October 1, 2049 and has an annual interest rate of 0.0%. No payment were received on this note during 2011.

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 2011 were \$3,279,583, for a total outstanding loan of \$4,250,000.

Lakeview Road LP – A permanent financing loan for \$9,429,273 was provided for a 152-unit (76 public housing units) multifamily apartment complex known as Lakeview Road Apartments. The loan matures on October 1, 2049 and has an annual interest rate of 0.0%. No payments were received on this note during 2011.

Village Parkway LP - A construction loan for \$3,991,527 was provided for the development and construction of a 116-unit multifamily apartment complex known as Village at Cypresswood. The loan matures on March 10, 2052 and had an annual interest rate of 0.0%. No payments were received on this note during 2011.

Legends Park West, LP - A construction loan for \$8,401,339 was provided for the development and construction of a 100-unit multifamily apartment complex known as Legends Park West. The loan matures on September 9, 2055 and had an annual interest rate of 8.5%. Total advances made on this loan during 2011 were \$5,409,036.

NOTE 5 – CAPITAL ASSETS

The following is a summary of changes in capital assets for fiscal year ended June 30, 2011:

| | <u>Balance at June 30, 2010</u> | <u>Additions</u> | <u>Transfers /Deletions</u> | <u>Balance at June 30, 2011</u> |
|-------------------------------|-------------------------------------|-----------------------|---------------------------------|-------------------------------------|
| Non-depreciable: | | | | |
| Land | \$ 14,236,838 | \$ - | \$ (1,086,500) | \$ 13,150,338 |
| Construction in progress | <u>12,097,927</u> | <u>3,654,988</u> | <u>(10,984,982)</u> | <u>4,767,933</u> |
| Total non-depreciable | <u>26,334,765</u> | <u>3,654,988</u> | <u>(12,071,482)</u> | <u>17,918,271</u> |
| Depreciated: | | | | |
| Buildings and improvements | 207,009,145 | 212,039 | 10,984,982 | 218,206,166 |
| Furniture and equipment | <u>2,706,767</u> | <u>61,396</u> | <u>(213)</u> | <u>2,767,950</u> |
| Total depreciated | <u>209,715,912</u> | <u>273,435</u> | <u>10,984,769</u> | <u>220,974,116</u> |
| Total capital assets | 236,050,677 | 3,928,423 | (1,086,713) | 238,892,387 |
| Less accumulated depreciation | <u>(152,646,994)</u> | <u>(9,915,077)</u> | <u>-</u> | <u>(162,562,071)</u> |
| Capital assets, net | <u>\$ 83,403,683</u> | <u>\$ (5,986,654)</u> | <u>\$ (1,086,713)</u> | <u>\$ 76,330,316</u> |

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

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 6 – ACCRUED LIABILITIES AND DEFERRED REVENUE

Accrued liabilities and deferred revenue consisted of the following at June 30, 2011:

| | |
|------------------------------------------------|--------------------------|
| Accrued salaries and fringe benefits | \$ 246,251 |
| Accrued compensated absences - current portion | 142,197 |
| Deferred revenue- McKinney Act refunding | 370,512 |
| Deferred revenue - other | <u>2,198</u> |
| Total | <u>\$ 761,158</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 2011, \$92,629 was recognized as income.

NOTE 7 – LONG-TERM LIABILITIES

The future maturities of principal and interest payment obligations related to notes payable for the four years commencing July 1, 2011:

| | <u>Balance at</u> <u>June 30, 2010</u> | <u>Additions</u> | <u>Payments</u> | <u>Balance</u> <u>June 30, 2011</u> | <u>Due in</u> <u>One Year</u> |
|---------------------------------|-------------------------------------------|--------------------------|--------------------------|----------------------------------------|----------------------------------|
| Notes payable - City of Memphis | \$ 5,173,089 | \$ 548,813 | \$ - | \$ 5,721,902 | \$ 1,513,813 |
| FSS escrow payables | 23,680 | - | 23,670 | 10 | - |
| Compensated absences | <u>1,546,119</u> | <u>69,550</u> | <u>196,848</u> | <u>1,418,821</u> | <u>142,197</u> |
| Total | <u>\$ 6,742,888</u> | <u>\$ 618,363</u> | <u>\$ 220,518</u> | <u>\$ 7,140,733</u> | <u>\$ 1,656,010</u> |

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

Terms of the agreements provide for unsecured loans of four to five years and interest accruing at rates of 3 to 4.5 percent annually. The primary source of funds for repayment of the City loans by MHA is from tax incremental fund revenues (TIF) generated for the Uptown District as a result of the redevelopment activity. Interest payments are paid semi-annually. Principal payments on the loan are payable in annual installments. During 2011, \$0 of principal and \$0 of interest was paid on these loans.

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 7 – LONG-TERM LIABILITIES (CONTINUED)

The future maturities of notes payable were as follows at June 30, 2011.

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------|---------------------|-------------------|---------------------|
| Fiscal year ending: | | | |
| 2012 | \$ 1,513,813 | \$ 211,852 | \$ 1,725,665 |
| 2013 | 1,005,000 | 150,500 | 1,155,500 |
| 2014 | 1,045,000 | 109,500 | 1,154,500 |
| 2015 | 1,085,000 | 66,900 | 1,151,900 |
| 2016 | <u>1,073,089</u> | <u>22,600</u> | <u>1,095,689</u> |
| Total | <u>\$ 5,721,902</u> | <u>\$ 561,352</u> | <u>\$ 6,283,254</u> |

NOTE 8 – RETIREMENT PLAN

Plan Description

Certain employees of the Authority are members of Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). 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 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who became disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty.

Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. 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.

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 8 – RETIREMENT PLAN (CONTINUED)

Funding Status and Progress

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

The Authority is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2011 was 14.05% 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 2011, 2010 and 2009, Authority's annual pension payments to TCRS of \$814,336, \$748,854 and \$830,179, respectively, were equal to the Authority's required and actual contributions. Covered payroll for June 30, 2011, 2010 and 2009 was \$5,696,433, \$5,933,870 and \$6,578,284, respectively.

The required contribution for 2011 was determined as part of the July 1, 2005, actuarial valuation using the frozen initial liability actuarial cost method. Significant actuarial assumptions used in the valuation include: (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increase based on a graded scale that reflects the plan experience pattern of declining escalation rates as participant ages increase (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of equities over a five-year period. Amortized book value was used for fixed income securities. The Plan's unfunded - actuarial accrued liability is being funded by level dollar contributions on a closed basis during an amortization period which ends in the year 2015.

TREND INFORMATION

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

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 8 – RETIREMENT PLAN (CONTINUED)

Changes in Actuarial Assumption

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

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

NOTE 9 – RELATED PARTY TRANSACTIONS

The Authority and HCD are functionally consolidated to avoid duplication of services provided to the citizens of the City. As of June 30, 2011, \$375,000 in grant funds was due from HCD. In conjunction with pass-through funding related to CDBG, as of June 30, 2011, \$1,516,535 was due from HCD. In addition, the identified loans payable to the City, detailed in Note 7, are also considered to be related party transactions.

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

MHA receives a percentage of net cash flow from the related mixed-income, multi-family rental communities properties to service the debt for the related development project loans described in Note 4. During fiscal year 2011, MHA recorded \$0 in interest income from development loans made to Owner-Entities.

The Owner-Entities operate under various regulatory and operating agreements with MHA, whereby a required number of units are set aside for public housing-assisted families. There is a commitment in each regulatory and operating agreement whereby MHA is obligated to fund operating costs related to the public housing-assisted apartments on an agreed basis. Operating subsidy in the amount of \$1,951,431 was expensed in 2011.

NOTE 10 – RISK MANAGEMENT

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

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

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 11 – 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 12 – ECONOMIC DEPENDENCY

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

NOTE 13 – 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, 2011, the outstanding balance on this conduit debt was \$255,000. The bonds and notes do not constitute a debt by the Authority and accordingly have not been reported in the accompanying financial statements.

NOTE 14 – SUPPLEMENTAL INFORMATION

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

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

SUPPLEMENTAL INFORMATION

MEMPHIS HOUSING AUTHORITY
ENTITY-WIDE BALANCE SHEET SUMMARY
June 30, 2011

| Line | Accounts Description | Project Totals | COCC | Business Activities | Hope VI | HCVP | Supportive Housing | CDBG | VASH | ROSS | DHAP | CSBG | DHAP IKE | DVP | ARRA- Formula | ARRA- Competitive | Elimination | Total |
|--------------------------------|---------------------------------------------------------|----------------------|----------------------|-----------------------|---------------------|----------------------|--------------------|-----------------|-------------|------------------|-------------------|-----------------|------------------|------------------|---------------|---------------------|--------------------|-----------------------|
| CURRENT ASSETS | | | | | | | | | | | | | | | | | | |
| Cash: | | | | | | | | | | | | | | | | | | |
| 111 | Unrestricted | \$ 6,054,930 | \$ 1,348,086 | \$ 595,969 | \$ - | \$ 5,052,528 | \$ - | \$ - | \$ - | \$ - | \$ 6,783 | \$ - | \$ 22,588 | \$ 43,782 | \$ - | \$ - | \$ - | \$ 13,124,666 |
| 112 | Restricted - Modernization anc | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 113 | Other restricted | 190,045 | - | - | - | 5,270,774 | - | - | - | - | - | - | - | - | - | - | - | 5,460,819 |
| 114 | Tenant security deposits | 139,154 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 139,154 |
| 100 | Total cash | 6,384,129 | 1,348,086 | 595,969 | - | 10,323,302 | - | - | - | - | 6,783 | - | 22,588 | 43,782 | - | - | - | 18,724,639 |
| Accounts and notes receivable: | | | | | | | | | | | | | | | | | | |
| 121 | Accounts receivable - PHA proj | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 122 | HUD other projects | - | - | - | 1,611,784 | - | 5,307 | - | - | 27,594 | - | - | - | - | - | 2,543,376 | - | 4,188,061 |
| 124 | Other government | 386,986 | 1,523,504 | 72,195 | - | - | - | 8,048 | - | - | - | 5,365 | - | - | - | - | - | 1,996,098 |
| 125 | Miscellaneous | 38,807 | - | - | - | 65,570 | - | - | - | - | 245,517 | - | - | - | - | - | - | 349,894 |
| 126 | Tenants | 286,313 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 286,313 |
| 126.1 | Allowance for doubtful accounts | (55,667) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (55,667) |
| 126.10 | Allowance for doubtful accounts | - | - | (37,767) | - | - | - | - | - | - | - | - | - | - | - | - | - | (37,767) |
| 127 | Notes, loans, & mortgages rece | - | - | 92,628 | - | - | - | - | - | - | - | - | - | - | - | - | - | 92,628 |
| 129 | Accrued interest receivable | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 120 | Total receivables, net of allowances for uncollectibles | 656,439 | 1,523,504 | 127,056 | 1,611,784 | 65,570 | 5,307 | 8,048 | - | 27,594 | 245,517 | 5,365 | - | - | - | 2,543,376 | - | 6,819,560 |
| 131 | Investments - unrestricted | 756,536 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 756,536 |
| 132 | Investments- restricted | 46,092 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 46,092 |
| | Total current investments | 802,628 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 802,628 |
| 142 | Prepaid expenses and other asset | 281,939 | 186,540 | - | - | 14,412 | - | - | - | - | - | - | - | - | - | - | - | 482,891 |
| 143 | Inventories | 29,754 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 29,754 |
| 143.1 | Allowance for obsolete inventories | (8,937) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (8,937) |
| 144 | Interprogram - due from | - | 70,390 | - | - | 5,307 | - | - | - | - | - | - | - | - | - | - | (75,697) | - |
| 150 | Total current assets | 8,145,952 | 3,128,520 | 723,025 | 1,611,784 | 10,408,591 | 5,307 | 8,048 | - | 27,594 | 252,300 | 5,365 | 22,588 | 43,782 | - | 2,543,376 | (75,697) | 26,850,535 |
| NONCURRENT ASSETS | | | | | | | | | | | | | | | | | | |
| Fixed assets: | | | | | | | | | | | | | | | | | | |
| 161 | Land | 4,275,307 | 8,875,031 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 13,150,338 |
| 162 | Buildings | 207,754,389 | 10,451,777 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 218,206,166 |
| 164 | Furniture, equipment & mach - : | 82,674 | 2,685,276 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 2,767,950 |
| 166 | Accumulated depreciation | (157,651,679) | (4,910,392) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (162,562,071) |
| 167 | Construction in progress | 4,767,933 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 4,767,933 |
| 160 | Total fixed assets, net of accu | 59,228,624 | 17,101,692 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 76,330,316 |
| 171 | Notes, loans and mortgages r | - | - | 117,336,416 | - | - | - | - | - | - | - | - | - | - | - | - | - | 117,336,416 |
| 180 | Total noncurrent assets | 59,228,624 | 17,101,692 | 117,336,416 | - | - | - | - | - | - | - | - | - | - | - | - | - | 193,666,732 |
| 190 | TOTAL ASSETS | \$ 67,374,576 | \$ 20,230,212 | \$ 118,059,441 | \$ 1,611,784 | \$ 10,408,591 | \$ 5,307 | \$ 8,048 | \$ - | \$ 27,594 | \$ 252,300 | \$ 5,365 | \$ 22,588 | \$ 43,782 | \$ - | \$ 2,543,376 | \$ (75,697) | \$ 220,517,267 |

MEMPHIS HOUSING AUTHORITY
ENTITY-WIDE BALANCE SHEET SUMMARY
June 30, 2011

| Line Item # | Accounts Description | Project Totals | COCC | Business Activities | Hope VI | HCVF | Supportive Housing | CDBG | VASH | ROSS | DHAP | CSBG Food/ Nutrition | DHAP IKE | DVP | ARRA- Formula | ARRA- Competitive | Elimination | Total |
|-------------------------------|---------------------------------------------------------------------|----------------------|----------------------|-----------------------|---------------------|----------------------|--------------------|-----------------|-------------|------------------|-------------------|-------------------------|------------------|------------------|------------------|----------------------|--------------------|-----------------------|
| CURRENT LIABILITIES | | | | | | | | | | | | | | | | | | |
| 312 | Accounts payable <= 90 days | \$ 237,993 | \$ 205,988 | \$ 140,550 | \$ 1,502,139 | \$ 14,179 | \$ - | \$ 8,048 | \$ - | \$ 17,113 | \$ - | \$ - | \$ - | \$ - | \$ - | 2,543,376.00 | \$ - | \$ 4,669,386 |
| 313 | Accounts payable > 90 days | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 321 | Accrued wage/payroll taxes payable | 137,043 | 95,547 | - | 5,175 | 421 | - | - | - | 2,149 | - | 4,469 | - | - | - | - | - | 244,804 |
| 322 | Accrued compensated absences - current portion | 80,278 | 55,583 | - | 3,408 | 1,885 | - | - | - | 833 | - | 210 | - | - | - | - | - | 142,197 |
| 324 | Accrued Contingency Liability | 1,447 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 1,447 |
| 331 | Accounts payable - HUD | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 332 | Accounts payable - PHA projects | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 341 | Tenant security deposits | 139,154 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 139,154 |
| 342 | Deferred revenues | 2,198 | - | 370,512 | - | - | - | - | - | - | - | - | - | - | - | - | - | 372,710 |
| 343 | Current portion of LT debt - capital projects/ mortgage revenue | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 344 | Current portion of LT debt - operating borrowings | - | - | 1,513,813 | - | - | - | - | - | - | - | - | - | - | - | - | - | 1,513,813 |
| 345 | Other current liabilities | 206,158 | 239,075 | - | - | 30,841 | - | - | - | - | - | - | - | - | - | - | - | 476,074 |
| 346 | Other liabilities | 40,476 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 40,476 |
| 347 | Interprogram (due to) | - | - | - | 70,390 | - | 5,307 | - | - | - | - | - | - | - | - | - | (75,697) | - |
| 310 | Total current liabilities | 844,747 | 596,193 | 2,024,875 | 1,581,112 | 47,326 | 5,307 | 8,048 | - | 20,095 | - | 4,679 | - | - | - | 2,543,376 | (75,697) | 7,600,061 |
| NONCURRENT LIABILITIES | | | | | | | | | | | | | | | | | | |
| 351 | Long-term debt, net of current - capital projects/ mortgage revenue | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 352 | Long-term debt, net of current - operating borrowings | - | - | 4,208,089 | - | - | - | - | - | - | - | - | - | - | - | - | - | 4,208,089 |
| 353 | Non-current liabilities - other | 10 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 10 |
| 354 | Accrued compensated absences - noncurrent | 719,356 | 500,245 | - | 30,672 | 16,965 | - | - | - | 7,499 | - | 1,887 | - | - | - | - | - | 1,276,624 |
| 350 | Total noncurrent liabilities | 719,366 | 500,245 | 4,208,089 | 30,672 | 16,965 | - | - | - | 7,499 | - | 1,887 | - | - | - | - | - | 5,484,723 |
| 300 | Total liabilities | 1,564,113 | 1,096,438 | 6,232,964 | 1,611,784 | 64,291 | 5,307 | 8,048 | - | 27,594 | - | 6,566 | - | - | - | 2,543,376 | (75,697) | 13,084,784 |
| EQUITY | | | | | | | | | | | | | | | | | | |
| 508.1 | Invested in capital assets | 59,228,624 | 17,101,692 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 76,330,316 |
| 511.1 | Restricted net assets | 236,137 | - | - | - | 5,270,774 | - | - | - | - | - | - | - | - | - | - | - | 5,506,911 |
| 512.1 | Unrestricted net assets | 6,345,702 | 2,032,082 | 111,826,477 | - | 5,073,526 | - | - | - | 252,300 | (1,201) | 22,588 | 43,782 | 43,782 | - | - | - | 125,595,256 |
| 513 | Total equity/net assets | 65,810,463 | 19,133,774 | 111,826,477 | - | 10,344,300 | - | - | - | 252,300 | (1,201) | 22,588 | 43,782 | 43,782 | - | - | - | 207,432,483 |
| 600 | TOTAL LIABILITIES AND EQUITY/NET ASSETS | \$ 67,374,576 | \$ 20,230,212 | \$ 118,059,441 | \$ 1,611,784 | \$ 10,408,591 | \$ 5,307 | \$ 8,048 | \$ - | \$ 27,594 | \$ 252,300 | \$ 5,365 | \$ 22,588 | \$ 43,782 | \$ - | \$ 2,543,376 | \$ (75,697) | \$ 220,517,267 |

MEMPHIS HOUSING AUTHORITY
ENTITY-WIDE REVENUE AND EXPENSE SUMMARY
Year Ended June 30, 2011

| Line Item # | Accounts Description | Project | | Business | | | Supportive | | | | | ARRA- | | | | | Total | |
|------------------------------------|-------------------------------------------------|--------------|-----------|------------|-----------|------------|------------|-----------|---------|---------|---------|--------|----------|-----------|---------------|-------------|-------------|--------------|
| | | Totals | COCC | Activities | Hope VI | HCVF | Housing | CDBG | VASH | ROSS | DHAP | CSBG | DHAP IKE | DVP | ARRA- Formula | Competitive | | Elimination |
| REVENUE | | | | | | | | | | | | | | | | | | |
| 70300 | Net tenant rental revenue | \$ 3,757,286 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 3,757,286 |
| 70400 | Tenant revenue - other | 28,214 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 28,214 |
| 70500 | Total tenant revenue | 3,785,500 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 3,785,500 |
| 70600 | HUD PHA operating grants | 12,031,203 | - | - | 4,748,993 | 50,441,519 | 134,780 | - | 814,872 | 426,651 | - | - | - | - | - | - | - | 81,977,364 |
| 706.10 | Capital grants | 2,737,494 | - | - | - | - | - | - | - | - | - | - | - | 7,266,013 | 6,113,333.00 | 0.00 | - | 4,323,754 |
| 70710 | Management fee | - | 2,368,872 | - | - | - | - | - | - | - | - | - | - | - | - | - | (2,368,872) | - |
| 70720 | Asset management fee | - | 234,480 | - | - | - | - | - | - | - | - | - | - | - | - | - | (234,480) | - |
| 70730 | Bookkeeping fee | - | 218,602 | - | - | - | - | - | - | - | - | - | - | - | - | - | (218,602) | - |
| 70750 | Other fees | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 70700 | Total fee revenue | - | 2,821,954 | - | - | - | - | - | - | - | - | - | - | - | - | - | (2,821,954) | - |
| 70800 | Other governmental grants | - | 242,007 | - | - | - | - | - | - | - | - | 42,497 | - | - | - | - | - | 284,504 |
| 71100 | Investment income - unrestricted | 7,278 | 1,343 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 8,621 |
| 71400 | Fraud recovery | - | - | - | - | 16,248 | - | - | - | - | - | - | - | - | - | - | - | 16,248 |
| 71500 | Other revenue | 761,415 | 909,585 | 2,203,737 | - | 922,200 | - | 3,265,136 | - | - | 158,294 | - | 54,214 | - | - | - | - | 8,274,581 |
| 71600 | Gain or loss on sale of capital assets | 441,179 | (42,110) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 399,069 |
| 72000 | Investment Income - Restricted | - | - | 42 | - | - | - | - | - | - | - | - | - | - | - | - | - | 42 |
| 70000 | Total revenue | 19,764,069 | 3,932,779 | 2,203,779 | 4,748,993 | 51,379,967 | 134,780 | 3,265,136 | 814,872 | 426,651 | 158,294 | 42,497 | 54,214 | - | 8,852,273 | 6,113,333 | (2,821,954) | 99,069,683 |
| EXPENSES | | | | | | | | | | | | | | | | | | |
| Administrative: | | | | | | | | | | | | | | | | | | |
| 91100 | Administrative salaries | 996,635 | 2,471,514 | 1,130 | 34,981 | 488,510 | - | - | - | - | - | - | - | - | - | - | - | 3,992,770 |
| 91200 | Auditing fees | 116,794 | 22,225 | - | - | 61,905 | - | - | - | - | - | - | - | - | - | - | - | 200,924 |
| 91300 | Management fee | 744,006 | - | - | - | 420,292 | - | - | - | - | - | - | - | 811,250 | 393,324.00 | - | (2,368,872) | - |
| 913.10 | Bookkeeping fee | 218,602 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (218,602) | - |
| 91400 | Advertising and marketing | 9,951 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 9,951 |
| 91500 | Employee benefit contributions - administrative | 992,699 | 798,301 | 363 | 10,205 | 143,082 | - | - | - | - | - | - | - | - | - | - | - | 1,944,650 |
| 91600 | Office Expense | 0 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 91700 | Legal expense | 46,200 | 141,249 | - | - | - | - | 8,048 | - | - | - | - | - | - | - | - | - | 195,497 |
| 91800 | Travel | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 91900 | Other | 2,617,145 | 2,727,333 | 834,754 | - | 3,033,030 | - | - | - | - | - | - | - | 34,832.00 | - | - | - | 9,247,094 |
| | Total administrative | 5,742,032 | 6,160,622 | 836,247 | 45,186 | 4,146,819 | - | 8,048 | - | - | - | - | - | 846,082 | 393,324 | - | (2,587,474) | 15,590,886 |
| 92000 | Asset management fee | 234,480 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (234,480) | - |
| Tenant services: | | | | | | | | | | | | | | | | | | |
| 92100 | Salaries | 132,927 | 192,966 | - | - | 43,734 | - | - | - | 60,854 | - | 35,565 | - | - | - | - | - | 466,046 |
| 92200 | Relocation costs | 10,272 | - | - | 515,188 | - | - | - | - | - | - | - | - | - | - | - | - | 525,460 |
| 92300 | Employee benefit contributions | - | 60,740 | - | - | 15,898 | - | - | - | - | - | 7,549 | - | - | - | - | - | 84,187 |
| 92400 | Other | 23,144 | 45 | - | 162,135 | 142 | - | - | - | 365,797 | - | 750 | - | - | - | - | - | 552,013 |
| | Total tenant services | 166,343 | 253,751 | - | 677,323 | 59,774 | - | - | - | 426,651 | - | 43,864 | - | - | - | - | - | 1,627,706 |
| Utilities: | | | | | | | | | | | | | | | | | | |
| 93100 | Water | 237,395 | 3,472 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 240,867 |
| 93200 | Electricity | 1,991,536 | 110,714 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 2,102,250 |
| 93300 | Gas | 498,679 | 12,025 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 510,704 |
| 93400 | Fuel | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 93600 | Sewer | 457,167 | 3,815 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 460,982 |
| 93800 | Other utilities expense | 1,141 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 1,141 |
| | Total utilities | 3,185,918 | 130,026 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 3,315,944 |
| Ordinary maintenance & operations: | | | | | | | | | | | | | | | | | | |
| 94100 | Labor | 1,748,323 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 1,748,323 |
| 94200 | Materials and other | 633,986 | 39,621 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 673,607 |
| 94300 | Contracts | 1,434,230 | 151,900 | - | - | 8,348 | - | - | - | - | - | - | - | - | - | - | - | 1,594,478 |
| 94500 | Employee benefits contribution | 7,216 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 7,216 |
| | Total ordinary maintenance & operations | 3,823,755 | 191,521 | - | - | 8,348 | - | - | - | - | - | - | - | - | - | - | - | 4,023,624 |
| Protective services: | | | | | | | | | | | | | | | | | | |
| 95100 | Labor | 173,801 | 36,188 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 209,989 |
| 95200 | Other contract costs | 293,469 | 31,024 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 324,493 |
| 95300 | Other | 5,935 | 15,619 | - | - | 464 | - | - | - | - | - | - | - | - | - | - | - | 22,018 |
| 95500 | Employee benefit contributions | - | 8,677 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 8,677 |
| 95000 | Total protective services | 473,205 | 91,508 | - | - | 464 | - | - | - | - | - | - | - | - | - | - | - | 565,177 |
| 96100 | Total Insurance premiums | 274,663 | 31,473 | - | - | 32,195 | - | - | - | - | - | - | - | - | - | - | - | 338,331 |

MEMPHIS HOUSING AUTHORITY
ENTITY-WIDE REVENUE AND EXPENSE SUMMARY
Year Ended June 30, 2011

| Line Item # | Accounts Description | Project Totals | COCC | Business Activities | Hope VI | HCVP | Supportive Housing | CDBG | VASH | ROSS | DHAP | CSBG | DHAP IKE | DVP | ARRA-Formula | ARRA-Competitive | Elimination | Total |
|---------------------------------|-------------------------------------------------------------|----------------|----------------|---------------------|----------------|--------------|--------------------|-----------|------------|---------|------------|------------|-----------|-------------|--------------|------------------|-------------|--------------|
| EXPENSES (Continued) | | | | | | | | | | | | | | | | | | |
| General expenses: | | | | | | | | | | | | | | | | | | |
| 96200 | Other general expenses | \$ 18,688 | \$ 21,513 | \$ - | \$ - | 6,238 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 34,063 | \$ - | \$ - | \$ - | \$ - | \$ 80,502 |
| 96210 | Compensated absences | 45,968 | 81,817 | - | - | 69,063 | - | - | - | - | - | - | - | - | - | - | - | 196,848 |
| 96300 | Payments in lieu of taxes | 9,929 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 9,929 |
| 96400 | Bad debt - tenant rents | 174,362 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 174,362 |
| 96800 | Severance expense | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 96000 | Total general expenses | 248,947 | 103,330 | - | - | 75,301 | - | - | - | - | - | - | 34,063 | - | - | - | - | 461,641 |
| 96700 | Total interest expense and amortization cost | - | - | 273,676 | - | - | - | - | - | - | - | - | - | - | - | - | - | 273,676 |
| 96900 | Total operating expenses | 14,149,343 | 6,962,231 | 1,109,923 | 722,509 | 4,322,901 | - | 8,048 | - | 426,651 | - | 43,864 | 34,063 | - | 846,082 | 393,324 | (2,821,954) | 26,196,985 |
| 97000 | Excess of operating revenue over operating expenses | 5,614,726 | (3,029,452) | 1,093,856 | 4,026,484 | 47,057,066 | 134,780 | 3,257,088 | 814,872 | - | 158,294 | (1,367) | 20,151 | - | 8,006,191 | 5,720,009 | - | 72,872,698 |
| 97100 | Extraordinary maintenance | 1,182,903 | - | 1,998,112 | 1,926,484 | - | - | 3,257,088 | - | - | - | - | - | - | - | 2,410,974.00 | - | 10,775,561 |
| 97200 | Casualty losses - non capitalized | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 97300 | Housing assistance payments | - | - | - | - | 43,178,336 | 134,780 | - | 540,326 | - | - | - | - | 19,150 | - | - | - | 43,872,592 |
| | HAP Portability- IN | - | - | - | - | 64,116 | - | - | - | - | - | - | - | - | - | - | - | 64,116 |
| 97400 | Depreciation expense | 9,053,764 | 861,313 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 9,915,077 |
| 90000 | Total expenses | 24,386,010 | 7,823,544 | 3,108,035 | 2,648,993 | 47,565,353 | 134,780 | 3,265,136 | 540,326 | 426,651 | - | 43,864 | 34,063 | 19,150 | 846,082 | 2,804,298 | (2,821,954) | 90,824,331 |
| Other financing sources (uses): | | | | | | | | | | | | | | | | | | |
| 10010 | Operating transfer in | 503,586 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 503,586 |
| 10020 | Operating transfer out | (503,586) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (503,586) |
| 10030 | Operating transfers from / to primary government | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 10060 | Proceeds from property sales | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 10070 | Extraordinary items, net gain / loss | 0 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 10091 | Inter project excell cash transfer in | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | Operating transfer between programs and projects - in | 6,666,006 | \$ 378,382 | 2,100,000 | - | - | - | - | - | - | - | - | - | - | - | - | - | 9,144,388 |
| 10094 | Operating transfer between programs and projects - out | (1,093,644) | - | - | (8,050,744) | - | - | - | - | - | - | - | - | - | - | - | - | (9,144,388) |
| 10100 | Total other financing sources (uses) | 5,572,362 | 378,382 | 2,100,000 | (8,050,744) | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 10000 | EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENSES | \$ 950,421 | \$ (3,512,383) | \$ 1,195,744 | \$ (5,950,744) | \$ 3,814,614 | \$ - | \$ - | \$ 274,546 | \$ - | \$ 158,294 | \$ (1,367) | \$ 20,151 | \$ (19,150) | \$ 8,006,191 | \$ 3,309,035 | \$ - | \$ 8,245,352 |
| Memo Account Information | | | | | | | | | | | | | | | | | | |
| 11020 | Required annual debt principal payments | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 11030 | Beginning equity | 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 |
| 11040 | Prior period adjustments, equity transfers & correction | 1,566,936 | 340,937 | 9,407,353 | - | 990,889.00 | - | - | (990,889) | - | - | - | - | - | (8,006,191) | (3,309,035) | - | - |
| 11170 | Administrative fee equity | - | - | - | - | 5,073,526 | - | - | - | - | - | - | - | - | - | - | - | 5,073,526 |
| 11180 | Housing assistance payments equity | - | - | - | - | 5,270,774 | - | - | - | - | - | - | - | - | - | - | - | 5,270,774 |
| 11190 | Unit months available | 23,744 | - | - | - | 77,988 | 348 | - | 1,350 | - | - | - | - | 54 | - | - | - | 103,484 |
| 11210 | Unit months leased | 21,162 | - | - | - | 76,960 | 331 | - | 1,350 | - | - | - | - | 54 | - | - | - | 99,857 |
| 11270 | Excess cash | 5,621,589 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 5,621,589 |
| 11620 | Building Purchases | 4,435,448 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 4,435,448 |

MEMPHIS HOUSING AUTHORITY
PROJECT BALANCE SHEET SUMMARY
June 30, 2011

| Line Item # | Accounts Description | AMP 2 | AMP 8 | AMP 9 | AMP 13 | AMP 14 | AMP 16 | AMP 18 | AMP 21 | AMP 23 | AMP 43 |
|--------------------------------|---------------------------------------------------------|----------------------|----------------------|---------------------|---------------------|---------------------|-------------------|---------------------|---------------------|---------------------|-------------|
| CURRENT ASSETS | | | | | | | | | | | |
| Cash: | | | | | | | | | | | |
| 111 | Unrestricted | \$ 1,093,453 | \$ 1,953,826 | \$ - | \$ 344,016 | \$ 453,904 | \$ 949,699 | \$ 275,236 | \$ 317,291 | \$ 65,896 | \$ - |
| 112 | Restricted - Modernization and Development | - | - | - | - | - | - | - | - | - | - |
| 113 | Other restricted | - | - | - | - | - | - | - | - | - | - |
| 114 | Tenant security deposits | 26,797 | - | - | 15,727 | 14,847 | - | 15,740 | 6,306 | 14,627 | - |
| 115 | Restricted for Payment of Current Liabilities | - | - | - | - | - | - | - | - | - | - |
| 100 | Total cash | 1,120,250 | 1,953,826 | - | 359,743 | 468,751 | 949,699 | 290,976 | 323,597 | 80,523 | - |
| Accounts and notes receivable: | | | | | | | | | | | |
| 121 | Accounts receivable - PHA projects | - | - | - | - | - | - | - | - | - | - |
| 124 | Other government | 114,545 | - | - | 54,000 | 58,640 | - | 56,730 | 27,270 | 56,180 | - |
| 125 | Accounts receivable - miscellaneous | - | - | - | - | - | - | - | - | - | - |
| 126 | Tenants | 50,383 | 29,720 | - | 19,014 | 45,093 | - | 55,755 | 16,566 | 21,425 | - |
| 126.1 | Allowance for doubtful accounts - tenants | (12,315) | (6,375) | - | (1,433) | (5,213) | - | (4,117) | (3,305) | (3,303) | - |
| 126.2 | Allowance for Doubtful Accounts - Other | - | - | - | - | - | - | - | - | - | - |
| 120 | Total receivables, net of allowances for uncollectibles | 152,613 | 23,345 | - | 71,581 | 98,520 | - | 108,368 | 40,531 | 74,302 | - |
| 131 | Investments - unrestricted | 175,824 | 192,542 | - | 82,981 | 90,008 | - | 87,077 | 41,864 | 86,240 | - |
| 132 | Investments - restricted | - | - | - | - | - | - | - | - | - | - |
| | Total current investments | 175,824 | 192,542 | - | 82,981 | 90,008 | - | 87,077 | 41,864 | 86,240 | - |
| 142 | Prepaid expenses and other assets | 225,465 | 11,557 | - | 4,901 | 2,747 | - | 2,976 | 1,278 | 4,267 | - |
| 143 | Inventories | 8,424 | - | - | 1,919 | 10,061 | - | 2,895 | 3,442 | 3,013 | - |
| 143.1 | Allowance for obsolete inventories | (2,386) | - | - | - | (6,551) | - | - | - | - | - |
| 144 | Interprogram - due from | - | - | - | - | - | - | - | - | - | - |
| 150 | Total current assets | 1,680,190 | 2,181,270 | - | 521,125 | 663,536 | 949,699 | 492,292 | 410,712 | 248,345 | - |
| NONCURRENT ASSETS | | | | | | | | | | | |
| Fixed assets: | | | | | | | | | | | |
| 161 | Land | 896,810 | 1,720,801 | 444,987 | 2,081 | 63,571 | - | 64,656 | 207,900 | 127,775 | - |
| 162 | Buildings | 42,657,410 | 55,088,752 | 43,587,158 | 12,049,443 | 12,615,015 | - | 9,185,361 | 6,365,330 | 9,271,144 | - |
| 164 | Furniture, Equipment & Machinery - Administration | 19,340 | 16,450 | - | 9,201 | 9,975 | - | 9,656 | 4,738 | 9,575 | - |
| 166 | Accumulated depreciation | (34,872,172) | (44,062,350) | (38,175,421) | (8,093,865) | (9,173,710) | - | (7,349,625) | (3,856,074) | (7,345,383) | - |
| 167 | Construction in progress | 157,303 | - | 3,240 | 549,082 | 618,192 | - | 368,310 | 241,481 | 1,095,538 | - |
| 160 | Total fixed assets, net of accumulated depreciation | 8,858,691 | 12,763,653 | 5,859,964 | 4,515,942 | 4,133,043 | - | 2,278,358 | 2,963,375 | 3,158,649 | - |
| 180 | Total noncurrent assets | 8,858,691 | 12,763,653 | 5,859,964 | 4,515,942 | 4,133,043 | - | 2,278,358 | 2,963,375 | 3,158,649 | - |
| 190 | TOTAL ASSETS | \$ 10,538,881 | \$ 14,944,923 | \$ 5,859,964 | \$ 5,037,067 | \$ 4,796,579 | \$ 949,699 | \$ 2,770,650 | \$ 3,374,087 | \$ 3,406,994 | \$ - |
| CURRENT LIABILITIES | | | | | | | | | | | |
| 312 | Accounts payable <= 90 days | \$ 29,565 | \$ 3,083 | \$ - | \$ 65,703 | \$ 31,353 | - | \$ 16,297 | \$ 15,962 | \$ 35,486 | \$ 5,789 |
| 321 | Accrued wage/payroll taxes payable | 35,714 | 21,179 | - | 16,042 | 13,892 | - | 14,811 | 7,965 | 21,048 | - |
| 322 | Accrued compensated absences - current portion | 23,098 | 13,733 | - | 9,079 | 6,015 | - | 8,806 | 6,420 | 10,682 | - |
| 324 | Accrued Contingency Liability | - | - | - | - | - | - | - | - | - | - |
| 331 | Accounts payable - HUD PHA programs | - | - | - | - | - | - | - | - | - | - |
| 341 | Tenant security deposits | 26,797 | - | - | 15,727 | 14,847 | - | 15,740 | 6,306 | 14,627 | - |
| 342 | Deferred revenues | - | - | - | - | - | - | - | - | - | - |
| 345 | Other current liabilities | 11,351 | 2,118 | 3,656 | 19,025 | 22,617 | 2,684 | 11,810 | 13,166 | 34,622 | - |
| 346 | Accrued liabilities - other | - | - | - | - | - | - | - | - | - | - |
| 310 | Total current liabilities | 126,525 | 40,113 | 3,656 | 125,576 | 88,724 | 2,684 | 67,464 | 49,819 | 116,465 | 5,789 |
| NONCURRENT LIABILITIES | | | | | | | | | | | |
| 353 | Non-current liabilities - other | - | - | - | - | 10 | - | - | - | - | - |
| 354 | Accrued compensated absences - noncurrent | 207,883 | 123,595 | - | 81,707 | 54,133 | - | 79,257 | 57,779 | 96,134 | - |
| 350 | Total noncurrent liabilities | 207,883 | 123,595 | - | 81,707 | 54,143 | - | 79,257 | 57,779 | 96,134 | - |
| 300 | Total liabilities | 334,408 | 163,708 | 3,656 | 207,283 | 142,867 | 2,684 | 146,721 | 107,598 | 212,599 | 5,789 |
| EQUITY | | | | | | | | | | | |
| 508.1 | Invested in capital assets | 8,858,691 | 12,763,653 | 5,859,964 | 4,515,942 | 4,133,043 | - | 2,278,358 | 2,963,375 | 3,158,649 | - |
| 511.1 | Restricted net assets | - | - | - | - | - | - | - | - | - | - |
| 512.1 | Unrestricted net assets | 1,345,782 | 2,017,562 | (3,656) | 313,842 | 520,669 | 947,015 | 345,571 | 303,114 | 35,746 | (5,789) |
| 513 | Total equity/net assets | \$ 10,204,473 | 14,781,215 | 5,856,308 | 4,829,784 | 4,653,712 | 947,015 | 2,623,929 | 3,266,489 | 3,194,395 | (5,789) |
| 600 | TOTAL LIABILITIES AND EQUITY/NET ASSETS | \$ 10,538,881 | 14,944,923 | 5,859,964 | 5,037,067 | 4,796,579 | 949,699 | 2,770,650 | 3,374,087 | 3,406,994 | - |

MEMPHIS HOUSING AUTHORITY
PROJECT BALANCE SHEET SUMMARY
June 30, 2011

| 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 | \$ - | \$ - | \$ 177,255 | \$ - | \$ - | \$ 48,898 | \$ - | \$ 158,827 | \$ - | \$ - |
| 112 | Restricted - Modernization and Development | - | - | - | - | - | - | - | - | - | - |
| 113 | Other restricted | - | - | - | - | - | - | - | - | - | - |
| 114 | Tenant security deposits | - | - | 30,753 | - | - | 1,910 | - | 1,990 | - | - |
| 115 | Restricted for Payment of Current Liabilities | - | - | - | - | - | - | - | - | - | - |
| 100 | Total cash | - | - | 208,008 | - | - | 50,808 | - | 160,817 | - | - |
| Accounts and notes receivable: | | | | | | | | | | | |
| 121 | Accounts receivable - PHA projects | - | - | - | - | - | - | - | - | - | - |
| 124 | Other government | - | - | - | - | - | - | - | 6,546 | - | - |
| 125 | Accounts receivable - miscellaneous | - | - | 943 | - | - | 37,864 | - | - | - | - |
| 126 | Tenants | - | - | 3,304 | - | - | 2,017 | - | 19,787 | - | - |
| 126.1 | Allowance for doubtful accounts - tenants | - | - | (16,456) | - | - | - | - | (348) | - | - |
| 126.2 | Allowance for Doubtful Accounts - Other | - | - | - | - | - | - | - | - | - | - |
| 120 | Total receivables, net of allowances for uncollectibles | - | - | (12,209) | - | - | 39,881 | - | 25,985 | - | - |
| Investments - unrestricted | | | | | | | | | | | |
| 131 | Investments - unrestricted | - | - | - | - | - | - | - | - | - | - |
| 132 | Investments - restricted | - | - | 34,369 | - | - | - | - | 11,723 | - | - |
| | Total current investments | - | - | 34,369 | - | - | - | - | 11,723 | - | - |
| Prepaid expenses and other assets | | | | | | | | | | | |
| 142 | Prepaid expenses and other assets | - | - | 20,308 | - | - | 3,187 | - | - | - | - |
| 143 | Inventories | - | - | - | - | - | - | - | - | - | - |
| 143.1 | Allowance for obsolete inventories | - | - | - | - | - | - | - | - | - | - |
| 144 | Interprogram - due from | - | - | - | - | - | - | - | - | - | - |
| 150 | Total current assets | - | - | 250,476 | - | - | 93,876 | - | 198,525 | - | - |
| NONCURRENT ASSETS | | | | | | | | | | | |
| Fixed assets: | | | | | | | | | | | |
| 161 | Land | 150,136 | - | 580,550 | - | - | - | - | 16,040 | - | - |
| 162 | Buildings | - | 6,312 | 7,292,582 | - | - | 381,240 | - | 1,811,700 | - | - |
| 164 | Furniture, Equipment & Machinery - Administration | - | - | - | - | - | - | - | 1,404 | - | - |
| 166 | Accumulated depreciation | - | (420) | (2,587,383) | - | - | (73,095) | - | (588,635) | - | - |
| 167 | Construction in progress | - | - | 930,630 | - | - | 2,319 | - | 13,348 | 241 | - |
| 160 | Total fixed assets, net of accumulated depreciation | 150,136 | 5,892 | 6,216,379 | - | - | 310,464 | - | 1,253,857 | 241 | - |
| 180 | Total noncurrent assets | 150,136 | 5,892 | 6,216,379 | - | - | 310,464 | - | 1,253,857 | 241 | - |
| 190 | TOTAL ASSETS | \$ 150,136 | \$ 5,892 | \$ 6,466,855 | \$ - | \$ - | \$ 404,340 | \$ - | \$ 1,452,382 | \$ 241 | \$ - |
| CURRENT LIABILITIES | | | | | | | | | | | |
| 312 | Accounts payable <= 90 days | \$ 336 | \$ - | \$ 8,578 | \$ 276 | \$ 81 | \$ 2,377 | \$ 147 | \$ 1,172 | \$ 1,304 | \$ 291 |
| 321 | Accrued wage/payroll taxes payable | - | - | - | - | - | 2,735 | - | 926 | - | - |
| 322 | Accrued compensated absences - current portion | - | - | - | - | - | - | - | 650 | - | - |
| 324 | Accrued Contingency Liability | - | - | - | - | - | - | - | - | - | - |
| 331 | Accounts payable - HUD PHA programs | - | - | - | - | - | - | - | - | - | - |
| 341 | Tenant security deposits | - | - | 30,753 | - | - | 1,910 | - | 1,990 | - | - |
| 342 | Deferred revenues | - | - | 460 | - | - | 377 | - | - | - | - |
| 345 | Other current liabilities | - | - | 78,667 | - | - | 487 | - | 3,024 | - | - |
| 346 | Accrued liabilities - other | - | - | 37,476 | - | - | 630 | - | - | - | - |
| 310 | Total current liabilities | 336 | - | 155,934 | 276 | 81 | 8,516 | 147 | 7,762 | 1,304 | 291 |
| NONCURRENT LIABILITIES | | | | | | | | | | | |
| 353 | Non-current liabilities - other | - | - | - | - | - | - | - | - | - | - |
| 354 | Accrued compensated absences - noncurrent | - | - | - | - | - | - | - | 5,846 | - | - |
| 350 | Total noncurrent liabilities | - | - | - | - | - | - | - | 5,846 | - | - |
| 300 | Total liabilities | 336 | - | 155,934 | 276 | 81 | 8,516 | 147 | 13,608 | 1,304 | 291 |
| EQUITY | | | | | | | | | | | |
| 508.1 | Invested in capital assets | 150,136 | 5,892 | 6,216,379 | - | - | 310,464 | - | 1,253,857 | 241 | - |
| 511.1 | Restricted net assets | - | - | 34,369 | - | - | - | - | 11,723 | - | - |
| 512.1 | Unrestricted net assets | (336) | - | 60,173 | (276) | (81) | 85,360 | (147) | 173,194 | (1,304) | (291) |
| 513 | Total equity/net assets | 149,800 | 5,892 | 6,310,921 | (276) | (81) | 395,824 | (147) | 1,438,774 | (1,063) | (291) |
| 600 | TOTAL LIABILITIES AND EQUITY/NET ASSETS | 150,136 | 5,892 | 6,466,855 | - | - | 404,340 | - | 1,452,382 | 241 | - |

**MEMPHIS HOUSING AUTHORITY
PROJECT BALANCE SHEET SUMMARY
June 30, 2011**

| Line Item # | Accounts Description | AMP 55 | AMP 56 | AMP 57 | AMP 58 | AMP 59 | AMP 60 | AMP 61 | AMP 62 | AMP 64 | AMP 65 | AMP 66 | AMP 67 | AMP 70 | Other AMP | Total |
|--------------------------------|---------------------------------------------------------|-------------------|-------------|-------------|---------------------|---------------------|-------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------------|----------------------|
| CURRENT ASSETS | | | | | | | | | | | | | | | | |
| Cash: | | | | | | | | | | | | | | | | |
| 111 | Unrestricted | \$ 42,553 | \$ - | \$ - | \$ 92,757 | \$ 81,319 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 6,054,930 |
| 112 | Restricted - Modernization and Development | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 113 | Other restricted | 190,045 | - | - | - | - | - | - | - | - | - | - | - | - | - | 190,045 |
| 114 | Tenant security deposits | 2,985 | - | - | 3,821 | 3,651 | - | - | - | - | - | - | - | - | - | 139,154 |
| 115 | Restricted for Payment of Current Liabilities | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 100 | Total cash | 235,583 | - | - | 96,578 | 84,970 | - | - | - | - | - | - | - | - | - | 6,384,129 |
| Accounts and notes receivable: | | | | | | | | | | | | | | | | |
| 121 | Accounts receivable - PHA projects | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 124 | Other government | 13,075 | - | - | - | - | - | - | - | - | - | - | - | - | - | 386,986 |
| 125 | Accounts receivable - miscellaneous | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 38,807 |
| 126 | Tenants | 20,465 | - | - | 1,437 | 1,347 | - | - | - | - | - | - | - | - | - | 286,313 |
| 126.1 | Allowance for doubtful accounts - tenants | (2,802) | - | - | - | - | - | - | - | - | - | - | - | - | - | (55,667) |
| 126.2 | Allowance for Doubtful Accounts - Other | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 120 | Total receivables, net of allowances for uncollectibles | 30,738 | - | - | 1,437 | 1,347 | - | - | - | - | - | - | - | - | - | 656,439 |
| 131 | Investments - unrestricted | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 756,536 |
| 132 | Investments - restricted | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 46,092 |
| | Total current investments | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 802,628 |
| 142 | Prepaid expenses and other assets | 4,494 | - | - | 345 | 414 | - | - | - | - | - | - | - | - | - | 281,939 |
| 143 | Inventories | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 29,754 |
| 143.1 | Allowance for obsolete inventories | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (8,937) |
| 144 | Interprogram - due from | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 150 | Total current assets | 270,815 | - | - | 98,360 | 86,731 | - | - | - | - | - | - | - | - | - | 8,145,952 |
| NONCURRENT ASSETS | | | | | | | | | | | | | | | | |
| Fixed assets: | | | | | | | | | | | | | | | | |
| 161 | Land | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 4,275,307 |
| 162 | Buildings | 218,517 | - | - | 4,158,420 | 2,261,084 | 796,071 | - | - | - | - | - | - | - | 8,850 | 207,754,389 |
| 164 | Furniture, Equipment & Machinery - Administration | 2,005 | - | - | - | - | - | - | - | - | - | - | - | - | 330 | 82,674 |
| 166 | Accumulated depreciation | (178,073) | - | - | (825,620) | (345,405) | (123,860) | - | - | - | - | - | - | - | (588) | (157,651,679) |
| 167 | Construction in progress | 18,165 | - | - | 2,527 | 539,842 | - | - | - | - | - | - | - | - | 227,715 | 4,767,933 |
| 160 | Total fixed assets, net of accumulated depreciation | 60,614 | - | - | 3,335,327 | 2,455,521 | 672,211 | - | - | - | - | - | - | - | 236,307 | 59,228,624 |
| 180 | Total noncurrent assets | 60,614 | - | - | 3,335,327 | 2,455,521 | 672,211 | - | - | - | - | - | - | - | 236,307 | 59,228,624 |
| 190 | TOTAL ASSETS | \$ 331,429 | \$ - | \$ - | \$ 3,433,687 | \$ 2,542,252 | \$ 672,211 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 236,307 | \$ 67,374,576 |
| CURRENT LIABILITIES | | | | | | | | | | | | | | | | |
| 312 | Accounts payable <= 90 days | \$ 18,663 | \$ 252 | \$ 297 | \$ 154 | \$ 133 | \$ 28 | \$ 130 | \$ 105 | \$ 95 | \$ - | \$ 276 | \$ 60 | \$ - | \$ - | \$ 237,993 |
| 321 | Accrued wage/payroll taxes payable | - | - | - | 1,382 | 1,349 | - | - | - | - | - | - | - | - | - | 137,043 |
| 322 | Accrued compensated absences - current portion | 1,795 | - | - | - | - | - | - | - | - | - | - | - | - | - | 80,278 |
| 324 | Accrued Contingency Liability | 1,447 | - | - | - | - | - | - | - | - | - | - | - | - | - | 1,447 |
| 331 | Accounts payable - HUD PHA programs | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 341 | Tenant security deposits | 2,985 | - | - | 3,821 | 3,651 | - | - | - | - | - | - | - | - | - | 139,154 |
| 342 | Deferred revenues | - | - | - | 754 | 607 | - | - | - | - | - | - | - | - | - | 2,198 |
| 345 | Other current liabilities | 1,813 | - | - | 974 | 144 | - | - | - | - | - | - | - | - | - | 206,158 |
| 346 | Accrued liabilities - other | - | - | - | 1,260 | 1,110 | - | - | - | - | - | - | - | - | - | 40,476 |
| 310 | Total current liabilities | 26,703 | 252 | 297 | 8,345 | 6,994 | 28 | 130 | 105 | 95 | - | 276 | 60 | - | - | 844,747 |
| NONCURRENT LIABILITIES | | | | | | | | | | | | | | | | |
| 353 | Non-current liabilities - other | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 10 |
| 354 | Accrued compensated absences - noncurrent | 13,022 | - | - | - | - | - | - | - | - | - | - | - | - | - | 719,356 |
| 350 | Total noncurrent liabilities | 13,022 | - | - | - | - | - | - | - | - | - | - | - | - | - | 719,366 |
| 300 | Total liabilities | 39,725 | 252 | 297 | 8,345 | 6,994 | 28 | 130 | 105 | 95 | - | 276 | 60 | - | - | 1,564,113 |
| EQUITY | | | | | | | | | | | | | | | | |
| 508.1 | Invested in capital assets | 60,614 | - | - | 3,335,327 | 2,455,521 | 672,211 | - | - | - | - | - | - | - | 236,307 | 59,228,624 |
| 511.1 | Restricted net assets | 190,045 | - | - | - | - | - | - | - | - | - | - | - | - | - | 236,137 |
| 512.1 | Unrestricted net assets | 41,045 | (252) | (297) | 90,015 | 79,737 | (28) | (130) | (105) | (95) | - | (276) | (60) | - | - | 6,345,702 |
| 513 | Total equity/net assets | 291,704 | (252) | (297) | 3,425,342 | 2,535,258 | 672,183 | (130) | (105) | (95) | - | (276) | (60) | - | 236,307 | 65,810,463 |
| 600 | TOTAL LIABILITIES AND EQUITY/NET ASSETS | 331,429 | - | - | 3,433,687 | 2,542,252 | 672,211 | - | - | - | - | - | - | - | 236,307 | 67,374,576 |

MEMPHIS HOUSING AUTHORITY
PROJECT REVENUE AND EXPENSE SUMMARY
June 30, 2011

| 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 | \$ 752,020 | \$ 240,574 | \$ - | \$ 448,898 | \$ 484,007 | \$ - | \$ 467,525 | \$ 168,132 | \$ 482,345 | \$ - |
| 70400 | Tenant revenue - other | 14,251 | 3,933 | - | 3,863 | 2,639 | - | 1,282 | - | 2,183 | - |
| 70500 | Total tenant revenue | 766,271 | 244,507 | - | 452,761 | 486,646 | - | 468,807 | 168,132 | 484,528 | - |
| 70600 | HUD PHA operating grants | 1,858,671 | 2,228,364 | - | 786,600 | 699,478 | - | 641,457 | 726,158 | 705,795 | 260,413 |
| 706.1 | Capital grants | 687,062 | 135,484 | - | 195,926 | 416,412 | - | 303,712 | 84,843 | 538,052 | - |
| 70700 | Fee revenue | - | - | - | - | - | - | - | - | - | - |
| 71100 | Investment income - unrestricted | 1,041 | 1,054 | - | 805 | 823 | - | 816 | 699 | 813 | - |
| 71500 | Other revenue | 149,269 | 40,091 | - | 62,079 | 73,277 | 50,000 | 70,379 | 37,034 | 67,291 | - |
| 71600 | Gain or loss on sale of capital assets | - | - | - | - | - | 441,179 | - | - | - | - |
| 70000 | Total revenue | 3,462,314 | 2,649,500 | - | 1,498,081 | 1,666,636 | 491,179 | 1,485,171 | 1,016,866 | 1,796,479 | 260,413 |
| EXPENSES | | | | | | | | | | | |
| Administrative: | | | | | | | | | | | |
| 91100 | Administrative salaries | 194,818 | 166,897 | - | 92,785 | 92,603 | - | 92,208 | 80,019 | 157,106 | - |
| 91200 | Auditing fees | 16,464 | 16,988 | - | 2,354 | 7,906 | - | 7,694 | 3,632 | 7,621 | 2,017 |
| 91300 | Management fee | 197,470 | 75,932 | - | 93,443 | 101,431 | - | 97,418 | 46,700 | 98,270 | - |
| 913.1 | Bookkeeping fee | 36,536 | 14,214 | - | 17,291 | 18,768 | - | 18,184 | 8,644 | 18,184 | 7,098 |
| 91400 | Advertising and marketing | 166 | 182 | - | 78 | 1,007 | - | 82 | 3,410 | 81 | - |
| 91500 | Employee benefit contributions - administrative | 274,176 | 184,134 | - | 95,992 | 88,706 | - | 93,028 | 58,739 | 148,194 | - |
| 91600 | Office expense | - | - | - | - | - | - | - | - | - | - |
| 91700 | Legal expense | 9,171 | - | - | 8,263 | 5,074 | - | 8,289 | 6,922 | 2,140 | - |
| 91800 | Travel | - | - | - | - | - | - | - | - | - | - |
| 91900 | Other | 54,984 | 198,090 | - | 25,181 | 30,956 | - | 28,693 | 133,161 | 28,967 | 89,090 |
| | Total administrative | 783,785 | 644,437 | - | 340,387 | 346,451 | - | 345,586 | 341,227 | 460,563 | 98,205 |
| 92000 | Asset management fee | 50,400 | 55,200 | - | 23,760 | 25,800 | - | 24,840 | 11,880 | 24,600 | - |
| Tenant services: | | | | | | | | | | | |
| 92100 | Salaries | - | - | - | 54,929 | 32,729 | - | 13,696 | - | 31,573 | - |
| 92200 | Relocation costs | - | - | - | - | - | - | - | - | - | - |
| 92300 | Employee benefit contributions - tenant services | - | - | - | - | - | - | - | - | - | - |
| 92400 | Other | 5,965 | 1,885 | - | 2,747 | 2,799 | - | 4,727 | 1,817 | 2,844 | - |
| 92500 | Total tenant services | 5,965 | 1,885 | - | 57,676 | 35,528 | - | 18,423 | 1,817 | 34,417 | - |
| Utilities: | | | | | | | | | | | |
| 93100 | Water | 77,793 | 29,499 | - | 16,196 | 37,314 | - | 17,152 | 19,258 | 12,415 | 8,464 |
| 93200 | Electricity | 629,985 | 233,119 | - | 217,554 | 184,466 | - | 208,719 | 164,536 | 180,183 | 105,275 |
| 93300 | Gas | 196,200 | 113,564 | - | 19,847 | 19,222 | - | 37,464 | 37,623 | 16,997 | 6,593 |
| 93400 | Fuel | - | - | - | - | - | - | - | - | - | - |
| 93600 | Sewer | 174,369 | 62,258 | - | 31,082 | 72,874 | - | 33,275 | 34,819 | 20,527 | 9,266 |
| 93800 | Other utilities expense | - | - | - | - | - | - | - | - | - | - |
| | Total utilities | 978,347 | 438,440 | - | 284,679 | 313,876 | - | 296,610 | 256,236 | 230,522 | 129,598 |
| Ordinary maintenance & operations: | | | | | | | | | | | |
| 94100 | Labor | 534,069 | 326,239 | - | 152,598 | 146,346 | - | 191,332 | 94,980 | 209,249 | - |
| 94200 | Materials and other | 229,344 | 59,936 | - | 73,811 | 55,257 | - | 83,065 | 50,649 | 49,904 | - |
| 94300 | Contracts | 210,762 | 95,443 | - | 228,256 | 128,384 | 2,956 | 155,514 | 75,935 | 99,727 | 644 |
| 94500 | Employee benefits contribution | - | - | - | - | - | - | - | - | - | - |
| | Total ordinary maintenance & operations | 974,175 | 481,618 | - | 454,665 | 329,987 | 2,956 | 429,911 | 221,564 | 358,880 | 644 |
| Protective services: | | | | | | | | | | | |
| 95100 | Labor | 38,236 | 43,450 | - | 19,118 | 19,119 | - | 19,119 | 8,690 | 19,119 | - |
| 95200 | Other contract costs | 55,114 | 2,013 | - | 60,898 | 57,424 | - | 72,196 | - | 45,824 | - |
| 95300 | Other | - | - | - | - | - | - | - | - | - | - |
| 95500 | Employee benefit contributions | - | - | - | - | - | - | - | - | - | - |
| 95000 | Total protective services | 93,350 | 45,463 | - | 80,016 | 76,543 | - | 91,315 | 8,690 | 64,943 | - |
| 96110 | Property Insurance | 15,001 | 13,478 | - | 8,304 | 7,962 | - | 7,883 | 2,867 | 8,362 | - |
| 96120 | Liability Insurance | 11,378 | 12,672 | - | 6,486 | 8,928 | 5,496 | 6,787 | 2,980 | 5,620 | - |
| 96130 | Workmen's Insurance | 35,142 | 21,567 | - | 10,854 | 11,063 | - | 12,722 | 6,085 | 14,781 | - |
| 96140 | All Other Insurance | 4,715 | 2,582 | - | 1,700 | 1,711 | 223 | 1,707 | 685 | 2,113 | - |
| 96100 | Total Insurance premiums | 66,236 | 50,299 | - | 26,344 | 29,664 | 5,719 | 31,099 | 12,617 | 30,876 | - |
| General expenses: | | | | | | | | | | | |
| 96200 | Other general expenses | 4,130 | 4,821 | - | 2,675 | 988 | - | 2,744 | 1,163 | 922 | - |
| 96210 | Compensated absences | 30,832 | 259 | - | 248 | 248 | - | 248 | 8,327 | 248 | - |
| 96300 | Payment in Lieu of Taxes | - | - | - | - | - | - | - | - | - | - |
| 96400 | Bald debt - tenant rents | 36,977 | 36,261 | - | 20,903 | 13,543 | - | 17,968 | 8,673 | 21,350 | - |
| 69800 | Severance Expense | - | - | - | - | - | - | - | - | - | - |
| 96000 | Total general expenses | 71,939 | 41,441 | - | 23,826 | 14,779 | - | 20,960 | 18,163 | 22,520 | - |
| 96900 | Total operating expenses | 3,024,197 | 1,758,783 | - | 1,291,353 | 1,172,628 | 8,675 | 1,258,744 | 872,194 | 1,227,321 | 228,447 |
| 97000 | Excess of operating revenue over operating expenses | 438,117 | 890,717 | - | 206,728 | 494,008 | 482,504 | 226,427 | 144,672 | 569,158 | 31,966 |
| 97100 | Extraordinary maintenance | 13,208 | 668 | - | 181 | 2,021 | - | 2,696 | 569 | 1,022 | - |
| 97400 | Depreciation expense | 1,981,090 | 1,327,217 | 1,350,446 | 636,500 | 645,687 | - | 429,867 | 329,750 | 424,943 | - |
| 90000 | Total expenses | 5,018,495 | 3,086,668 | 1,350,446 | 1,928,034 | 1,820,336 | 8,675 | 1,691,307 | 1,202,513 | 1,653,296 | 228,447 |
| Other financing sources (uses): | | | | | | | | | | | |
| 10010 | Operating transfer in | 108,536 | 131,758 | - | 53,800 | 54,152 | - | 54,005 | 24,689 | 53,983 | - |
| 10020 | Operating transfer out | (108,536) | (131,758) | - | (53,800) | (54,152) | - | (54,005) | (24,689) | (53,983) | - |
| 10070 | Extraordinary items, net gain/loss | - | - | - | - | - | - | - | - | - | - |
| 10093 | Transfers between Program and Project- In | - | - | 301 | - | - | - | - | - | 93,438 | - |
| 10094 | Transfers between Project and Program- Out | - | (219,491) | (1) | - | - | (205,220) | - | - | - | (37,755) |
| 10100 | Total other financing sources (uses) | - | (219,491) | 300 | - | - | (205,220) | - | - | 93,438 | (37,755) |
| 10000 | EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENSES | \$ (1,556,181) | \$ (656,659) | \$ (1,350,146) | \$ (429,953) | \$ (153,700) | \$ 277,284 | \$ (206,136) | \$ (185,647) | \$ 236,621 | \$ (6,789) |
| Memo Account Information | | | | | | | | | | | |
| 11630 | Beginning equity | \$ 11,750,335 | 15,434,840 | 7,206,454 | 5,228,370 | 4,590,575 | 669,731 | 2,802,712 | 3,451,740 | 2,397,938 | - |
| 11040 | Prior period adjustments, equity transfers & correction | 10,319 | 3,234 | - | 31,367 | 216,837 | - | 27,353 | 396 | 559,836 | - |
| 11190 | Unit months available | 5,040 | 3,680 | - | 2,376 | 2,580 | - | 2,484 | 1,188 | 2,460 | - |
| 11210 | Unit months leased | 4,869 | 1,871 | - | 2,279 | 2,491 | - | 2,386 | 1,140 | 2,410 | - |
| 11270 | Excess cash | 1,088,768 | 1,997,266 | (3,666) | 282,058 | 471,983 | 946,293 | 314,580 | 283,871 | 23,288 | (24,826) |
| 11620 | Building Purchases | 697,381 | 138,718 | - | 227,293 | 633,249 | - | 331,065 | 196,933 | 1,097,888 | - |
| 11640 | Furniture and Equipment - Admin Purchases | - | - | - | - | - | - | - | - | - | - |
| 13901 | Replacement Housing Factor Funds | - | - | - | - | - | - | - | - | - | - |

MEMPHIS HOUSING AUTHORITY
PROJECT REVENUE AND EXPENSE SUMMARY
June 30, 2011

| Line Item # | Accounts Description | AMP 44 | AMP 45 | AMP 46 | AMP 47 | AMP 48 | AMP 49 | AMP 50 | AMP 51 | AMP 53 | AMP 54 |
|-----------------------------------------------|-------------------------------------------------------------|-----------|----------|--------------|----------|----------|------------|----------|------------|------------|----------|
| REVENUE | | | | | | | | | | | |
| 70300 | Net tenant rental revenue | \$ - | \$ - | \$ 259,018 | \$ - | \$ - | \$ 37,023 | \$ - | \$ 121,475 | \$ - | \$ - |
| 70400 | Tenant revenue - other | - | - | - | - | - | - | - | - | - | - |
| 70500 | Total tenant revenue | - | - | 259,018 | - | - | 37,023 | - | 121,475 | - | - |
| 70600 | HUD PHA operating grants | 306,277 | 21,516 | 676,553 | 142,555 | 30,401 | 42,219 | 97,150 | 142,666 | 69,278 | 162,780 |
| 706.1 | Capital grants | - | - | 272,596 | - | - | 1,436 | - | 20,909 | - | - |
| 70700 | Fee revenue | - | - | - | - | - | - | - | - | - | - |
| 71100 | Investment income - unrestricted | - | - | - | - | - | - | - | 622 | - | - |
| 71500 | Other revenue | - | - | - | - | - | 1,516 | - | 9,783 | - | - |
| 71600 | Gain or loss on sale of capital assets | - | - | - | - | - | - | - | - | - | - |
| 70000 | Total revenue | 306,277 | 21,516 | 1,208,167 | 142,555 | 30,401 | 82,194 | 97,150 | 295,455 | 69,278 | 162,780 |
| EXPENSES | | | | | | | | | | | |
| Administrative: | | | | | | | | | | | |
| 91100 | Administrative salaries | - | - | 54,614 | - | - | 5,571 | - | 15,676 | - | - |
| 91200 | Auditing fees | 2,276 | - | 3,910 | 1,934 | 631 | 1,122 | 1,014 | 1,089 | 714 | 2,017 |
| 91300 | Management fee | - | - | - | - | - | 3,566 | - | 13,501 | - | - |
| 913.1 | Bookkeeping fee | 7,960 | - | 19,244 | 6,482 | 1,593 | 1,843 | 3,407 | 2,500 | 2,216 | 6,895 |
| 91400 | Advertising and marketing | - | - | 181 | - | - | 161 | - | 11 | - | - |
| 91500 | Employee benefit contributions - administrative | - | - | 13,014 | - | - | 2,439 | - | 8,840 | - | - |
| 91600 | Office expense | - | - | - | - | - | - | - | - | - | - |
| 91700 | Legal expense | - | - | 1,785 | - | - | 229 | 366 | 406 | 162 | 274 |
| 91800 | Travel | - | - | - | - | - | - | - | - | - | - |
| 91900 | Other | 171,734 | - | 307,697 | 156,401 | 43,523 | 33,819 | 58,551 | 7,341 | 46,199 | 163,986 |
| | Total administrative | 181,970 | - | 400,445 | 164,817 | 45,747 | 48,750 | 63,338 | 49,364 | 49,291 | 173,172 |
| 92000 | Asset management fee | - | - | - | - | - | - | - | 3,000 | - | - |
| Tenant services: | | | | | | | | | | | |
| 92100 | Salaries | - | - | - | - | - | - | - | - | - | - |
| 92200 | Relocation costs | - | - | 10,272 | - | - | - | - | - | - | - |
| 92300 | Employee benefit contributions - tenant services | - | - | - | - | - | - | - | - | - | - |
| 92400 | Other | - | - | - | - | - | - | - | 66 | - | - |
| 92500 | Total tenant services | - | - | 10,272 | - | - | - | - | 66 | - | - |
| Utilities: | | | | | | | | | | | |
| 93100 | Water | - | - | 2,038 | - | - | - | - | 5,552 | - | - |
| 93200 | Electricity | - | - | 20,302 | - | - | 420 | - | 42,074 | 49,484 | - |
| 93300 | Gas | - | - | 14,925 | - | - | 35 | - | 17,573 | - | - |
| 93400 | Fuel | - | - | - | - | - | - | - | - | - | - |
| 93600 | Sewer | - | - | - | - | - | - | - | 6,971 | 698 | - |
| 93800 | Other utilities expense | - | - | - | - | - | - | - | 1,141 | - | - |
| | Total utilities | - | - | 37,265 | - | - | 455 | - | 73,311 | 50,182 | - |
| Ordinary maintenance & operations: | | | | | | | | | | | |
| 94100 | Labor | - | - | 44,985 | - | - | 4,516 | - | 8,374 | - | - |
| 94200 | Materials and other | - | - | 12,621 | - | - | 4,417 | - | 10,141 | - | - |
| 94300 | Contracts | 948 | - | 315,488 | 612 | 175 | 10,952 | 310 | 18,957 | 191 | 636 |
| 94500 | Employee benefits contribution | - | - | 7,216 | - | - | - | - | - | - | - |
| | Total ordinary maintenance & operations | 948 | - | 380,310 | 612 | 175 | 19,885 | 310 | 37,472 | 191 | 636 |
| Protective services: | | | | | | | | | | | |
| 95100 | Labor | - | - | - | - | - | - | - | 3,476 | - | - |
| 95200 | Other contract costs | - | - | - | - | - | - | - | - | - | - |
| 95300 | Other | - | - | - | - | - | 1,123 | - | - | - | - |
| 95500 | Employee benefit contributions | - | - | - | - | - | - | - | - | - | - |
| 95000 | Total protective services | - | - | - | - | - | 1,123 | - | 3,476 | - | - |
| 96110 | Property Insurance | - | - | - | - | - | 5,479 | - | 1,809 | - | - |
| 96120 | Liability Insurance | - | - | - | - | - | 1,129 | - | 781 | - | - |
| 96130 | Workmen's Insurance | - | - | 2,738 | - | - | 177 | - | 746 | - | - |
| 96140 | All Other Insurance | - | - | - | - | - | 42 | - | 224 | - | - |
| 96100 | Total Insurance premiums | - | - | 2,738 | - | - | 6,827 | - | 3,560 | - | - |
| General expenses: | | | | | | | | | | | |
| 96200 | Other general expenses | - | - | - | - | - | 60 | - | 420 | - | - |
| 96210 | Compensated absences | - | - | - | - | - | - | - | 2,227 | - | - |
| 96300 | Payment in Lieu of Taxes | - | - | 9,929 | - | - | - | - | - | - | - |
| 96400 | Bad debt - tenant rents | - | - | 6,814 | - | - | - | - | 3,356 | - | - |
| 69800 | Severance Expense | - | - | - | - | - | - | - | - | - | - |
| 96000 | Total general expenses | - | - | 16,743 | - | - | 210 | - | 6,003 | - | - |
| 96900 | Total operating expenses | 182,918 | - | 847,773 | 165,429 | 45,922 | 77,250 | 63,648 | 176,252 | 99,664 | 173,808 |
| 97000 | Excess of operating revenue over operating expenses | 123,359 | 21,516 | 360,394 | (22,874) | (15,521) | 4,944 | 33,502 | 119,203 | (30,386) | (11,028) |
| 97100 | Extraordinary maintenance | - | - | 86,333 | - | - | 6,009 | - | - | - | - |
| 97400 | Depreciation expense | - | 420 | 486,158 | - | - | 73,956 | - | 116,839 | - | - |
| 90000 | Total expenses | 182,918 | 420 | 1,420,264 | 165,429 | 45,922 | 156,354 | 63,648 | 293,091 | 99,664 | 173,808 |
| Other financing sources (uses): | | | | | | | | | | | |
| 10010 | Operating transfer in | - | - | 3,198 | - | - | - | - | 9,619 | - | - |
| 10020 | Operating transfer out | - | - | (3,198) | - | - | - | - | (9,619) | - | - |
| 10070 | Extraordinary items, net gain/loss | - | - | - | - | - | - | - | - | - | - |
| 10093 | Transfers between Program and Project- In | - | - | - | 22,598 | 15,440 | 419,818 | - | - | 29,082 | 10,737 |
| 10094 | Transfers between Project and Program- Out | (123,695) | (21,516) | - | - | - | (219,044) | (33,649) | - | - | - |
| 10100 | Total other financing sources (uses) | (123,695) | (21,516) | - | 22,598 | 15,440 | 200,774 | (33,649) | - | 29,082 | 10,737 |
| 10000 | EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENSES | \$ (336) | \$ (420) | \$ (212,097) | \$ (276) | \$ (81) | \$ 126,614 | \$ (147) | \$ 2,364 | \$ (1,304) | \$ (291) |
| Memo Account Information | | | | | | | | | | | |
| 11030 | Beginning equity | 150,136 | 6,312 | 5,808,073 | - | - | 269,210 | - | 1,436,300 | 241 | - |
| 11040 | Prior period adjustments, equity transfers & correction | - | - | 714,945 | - | - | - | - | 110 | - | - |
| 11190 | Unit months available | - | - | 1,848 | - | - | 252 | - | 336 | - | - |
| 11210 | Unit months leased | - | - | 1,700 | - | - | 246 | - | 330 | - | - |
| 11270 | Excess cash | (15,579) | - | (29,926) | (14,061) | (3,907) | 75,736 | (5,451) | 164,737 | (9,609) | (14,775) |
| 11620 | Building Purchases | - | - | 1,009,246 | - | - | 1,436 | - | 21,019 | - | - |
| 11640 | Furniture and Equipment - Admin Purchases | - | - | - | - | - | - | - | - | - | - |
| 13901 | Replacement Housing Factor Funds | - | - | - | - | - | - | - | - | - | - |

MEMPHIS HOUSING AUTHORITY
PROJECT REVENUE AND EXPENSE SUMMARY
June 30, 2011

| Line Item # | Accounts Description | AMP 55 | AMP 56 | AMP 57 | AMP 58 | AMP 59 | AMP 60 | AMP 61 | AMP 62 | AMP 64 | AMP 65 | AMP 66 | AMP 67 | AMP 70 | Other AMP | Total |
|-----------------------------------------------|-------------------------------------------------------------|------------|----------|----------|--------------|--------------|-------------|----------|----------|----------|--------|----------|----------|-----------|-----------|--------------|
| REVENUE | | | | | | | | | | | | | | | | |
| 70300 | Net tenant rental revenue | \$ 146,491 | \$ - | \$ - | \$ 74,046 | \$ 75,822 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 3,757,286 |
| 70400 | Tenant revenue - other | 53 | - | - | - | - | - | - | - | - | - | - | - | - | - | 28,214 |
| 70500 | Total tenant revenue | 146,554 | - | - | 74,046 | 75,822 | - | - | - | - | - | - | - | - | - | 3,785,500 |
| 70600 | HUD PHA operating grants | 179,407 | 202,698 | 177,737 | 49,882 | 100,069 | 63,142 | 78,518 | - | 110,610 | - | 380,352 | 48,649 | 1,045,381 | 6,427 | 12,031,203 |
| 706.1 | Capital grants | 17,877 | - | - | - | - | - | - | - | - | - | - | - | - | - | 63,185 |
| 70700 | Fee revenue | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 71100 | Investment income - unrestricted | 605 | - | - | - | - | - | - | - | - | - | - | - | - | - | 7,278 |
| 71500 | Other revenue | 194,557 | - | - | 3,033 | 3,106 | - | - | - | - | - | - | - | - | - | 761,415 |
| 71800 | Gain or loss on sale of capital assets | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 441,179 |
| 70000 | Total revenue | 539,000 | 202,698 | 177,737 | 126,961 | 178,997 | 63,142 | 78,518 | - | 110,610 | - | 380,352 | 48,649 | 1,045,381 | 69,612 | 19,764,069 |
| EXPENSES | | | | | | | | | | | | | | | | |
| Administrative: | | | | | | | | | | | | | | | | |
| 91100 | Administrative salaries | 21,788 | - | - | 11,141 | 11,409 | - | - | - | - | - | - | - | - | - | 996,635 |
| 91200 | Auditing fees | 21,299 | 1,790 | 2,058 | 2,197 | 2,206 | 248 | 920 | 334 | 301 | - | 879 | 189 | - | - | 116,794 |
| 91300 | Management fee | 16,275 | - | - | - | - | - | - | - | - | - | - | - | - | - | 744,006 |
| 913.1 | Bookkeeping fee | 3,490 | 6,152 | 7,345 | 3,589 | 3,777 | - | 3,190 | - | - | - | - | - | - | - | 218,602 |
| 91400 | Advertising and marketing | 16 | - | - | 322 | 330 | 3,924 | - | - | - | - | - | - | - | - | 9,951 |
| 91500 | Employee benefit contributions - administrative | 15,565 | - | - | 6,275 | 3,597 | - | - | - | - | - | - | - | - | - | 992,699 |
| 91600 | Office expense | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 91700 | Legal expense | 1,272 | 334 | - | 459 | 470 | 282 | 302 | - | - | - | - | - | - | - | 46,200 |
| 91800 | Travel | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 91900 | Other | 19,206 | 222,531 | 142,919 | 24,201 | - | 10,555 | 51,760 | - | 169,754 | - | 379,153 | 30,693 | - | - | 2,617,145 |
| | Total administrative | 98,911 | 230,807 | 152,322 | 48,184 | 21,789 | 15,009 | 56,172 | 334 | 170,055 | - | 380,032 | 30,882 | - | - | 5,742,032 |
| 92000 | Asset management fee | 4,800 | - | - | 5,040 | 5,160 | - | - | - | - | - | - | - | - | - | 234,480 |
| Tenant services: | | | | | | | | | | | | | | | | |
| 92100 | Salaries | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 132,927 |
| 92200 | Relocation costs | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 10,272 |
| 92300 | Employee benefit contributions - tenant services | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 92400 | Other | 294 | - | - | - | - | - | - | - | - | - | - | - | - | - | 23,144 |
| 92500 | Total tenant services | 294 | - | - | - | - | - | - | - | - | - | - | - | - | - | 166,343 |
| Utilities: | | | | | | | | | | | | | | | | |
| 93100 | Water | 11,714 | - | - | - | - | - | - | - | - | - | - | - | - | - | 237,395 |
| 93200 | Electricity | 53,719 | - | - | 840 | 860 | - | - | - | - | - | - | - | - | - | 1,991,536 |
| 93300 | Gas | 18,494 | - | - | 70 | 72 | - | - | - | - | - | - | - | - | - | 498,679 |
| 93400 | Fuel | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 93600 | Sewer | 10,628 | - | - | - | - | - | - | - | - | - | - | - | - | - | 457,167 |
| 93800 | Other utilities expense | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 1,141 |
| | Total utilities | 94,555 | - | - | 910 | 932 | - | - | - | - | - | - | - | - | - | 3,185,918 |
| Ordinary maintenance & operations: | | | | | | | | | | | | | | | | |
| 94100 | Labor | 27,039 | - | - | - | 8,596 | - | - | - | - | - | - | - | - | - | 1,748,323 |
| 94200 | Materials and other | 4,841 | - | - | - | - | - | - | - | - | - | - | - | - | - | 633,986 |
| 94300 | Contracts | 18,491 | 549 | 652 | 30,298 | 36,132 | 358 | 286 | 231 | 207 | 421 | 596 | 119 | - | - | 1,434,230 |
| 94500 | Employee benefits contribution | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 7,216 |
| | Total ordinary maintenance & operations | 50,371 | 549 | 652 | 30,298 | 44,728 | 358 | 286 | 231 | 207 | 421 | 596 | 119 | - | - | 3,623,795 |
| Protective services: | | | | | | | | | | | | | | | | |
| 95100 | Labor | 3,474 | - | - | - | - | - | - | - | - | - | - | - | - | - | 173,801 |
| 95200 | Other contract costs | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 293,469 |
| 95300 | Other | 264 | - | - | 2,247 | 2,301 | - | - | - | - | - | - | - | - | - | 5,935 |
| 95500 | Employee benefit contributions | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 95000 | Total protective services | 3,738 | - | - | 2,247 | 2,301 | - | - | - | - | - | - | - | - | - | 473,205 |
| 96110 | Property Insurance | 1,308 | - | - | - | - | - | - | - | - | - | - | - | - | - | 72,453 |
| 96120 | Liability Insurance | 1,019 | - | - | 1,053 | 1,078 | - | - | - | - | - | - | - | - | - | 66,407 |
| 96130 | Workmen's Insurance | 1,941 | - | - | 354 | 363 | - | - | - | - | - | - | - | - | - | 118,533 |
| 96140 | All Other Insurance | 469 | - | - | 31 | 1,968 | - | - | - | - | - | - | - | - | - | 17,270 |
| 96100 | Total Insurance premiums | 4,737 | - | - | 1,438 | 2,509 | - | - | - | - | - | - | - | - | - | 274,663 |
| General expenses: | | | | | | | | | | | | | | | | |
| 96200 | Other general expenses | 420 | - | - | 121 | 124 | - | - | - | - | - | - | - | - | - | 18,688 |
| 96210 | Compensated absences | 3,331 | - | - | - | - | - | - | - | - | - | - | - | - | - | 45,968 |
| 96300 | Payment in Lieu of Taxes | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 9,929 |
| 96400 | Bad debt - tenant rents | 7,760 | - | - | 300 | 307 | - | - | - | - | - | - | - | - | - | 174,362 |
| 68800 | Severance Expense | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 96000 | Total general expenses | 11,511 | - | - | 421 | 431 | - | - | - | - | - | - | - | - | - | 248,947 |
| 96900 | Total operating expenses | 268,917 | 231,356 | 152,974 | 88,538 | 77,850 | 15,367 | 56,458 | 565 | 170,262 | 421 | 380,628 | 31,001 | - | - | 14,149,343 |
| 97000 | Excess of operating revenue over operating expenses | 270,083 | (28,658) | 24,763 | 38,423 | 101,147 | 47,775 | 22,060 | (565) | (59,652) | (421) | (276) | 17,648 | 1,045,381 | 69,612 | 5,614,726 |
| 97100 | Extraordinary maintenance | - | - | - | 12,017 | 12,788 | - | - | - | - | - | - | - | 1,045,381 | - | 1,182,903 |
| 97400 | Depreciation expense | 19,986 | - | - | 825,620 | 345,405 | 60,153 | - | - | - | - | - | - | - | 588 | 9,053,764 |
| 90000 | Total expenses | 288,903 | 231,356 | 152,974 | 926,175 | 436,043 | 75,520 | 56,458 | 565 | 170,262 | 421 | 380,628 | 31,001 | 1,045,381 | 588 | 24,386,010 |
| Other financing sources (uses): | | | | | | | | | | | | | | | | |
| 10010 | Operating transfer in | 9,866 | - | - | - | - | - | - | - | - | - | - | - | - | - | 503,586 |
| 10020 | Operating transfer out | (9,866) | - | - | - | - | - | - | - | - | - | - | - | - | - | (503,586) |
| 10070 | Extraordinary items, net gain/loss | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 10093 | Transfers between Program and Project - In | - | 28,406 | - | 4,179,856 | 1,679,806 | 97,843 | - | 460 | 59,557 | 421 | - | - | - | 28,243 | 6,686,006 |
| 10094 | Transfers between Project and Program - Out | (22,669) | - | (25,060) | - | - | (145,646) | (22,190) | - | - | - | - | (17,708) | - | - | (1,093,644) |
| 10100 | Total other financing sources (uses) | (22,669) | 28,406 | (25,060) | 4,179,856 | 1,679,806 | (47,803) | (22,190) | 460 | 59,557 | 421 | - | (17,708) | - | 28,243 | 5,572,362 |
| 10000 | EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENSES | \$ 227,428 | \$ (252) | \$ (297) | \$ 3,380,642 | \$ 1,422,760 | \$ (60,181) | \$ (130) | \$ (105) | \$ (95) | \$ - | \$ (276) | \$ (60) | \$ - | \$ 97,267 | \$ 950,421 |
| Memo Account Information | | | | | | | | | | | | | | | | |
| 11030 | Beginning equity | 64,118 | - | - | 42,319 | 1,112,498 | 732,364 | - | - | - | - | - | - | - | 139,040 | 63,233,106 |
| 11040 | Prior period adjustments, equity transfers & correction | 158 | - | - | 2,381 | - | - | - | - | - | - | - | - | - | - | 1,586,936 |
| 11190 | Unit months available | 480 | - | - | 504 | 516 | - | - | - | - | - | - | - | - | - | 23,744 |
| 11210 | Unit months leased | 465 | - | - | 478 | 497 | - | - | - | - | - | - | - | - | - | 21,162 |
| 11270 | Excess cash | 27,586 | (19,531) | (13,044) | 82,292 | 72,836 | (1,308) | (4,834) | (152) | (14,283) | (35) | (31,995) | (2,643) | - | - | 5,621,989 |
| 11620 | Building Purchases | 19,035 | - | - | - | - | - | - | - | - | - | - | - | - | - | 4,435,448 |
| 11640 | Furniture and Equipment - Admin Purchases | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 13801 | Replacement Housing Factor Funds | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |

MEMPHIS HOUSING AUTHORITY
STATEMENT AND CERTIFICATION OF PROGRAM COSTS
June 30, 2011

| | |
|----------------------------------------------------|------------------------------|
| 2005 Capital Fund Program Grant (CFP) | <u>TN43P001501-05</u> |
| Funds approved | \$ 6,829,242 |
| Funds expended | <u>6,829,242</u> |
| Excess of funds approved | <u>\$ -</u> |
| Funds advanced | \$ 6,829,242 |
| Funds expended | <u>6,829,242</u> |
| Excess of funds advanced | <u>\$ -</u> |
| 2006 Capital Fund Program Grant (CFP) | <u>TN43P001501-06</u> |
| Funds approved | \$ 6,018,665 |
| Funds expended | <u>6,018,665</u> |
| Excess of funds approved | <u>\$ -</u> |
| Funds advanced | \$ 6,018,665 |
| Funds expended | <u>6,018,665</u> |
| Excess of funds advanced | <u>\$ -</u> |
| 2008 Replacement Housing Fund Grant (RHF) | <u>TN43R001502-08</u> |
| Funds approved | \$ 2,089,312 |
| Funds expended | <u>2,089,312</u> |
| Excess of funds approved | <u>\$ -</u> |
| Funds advanced | \$ 2,089,312 |
| Funds expended | <u>2,089,312</u> |
| Excess of funds advanced | <u>\$ -</u> |
| 2000 Urban Revitalization Program (HOPE VI) | <u>TN43URD001 100</u> |
| Funds approved | \$ 35,000,000 |
| Funds expended | <u>35,000,000</u> |
| Excess of funds approved | <u>\$ -</u> |
| Funds advanced | \$ 35,000,000 |
| Funds expended | <u>35,000,000</u> |
| Excess of funds advanced | <u>\$ -</u> |

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

**MEMPHIS HOUSING AUTHORITY
SCHEDULE OF CLOSED GRANTS
June 30, 2011**

| | |
|--------------------------|------------------------|
| 2003 ROSS Grant | TN001RNN006A003 |
| Funds approved | \$ 293,825 |
| Funds expended | <u>293,825</u> |
| Excess of funds approved | <u>\$ -</u> |
| Funds advanced | \$ 293,825 |
| Funds expended | <u>293,825</u> |
| Excess of funds advanced | <u>\$ -</u> |
| 2005 ROSS Grant | TN001RNN004A005 |
| Funds approved | \$ 409,780 |
| Funds expended | <u>409,780</u> |
| Excess of funds approved | <u>\$ -</u> |
| Funds advanced | \$ 409,780 |
| Funds expended | <u>409,780</u> |
| Excess of funds advanced | <u>\$ -</u> |
| 2006 ROSS Grant | TN001REF058A006 |
| Funds approved | \$ 350,000 |
| Funds expended | <u>349,999</u> |
| Excess of funds approved | <u>\$ 1</u> |
| Funds advanced | \$ 350,000 |
| Funds expended | <u>350,000</u> |
| Excess of funds advanced | <u>\$ -</u> |
| 2007 ROSS Grant | TN001REF097A007 |
| Funds approved | \$ 350,000 |
| Funds expended | <u>349,918</u> |
| Excess of funds approved | <u>\$ 82</u> |
| Funds advanced | \$ 349,918 |
| Funds expended | <u>349,918</u> |
| Excess of funds advanced | <u>\$ -</u> |
| 2008 ROSS Grant | TN001RFS163A008 |
| Funds approved | \$ 66,950 |
| Funds expended | <u>66,950</u> |
| Excess of funds approved | <u>\$ -</u> |
| Funds advanced | \$ 66,950 |
| Funds expended | <u>66,950</u> |
| Excess of funds advanced | <u>\$ -</u> |
| 2009 ROSS Grant | TN001RFS175A009 |
| Funds approved | \$ 68,000 |
| Funds expended | <u>68,000</u> |
| Excess of funds approved | <u>\$ -</u> |
| Funds advanced | \$ 68,000 |
| Funds expended | <u>68,000</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, 2011, and have issued our report thereon dated June 5, 2012. 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 2011-01 and 2011-02 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 5, 2012.

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.

CliftonLarsonAllen LLP

Baltimore, Maryland
June 5, 2012

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, 2011. 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, 2011. 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 2011-01, 2011-03 and 2011-04.

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, and therefore there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. 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 2011-01, 2011-03 and 2011-04. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The Authority's responses to the findings identified in our audit 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.

CliftonLarsonAllen LLP

Baltimore, Maryland
June 5, 2012

MEMPHIS HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

| | CFDA Number | Federal Expenditures |
|---------------------------------------------------------------|------------------------|---------------------------------|
| U.S. Department of Housing and Urban Development (HUD) | | |
| Supportive Housing for Persons with Disabilities | 14.181 | \$ 134,780 |
| Public and Indian Housing Program | 14.850 | 10,604,718 |
| HOPE VI | 14.866 | 4,748,993 |
| Resident Opportunity and Supportive Services | 14.870 | 426,651 |
| Housing Choice Voucher Program: | | |
| Housing Choice Voucher | 14.871 | 48,105,679 |
| Disaster Voucher Program | 14.871 | 19,150 |
| Disaster Housing Assistance Program - IKE | 14.871 | 34,063 |
| Housing Choice Voucher Program Total | | 48,158,892 |
| Capital Fund Program Cluster: | | |
| Capital Funds Program | 14.872 | 4,163,979 |
| Formula Capital Fund Stimulus Grant - ARRA | 14.884 | 6,113,333 |
| Formula Capital Fund Stimulus Grant - ARRA | 14.885 | 8,852,273 |
| Capital Fund Program Cluster Total | | 19,129,585 |
| TOTAL FEDERAL EXPENDITURES | | \$ 83,203,619 |

The accompanying notes are an integral part of this schedule.

MEMPHIS HOUSING AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2011

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, 2011.

NOTE 3 – LOAN GUARANTEES

At year ended June 30, 2011, 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 2011 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, 2011**

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 |
|------------------------------------|---------------|------------|
| Low Income Public Housing | 14.850 | 10,604,718 |
| Capital Fund Program Cluster | 14.872/14.885 | 19,129,585 |
| Housing Choice Voucher Program | 14.871 | 48,158,892 |

Dollar threshold used to distinguish between type A and type B programs: \$2,496,109

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

**MEMPHIS HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011**

II. FINDINGS – FINANCIAL STATEMENT FINDINGS

Finding 2011-01: Significant Delay in the Audit Process

Condition

There were significant delays in the audit process due to the availability of information and significant effort needed to reconcile numerous account balances and multiple revisions to the Financial Data Schedule. The June 30, 2011 financial statements were not completed until June 2012. 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, 2011 within 9 months after year end, i.e. March 31, 2012. In addition, the Authority is required to submit the Data Collection Form to the Federal Audit Clearinghouse 9 months after year end. The Authority did not meet either of these reporting requirements.

Criteria

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

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

Cause

The cause of this condition is inaccurate account balances that required numerous audit adjustments and lack of providing timely information on financial data to the auditors.

Effect

Noncompliance with HUD's Uniform Financial Reporting Standards for HUD 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

Due to changes in staffing and system issues, adjustments were needed to ensure the financials were reported accurately. The Authority has implemented a year-end procedure to ensure future reports meet the reporting requirements of HUD's Uniform Financial Reporting Standards for HUD Housing Programs and OMB reporting deadlines.

Contact:

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

Corrective Action/Anticipated Completion Date

The Authority has implemented a procedure where each area of the FDS is reviewed for accuracy throughout the fiscal year. Three months prior to fiscal year close, a more intense review is performed to ensure all necessary adjustments and corrections are made prior to fiscal year close. We anticipate this finding will be cleared in the FY2012 audit.

**MEMPHIS HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011**

Finding 2011-02:

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:

- The MHA IT Security/Password Procedures document did not include specific parameter requirements for application and system password configurations. The missing parameters noted were
 - Password Expiration/Age
 - Minimum Password Length
 - Requirement for Complex Passwords
- Password parameters for the Memphis Housing Authority network, and the Visual Homes application did not meet industry leading practices. Specifically, we noted the following parameters were inadequately configured:
 - 'Minimum Password Length' was set to 7 characters
 - 'Password Complexity' was disabled
 - There were no account lockout parameters established
- A formal and documented user account recertification process involving the business owners was not completed during the audit period for Visual Homes.
- The vendor for Visual Homes, Yardi, was noted to have an always on VPN account for accessing the Visual Homes testing and production environments for applying changes. There was no log reviews of system activity being performed to ensure only authorized activities/changes were being made to the production environment.

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.

Cause

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

Effect

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

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

**MEMPHIS HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011**

Management's Response

In order to comply with the listed finding, the IT Division has increased password complexity and password length requirements. (Alpha-Numeric value requirement, 90 days password reset, 7 character minimum password length).

We have also ensured that all active staff passwords were reset using the new parameters. IT will bi-annually provide a Visual Homes list of all employees and contractors along with their current access rights to the Visual Homes system. This document will be provided to the agency as well as the compliance officer. The business owners will be responsible for certifying that the appropriate access granted for their staff is parallel to their job functions and responsibilities. Any access change requests will follow our standard process and be documented accordingly.

Contact:

James Collins, IT Liaison, 901.544.1294, jcollins@mhanewday.com

Corrective Action/Anticipated Completion Date

Bi-annual review process is anticipated to be approved and effective by June 30th 2012.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2011-03: 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: Internal Control, Noncompliance, Significant Deficiency

Condition/Context

Testing of 68 Housing Choice Voucher tenant files found exceptions in 7 files, which included the following:

- 5 files did not document if the rent increase determination was performed prior to the contract effective date.
- 2 file did not document if a rent increase determination was performed.

Criteria

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.

Cause

There is a lack of internal controls and monitoring over file maintenance.

**MEMPHIS HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011**

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

We concur that rent reasonableness documentation was not present in the files noted. New rent reasonableness documentation supporting the current HAP was provided during the audit.

Contact:

Terrill Bates, Director of HCV Program, 901.544.1117, tbates@mhanewday.com

Corrective Action/Anticipated Completion Dates

1. During the auditors visit, we discussed improvements already in progress to filing systems and file management. Improvements include purchasing additional filing cabinets, hiring for permanent, full time and part time staff assigned to file maintenance and inventory of all active files. These actions were completed as of 1/2/12. Management of files and associated records is on-going.
2. When owners request a rent increase, the HCV department completes a rent reasonableness determination prior to approval. Re-training for all staff conducting rent reasonableness was completed 12/30/11. In accordance with 24 CFR 982.308 (g), if there is no change in the term of the lease or responsibility for utilities or appliances, or if the family has not moved, a new HAP contract execution is not required prior to approval of the rent increase. We believe the process of completing rent reasonableness was followed correctly but the documentation in these files inadvertently removed when the file was purged. HCV has begun scanning rent reasonableness documents to the participant file in the system of record to ensure that they are always available for review. Completion date: Ongoing, initial completion 12/30/11.

Finding 2011-04: Capital Fund Cluster, CFDA – 14.872/14.884/14.885
Federal Agency: U.S. Department of Housing and Urban Development
Compliance Requirement: Cash Management
Type of Finding: Internal Control, Noncompliance, Significant Deficiency

Condition/Context

We selected a sample of 14 draws from the eLOCCS system between July 1, 2010 and June 30, 2011 for the ARRA Capital Fund Formula and ARRA Capital Fund Competitive Grants. 4 of the 14 draws tested had expenditures that were disbursed more than 3 days after the receipt of the funds. Disbursements ranged from 7 days to 37 days beyond the drawdown of funds.

Criteria

24 CFR 85.21 describes the methods under which Federal agencies will pay grantees and how the grantees make payments to contractors. Section 85.21(b) states "Methods and procedures for payment shall minimize the time elapsing between the transfer of funds and disbursement by the grantee or subgrantee, in accordance with Treasury regulations at 31 CFR part 205." PIH

**MEMPHIS HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011**

Notice 2002-13, which extends PIH Notice 96-33 indefinitely, states in section 6(a)(2) that HUD has established the maximum time elapsing between the drawdown and disbursement of funds by the Housing Authority to be three working days.

Effect

The Commission has not complied with cash management procedures established by Treasury regulations or HUD.

Cause

The Commission did not effectively monitor the drawdown requests of ARRA Capital Fund grants to ensure timely disbursement of the funds drawn.

Questioned Costs

\$868,404.02

Recommendation

We recommend that management assign a staff member to review amounts requested for drawdown and verify amounts were paid prior to submitting the request.

Management's Response

Beginning in May 2011, funds drawn down from the eLOCCS system are paid to the vendor within three working days of receipt of the funds.

Contact:

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

Corrective Action/Anticipated Completion Dates

Corrective action was completed in May 2011.

MEMPHIS HOUSING AUTHORITY
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011

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 9 months after year end. The Authority did not meet either of these reporting requirements.

Auditor's 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 2011-01.

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.

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

A portion of this finding was corrected, however a similar finding was noted at 2011-02.

MEMPHIS HOUSING AUTHORITY
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011

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.

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 been cleared.

Finding 2010-04: U.S. Department of Housing and Urban Development Housing Choice Voucher Program, CFDA – 14.871 Special Tests – Reasonable Rent 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.

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.

Status

This finding has not been corrected and is included in the current year as 2011-03.

Finding 2010-05: U.S. Department of Housing and Urban Development Housing Choice Voucher Program, CFDA – 14.871 Eligibility 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.

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

MEMPHIS HOUSING AUTHORITY
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011

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.

Status

This finding has been cleared.