

MEMPHIS HOUSING AUTHORITY
Memphis, Tennessee

BASIC FINANCIAL STATEMENTS
June 30, 2012

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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, 2012, 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 opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinions.

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, 2012, 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 March 29, 2013, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited

procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. 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. The financial data schedules, statement and certification of program costs, schedule of closed grants, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

CliftonLarsonAllen LLP

Baltimore, Maryland
March 29, 2013

**MEMPHIS HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

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, 2012.

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
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Business Activities - This program represents non-HUD resources focused on the redevelopment of communities previously deemed non-viable.

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

Disaster Housing Assistance Program - This program provides rental assistance for families displaced by 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 2012 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 2012, total revenue decreased by \$16,980,602 or 17.1%; the decrease is primarily from American Recovery Reinvestment Act (ARRA) grants earned and received.
- The Authority's total expenses decreased by \$2,437,403 or 2.68% as compared to prior fiscal year.
- The Authority's net assets decreased by \$6,297,847 as compared to the prior fiscal year.

**MEMPHIS HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
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- Long-term debt outstanding decreased by \$636,725 during the year due to loan advances totaling \$328,275 from the City of Memphis in relation to the Uptown Revitalization project offset by the principal payment of \$965,000.
- The Authority's cash balance as of June 30, 2012 was \$18,513,480, representing a slight decrease of \$(72,005) from June 30, 2011. Restricted cash was \$2,061,412 lower than in 2011 due to decrease of HAP equity reserve in the Housing Choice Voucher Program.

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, 2012**

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>2012</u>	<u>2011</u>	<u>Total Change</u>	<u>% Change</u>
Current assets	\$ 23,358,415	\$ 26,850,535	\$ (3,492,120)	(13.01)%
Capital assets	72,540,247	76,330,316	(3,790,069)	(4.97)%
Other noncurrent assets	<u>116,222,786</u>	<u>117,336,416</u>	<u>(1,113,630)</u>	<u>(0.95)%</u>
Total assets	<u>\$ 212,121,448</u>	<u>\$ 220,517,267</u>	<u>\$ (8,395,819)</u>	<u>(3.81)%</u>
Current liabilities	\$ 6,937,990	\$ 7,600,061	\$ (662,071)	(8.71)%
Noncurrent liabilities	<u>4,048,822</u>	<u>5,484,723</u>	<u>(1,435,901)</u>	<u>(26.18)%</u>
Total liabilities	<u>10,986,812</u>	<u>13,084,784</u>	<u>(2,097,972)</u>	<u>(16.03)%</u>
Invested in capital assets	72,540,247	76,330,316	(3,790,069)	(4.97)%
Restricted net assets	3,631,249	5,506,911	(1,875,662)	(34.06)%
Unrestricted net assets	<u>124,963,140</u>	<u>125,595,256</u>	<u>(632,116)</u>	<u>(0.50)%</u>
Total net assets	<u>201,134,636</u>	<u>207,432,483</u>	<u>(6,297,847)</u>	<u>(3.04)%</u>
Total liabilities and net assets	<u>\$ 212,121,448</u>	<u>\$ 220,517,267</u>	<u>\$ (8,395,819)</u>	<u>(3.81)%</u>

As illustrated in the Statements of Net Assets, Total Assets decreased by 3.8%. Liabilities decreased by 16%, and the overall Net Assets decreased by 3%. The decrease in current assets is mainly due to the decrease in Restricted Cash of \$2,061,412 when compared to 2011. Capital Assets decreased by \$3,790,069 as illustrated further in this document. Current liabilities increased by 8.7%, which was mainly due to changes in accounts payable and other liabilities. Total noncurrent liabilities decreased by 26.1% as a result of the decrease in long-term debt of \$1,377,912.

**MEMPHIS HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

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 2012 and 2011.

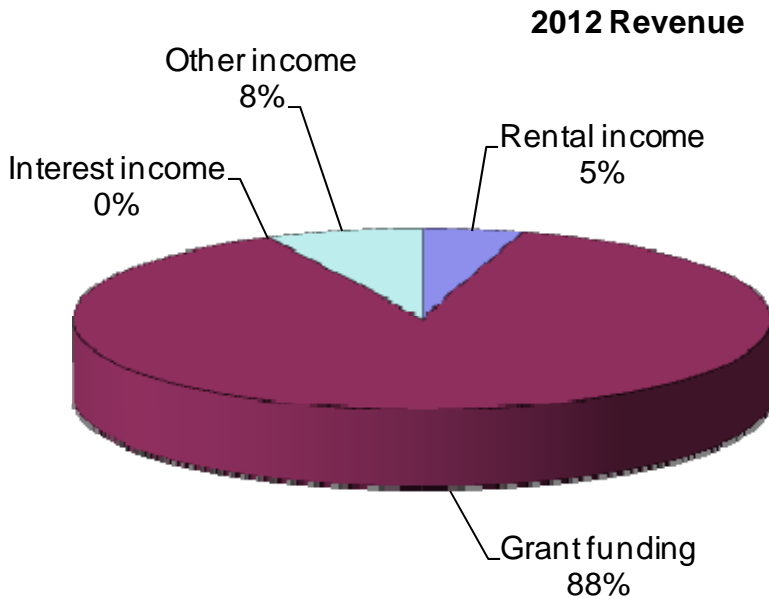
**Memphis Housing Authority
Statements of Revenues, Expenses and Changes in Net Assets
TABLE II**

	<u>2012</u>	<u>2011</u>	<u>Total Change</u>	<u>% Change</u>
Rental income	\$ 3,831,563	\$ 3,785,500	\$ 46,063	1.22%
Grant funding	72,294,226	86,301,118	(14,006,892)	(16.23)%
Interest income	4,600	8,663	(4,063)	(46.90)%
Other income	<u>5,958,692</u>	<u>8,974,402</u>	<u>(3,015,710)</u>	<u>(33.60)%</u>
Total revenue	<u>82,089,081</u>	<u>99,069,683</u>	<u>(16,980,602)</u>	<u>(17.14)%</u>
Administration	12,969,357	15,590,886	(2,621,529)	(16.81)%
Tenant services	635,557	1,627,706	(992,149)	(60.95)%
Utilities	2,687,319	3,315,944	(628,625)	(18.96)%
Maintenance	3,364,730	4,023,624	(658,894)	(16.38)%
Non-routine maintenance	6,316,093	10,775,561	(4,459,468)	(41.39)%
Protective services	319,297	565,177	(245,880)	(43.50)%
General expense	1,206,858	799,972	406,886	50.86%
Interest expense	189,900	273,676	(83,776)	(30.61)%
Housing assistance payments	46,956,797	43,936,708	3,020,089	6.87%
Special items	4,920,461	-	4,920,461	100.00%
Depreciation	<u>8,820,559</u>	<u>9,915,077</u>	<u>(1,094,518)</u>	<u>(11.04)%</u>
Total expenses	<u>88,386,928</u>	<u>90,824,331</u>	<u>(2,437,403)</u>	<u>(2.68)%</u>
Change in net assets	(6,297,847)	8,245,352	(14,543,199)	(176.38)%
Beginning net assets	<u>207,432,483</u>	<u>199,187,131</u>	<u>8,245,352</u>	<u>4.14%</u>
Ending net assets	<u>\$ 201,134,636</u>	<u>\$ 207,432,483</u>	<u>\$ (6,297,847)</u>	<u>(3.04)%</u>

**MEMPHIS HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

REVENUES

In reviewing the Statements of Revenues, Expenses, and Net Assets, you will find that 88% of the Authority's revenues are derived from grants from HUD. The Authority receives revenue from tenants for dwelling rental charges, excess utilities, and miscellaneous charges of 5% of total revenue. Interest Revenue and Other Revenue comprises the remaining 7%. Compared to the Fiscal Year ended June 30, 2011, revenues had an overall decrease of \$16,980,602 or 17.1%.



Rental Income - Tenant Revenue increased slightly from \$3,785,500 to \$3,831,563, or 1.2% from fiscal year 2011.

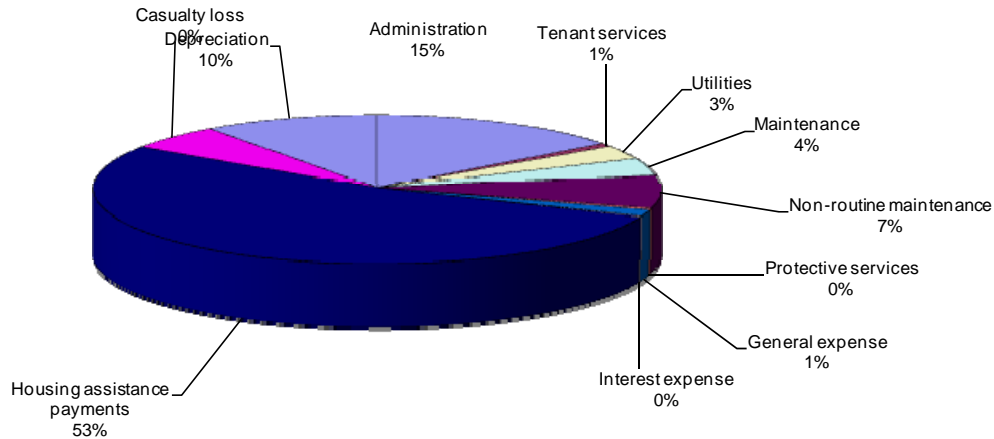
Program Grants/Subsidies - The Authority had a 16.2% decrease in Grant Revenue compared to the previous fiscal year. The Authority experienced a \$12.2 million decrease in ARRA expiring grants. The Housing Choice Voucher program had a decrease of 2.8 million as a result of less funding provided by HUD.

Interest and Other Income - Due to the decreases in rates of return on money market funds and Certificates of Deposit in relation to prior year rates of return, there was a decrease in bank deposit interest income during the year of \$4,063. Other income decreased by \$3,016,904 as a result of less Capital Improvement Funds (CIP) received from the City of Memphis/HCD than in 2011 for the redevelopment projects.

**MEMPHIS HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

EXPENSES

2012 Expenses



The Authority experienced a decrease in total expenses for the current year from \$90,824,331 to \$88,386,928 or 2.7%. 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 2011, administrative costs decreased by \$2,621,529 (16.8%) as a result of less staff and associated fringe benefits in addition to \$1.1 million decrease in other administrative costs.

Tenant Services - Tenant Services costs include all costs incurred by the Authority to provide social services and relocation efforts to the residents. Tenant Services costs decreased from \$1,627,706 to \$635,551 (60.95%) due to fewer expenses incurred from the ROSS expiring grants.

Utilities - The total utilities expense for the Authority had a decrease of \$628,625 (18.9%).

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 \$658,894 (16.3%) mainly as a result of fewer repairs completed compared to 2011.

**MEMPHIS HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Non-routine Maintenance - The Authority had a decrease of \$4,459,468 (41.3%) in Non-routine Maintenance expenses compared to the previous fiscal year. This decrease was a result of fewer repairs performed at the Public Housing sites with expiring funding from the ARRA grants.

Protective Services - Protective Services Expense decreased from \$565,177 to \$319,297 or (43.5%).

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 \$799,972 to \$1,206,857, an increase of \$406,885.

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 \$3,020,089 (6.9%) due to use of HAP reserves.

Depreciation – Because the costs of all capitalized additions are spread over the estimated useful life of an asset, the estimated current year costs of capitalized items is recorded as depreciation. Depreciation expense for the current year decreased by \$1,094,578 compared with the 2011 level.

**MEMPHIS HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
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CAPITAL ASSETS

As of June 30, 2012, the Authority decreased its net capital assets by \$3,790,069 (4.9%). At the end of fiscal year 2012, the Authority had invested in Capital Assets of \$72,540,247, 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 2012 and 2011.

	<u>Balance at June 30, 2011</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance at June 30, 2012</u>
Non-depreciable:				
Land	13,150,338			\$ 13,150,338
Construction in progress	<u>4,767,933</u>	<u>5,030,490</u>	<u>(5,084,778)</u>	<u>4,713,645</u>
Total non-depreciable	<u>17,918,271</u>	<u>5,030,490</u>	<u>(5,084,778)</u>	<u>17,863,983</u>
Depreciated:				
Buildings and improvements	218,206,166	-	5,084,778	223,290,944
Furniture and equipment	<u>2,767,950</u>	<u>-</u>	<u>-</u>	<u>2,767,950</u>
Total depreciated	<u>220,974,116</u>	<u>-</u>	<u>5,084,778</u>	<u>226,058,894</u>
Total capital assets	238,892,387	5,030,490	-	243,922,877
Less accumulated depreciation	<u>(162,562,071)</u>	<u>(8,820,559)</u>	<u>-</u>	<u>(171,382,630)</u>
Capital assets, net	<u>\$ 76,330,316</u>	<u>\$ (3,790,069)</u>	<u>\$ -</u>	<u>\$ 72,540,247</u>

DEBT ADMINISTRATION

As of June 30, 2012, the Authority had \$5,085,177 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, 2012:

Balance at the beginning of the period	\$ 5,721,902
Additions to debt	328,275
Reductions to debt	<u>(965,000)</u>
Balance at June 30, 2012	<u>\$ 5,085,177</u>

Long-term debt decreased by \$636,725 during the year due to loan advances from the City of Memphis in relation to the HOPE VI activities for the Uptown Revitalization project offset by a principal payment of \$965,000.

**MEMPHIS HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
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ECONOMIC FACTORS

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

- HUD funding levels below 100% for the Public Housing and Housing Choice Voucher programs.
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore, the amount of rental income. This could also increase the occurrence of bankruptcies.
- Inflationary pressures on utility rates, supplies, and other costs will more than likely incur in the next couple of years.
- The decrease in available housing units in the Public Housing Program due to the demolition and disposition of sites has created a demand for additional Housing Choice 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, 2012

	Memphis Housing				Business-Type Activities Total
	Authority	College Park	Uptown	Fowler	
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 14,050,303	\$ 23,284	\$ 712,514	\$ 96,130	\$ 14,882,231
Restricted cash	3,441,204	-	-	190,045	3,631,249
Tenant security deposits	113,475	33,887	8,927	3,729	160,018
Investments	768,299	-	-	-	768,299
Accounts receivable, net	3,589,675	7,009	5,247	2,195	3,604,126
Prepaid insurance and other deferred charges	208,267	-	8,344	3,253	219,864
Notes, loans and mortgages receivable - current	92,628	-	-	-	92,628
Total current assets	<u>22,263,851</u>	<u>64,180</u>	<u>735,032</u>	<u>295,352</u>	<u>23,358,415</u>
NONCURRENT ASSETS					
Capital assets, net	60,687,208	6,052,992	5,646,102	153,945	72,540,247
Notes, loans and mortgages receivable - noncurrent	116,222,786	-	-	-	116,222,786
Total noncurrent assets	<u>176,909,994</u>	<u>6,052,992</u>	<u>5,646,102</u>	<u>153,945</u>	<u>188,763,033</u>
TOTAL ASSETS	<u>\$ 199,173,845</u>	<u>\$ 6,117,172</u>	<u>\$ 6,381,134</u>	<u>\$ 449,297</u>	<u>\$ 212,121,448</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable	\$ 3,658,927	\$ 576	\$ 551	\$ 16,441	\$ 3,676,495
Accrued compensated absences, current portion	141,246	-	-	1,563	142,809
Deferred revenue	277,884	-	-	-	277,884
Accrued liabilities	318,375	-	-	2,045	320,420
Tenant security deposits	113,064	32,603	9,281	3,715	158,663
Current portion of long-term debt	2,255,000	-	-	-	2,255,000
Other current liabilities	83,399	23,284	-	36	106,719
Total current liabilities	<u>6,847,895</u>	<u>56,463</u>	<u>9,832</u>	<u>23,800</u>	<u>6,937,990</u>
NON-CURRENT LIABILITIES					
Long-term debt, less current portion	2,830,177	-	-	-	2,830,177
Accrued compensated absences, less current portion	1,203,513	-	-	15,132	1,218,645
Total non-current liabilities	<u>4,033,690</u>	<u>-</u>	<u>-</u>	<u>15,132</u>	<u>4,048,822</u>
Total liabilities	<u>10,881,585</u>	<u>56,463</u>	<u>9,832</u>	<u>38,932</u>	<u>10,986,812</u>
NET ASSETS					
Invested in capital assets, net of debt	60,687,208	6,052,992	5,646,102	153,945	72,540,247
Restricted net assets	3,441,204	-	-	190,045	3,631,249
Unrestricted net assets	124,163,848	7,717	725,200	66,375	124,963,140
Total net assets	<u>188,292,260</u>	<u>6,060,709</u>	<u>6,371,302</u>	<u>410,365</u>	<u>201,134,636</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 199,173,845</u>	<u>\$ 6,117,172</u>	<u>\$ 6,381,134</u>	<u>\$ 449,297</u>	<u>\$ 212,121,448</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, 2012

	Memphis Housing Authority					College Park	Uptown	Fowler	Elimination	Business-Type Activities Total
OPERATING REVENUES										
Rental income	\$ 3,115,047	\$ 271,052	\$ 311,700	\$ 133,764	\$ -	\$ 3,831,563				
HUD subsidies	64,138,666	266,900	232,657	130,637	-	64,768,860				
Other governmental grants	-	-	-	-	-	-				
Other income	5,956,791	-	-	1,901	-	5,958,692				
Fee revenue	2,594,990	-	-	-	(2,594,990)	-				
Total operating revenues	75,805,494	537,952	544,357	266,302	(2,594,990)	74,559,115				
OPERATING EXPENSES										
Administration	12,663,062	177,513	63,703	65,079	-	12,969,357				
Tenant services	629,477	242	-	5,838	-	635,557				
Utilities	2,601,124	-	-	86,195	-	2,687,319				
Ordinary maintenance and operations	3,307,694	-	-	57,036	-	3,364,730				
General expenses	1,027,986	-	1,104	9,561	-	1,038,651				
Housing assistance payments	46,956,797	-	-	-	-	46,956,797				
Fee expense	2,552,459	13,344	9,462	19,725	(2,594,990)	-				
Total operating expenses	69,738,599	191,099	74,269	243,434	(2,594,990)	67,652,411				
Operating income (loss) before depreciation	6,066,895	346,853	470,088	22,868	-	6,906,704				
Depreciation	7,816,435	501,570	481,710	20,844	-	8,820,559				
Total operating income (loss)	(1,749,540)	(154,717)	(11,622)	2,024	-	(1,913,855)				
NON-OPERATING REVENUE (EXPENSES)										
Non-routine maintenance	(6,304,603)	(2,190)	-	(9,300)	-	(6,316,093)				
Investment income	4,042	-	-	558	-	4,600				
Interest expense	(189,900)	-	-	-	-	(189,900)				
Casualty loss	-	(487,504)	-	-	-	(487,504)				
Loss on note receivable	(4,920,461)	-	-	-	-	(4,920,461)				
Other financing sources (uses)	(153,320)	153,320	-	-	-	-				
Total nonoperating revenues (expenses)	(11,564,242)	(336,374)	-	(8,742)	-	(11,909,358)				
Income (expense) before capital contributions	(13,313,782)	(491,091)	(11,622)	(6,718)	-	(13,823,213)				
Capital contributions - HUD	7,132,608	240,879	26,500	125,379	-	7,525,366				
CHANGE IN NET ASSETS	(6,181,174)	(250,212)	14,878	118,661	-	(6,297,847)				
NET ASSETS, BEGINNING OF YEAR	194,473,434	6,310,921	6,356,424	291,704	-	207,432,483				
NET ASSETS, END OF YEAR	\$ 188,292,260	\$ 6,060,709	\$ 6,371,302	\$ 410,365	\$ -	\$ 201,134,636				

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

MEMPHIS HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
Year Ended June 30, 2012

	Memphis Housing Authority				Business-Type Activities Total
	College Park	Uptown	Fowler		
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from HUD	\$ 66,809,553	\$ 418,936	\$ 233,011	\$ 130,623	\$ 67,592,123
Cash received from tenants and others	8,932,467	251,374	347,380	164,208	9,695,429
Cash paid for administration and general	(15,817,760)	(271,410)	(90,851)	(115,491)	(16,295,512)
Cash paid for housing operating and tenant services	(5,080,118)	(242)	-	(123,640)	(5,204,000)
Cash paid for housing assistance payments	(46,956,797)	-	-	-	(46,956,797)
Net cash provided by operating activities	<u>7,887,345</u>	<u>398,658</u>	<u>489,540</u>	<u>55,700</u>	<u>8,831,243</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Issuance of notes payable	328,275	-	-	-	328,275
Payments on notes payable	(965,000)	-	-	-	(965,000)
Interest paid on notes payable	(189,900)	-	-	-	(189,900)
Net cash provided by noncapital financing activities	<u>(826,625)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(826,625)</u>
CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES					
Casualty Loss	-	(487,504)	-	-	(487,504)
Acquisition of capital assets	(4,551,632)	(338,183)	(26,500)	(114,175)	(5,030,490)
Non-routine maintenance	(6,304,603)	(2,190)	-	(9,300)	(6,316,093)
Capital grants - HUD	7,132,608	240,879	26,500	125,379	7,525,366
Net cash provided by (used in) capital and related activities	<u>(3,723,627)</u>	<u>(586,998)</u>	<u>-</u>	<u>1,904</u>	<u>(4,308,721)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Issuance of notes receivables	(3,899,459)	-	-	-	(3,899,459)
Payments on notes receivables	92,628	-	-	-	92,628
Purchase of investments	(40)	34,369	-	-	34,329
Interest on investments	4,042	-	-	558	4,600
Net cash provided by (used in) investing activities	<u>(3,802,829)</u>	<u>34,369</u>	<u>-</u>	<u>558</u>	<u>(3,767,902)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(465,736)	(153,971)	489,540	58,162	(72,005)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>17,952,658</u>	<u>177,255</u>	<u>222,974</u>	<u>232,598</u>	<u>18,585,485</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 17,486,922</u>	<u>\$ 23,284</u>	<u>\$ 712,514</u>	<u>\$ 290,760</u>	<u>\$ 18,513,480</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating income (loss)	\$ (1,748,797)	\$ (154,717)	\$ (11,622)	\$ 1,281	\$ (1,913,855)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	7,816,435	501,570	481,710	20,844	8,820,559
Non cash transfer	(153,320)	153,320	-	-	-
Provision for bad debts	298,188	-	-	-	298,188
Effects of changes in operating assets and liabilities:					
Accounts receivable	2,777,875	(19,218)	37,418	28,543	2,824,618
Investment	944	(1,284)	354	(14)	-
Prepaid expenses	245,876	20,308	(4,398)	1,241	263,027
Tenant security deposits	(1,355)	-	-	-	(1,355)
Inventories	20,817	-	-	-	20,817
Accounts payable and accrued liabilities	(867,434)	(45,478)	(10,579)	4,769	(918,722)
Compensated absences	(58,180)	-	-	813	(57,367)
Deferred revenue	(92,628)	(460)	(1,738)	-	(94,826)
Other liabilities	(351,076)	(55,383)	(1,605)	(1,777)	(409,841)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 7,887,345</u>	<u>\$ 398,658</u>	<u>\$ 489,540</u>	<u>\$ 55,700</u>	<u>\$ 8,831,243</u>

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

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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, 2012

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, 2012

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, 2012

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, 2012

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, 2012

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, 2012, including cash, investments, accounts receivable, accounts payable and long-term debt closely approximates fair value due to the relatively short maturity of these instruments. Notes receivable are valued based on the underlying property with an allowance as determined necessary by management for collectability of principal and accrued interest.

Restricted Assets and Net 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, 2012

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.

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

Compensated Absences

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

Income Taxes

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

Reclassifications

Certain reclassifications have been made to the prior year's financial statements to conform to the current year's presentation.

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, 2012

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, 2012, cash, cash equivalents and investments consisted of deposits with financial institutions either fully insured by FDIC insurance and/or collateralized by securities held by a third party in MHA's name and in government securities.

The following is a detail of cash and investments at June 30, 2012:

	<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	\$ 15,154,348	\$ 3,441,204	\$ 160,018	\$ -	\$ -
Contract retentions	23,285	-	-	-	-
	(296,152)	190,045	-	-	-
Petty cash	750	-	-	-	-
	<u>14,882,231</u>	<u>3,631,249</u>	<u>160,018</u>	<u>-</u>	<u>-</u>
Investments:					
Money market accounts	-	-	-	78,966	-
Certificates of deposit	-	-	-	689,333	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>768,299</u>	<u>-</u>
Total cash and investments	<u>\$ 14,882,231</u>	<u>\$ 3,631,249</u>	<u>\$ 160,018</u>	<u>\$ 768,299</u>	<u>\$ -</u>

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2012 consisted of the following:

Tenants receivable, net	\$ 50,450
Accounts receivable - HUD	1,551,050
Accounts receivable - HCD	1,390,135
Accounts receivable - other	785,140
Allowance for doubtful accounts	<u>(172,649)</u>
Total accounts receivable	<u>\$ 3,604,126</u>

NOTE 4 – NOTES RECEIVABLE

Notes receivable at June 30, 2012 consisted of the following:

Application Entity	Loan Date	Interest Rate	Due Date	2012
Thomas W. Jones, Jr. and Dianne C. Jones	12/31/2004	6.00%	12/31/2024	\$ 355,387
Memphis Land Bank	01/31/2005	0.00%	02/01/2015	277,885
Renaissance Village Apartments, L.P. (Note A)	01/01/2003	4.09%	10/01/2043	685,000
Renaissance Village Apartments, L.P. (Note B)	01/01/2003	0.00%	01/01/2043	1,904,042
Uptown Square Apartments, L.P.	02/20/2003	0.00%	02/20/2043	14,410,609
Lemoyne Garden Senior, L.P. (Note A)	09/08/2000	6.09%	09/08/2040	920,000
Lemoyne Garden Senior, L.P. (Note B)	09/08/2000	0.50%	09/08/2050	2,935,740
Lemoyne Garden Family, L.P. (Note C)	11/29/2000	0.50%	11/29/2040	7,306,586
Uptown Village Apartments, LP	03/05/2004	0.00%	03/05/2044	4,075,000
Latham Terrace, LP	01/01/2006	4.52%	12/31/2077	5,061,792
University Place Southeast, LP	05/11/2006	8.00%	11/11/2052	6,488,330
University Place II, LP	05/31/2007	4.90%	05/31/2047	2,000,000
MLB University Place II, LP	05/31/2007	0.00%	05/31/2052	7,347,928
University Place III, LP	08/08/2008	8.00%	08/08/2048	7,660,685
Ford Senior Villas, LP	05/15/2007	5.01%	04/01/2049	4,493,829
Uptown Senior Housing Development, LP	04/19/2006	0.00%	04/19/2046	4,943,000
Legends Park East	08/28/2008	8.00%	08/28/2047	2,800,000
Legends Park East	08/28/2009	8.00%	08/28/2048	7,000,000
Horn Lake Apartments LP	07/11/2008	4.60%	07/11/2010	3,969,577
Horn Lake Apartments LP	07/11/2008	4.60%	07/11/2010	2,300,000
Levi Landing LP	11/12/2009	0.00%	10/01/2049	2,423,600
Lyons Ridge Apartments LP	03/08/2010	0.00%	03/1/2012	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	8,401,339
Legends Park North	11/7/2011	7.00%	11/7/2066	362,366
Cleaborn Homes	9/14/2011	0.00%	12/31/2012	<u>521,919</u>
Total notes receivables				116,315,414
Less: current portion				<u>(92,628)</u>
Long-term notes receivable				<u>\$ 116,222,786</u>

Included in other assets is \$8,138,337 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, 2012

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 2012.

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.

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 2012.

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 2012.

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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 2012.

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 2012.

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 2012.

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 2012.

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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 2012.

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 2012.

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 2012. During 2012, Fowler Multifamily L.P. continued to incur operating and cash flow losses, and has a history of such losses associated with its long-lived assets. This, together with the current economic downturn, provided indication of impairment to the fixed assets. The amount of impairment was determined based on a discounted cash flow analysis, for which the Partnership recognized an impairment loss of \$4,920,461.

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 2012.

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 4 – NOTES RECEIVABLE (CONTINUED)

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 2012.

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 2012.

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 2012.

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 2012.

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 2012.

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 4 – NOTES RECEIVABLE (CONTINUED)

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 2012.

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 2012.

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 2012.

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 2012.

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 2012.

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 2012 were \$2,992,303.

Legends Park North, LP - A construction loan for \$3,030,000 was provided for the development of an 81-unit apartment complex. The loan matures on November 7, 2065 and has an annual interest rate of 7% during construction, 0% thereafter. No payments were received on this note during 2012.

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 4 – NOTES RECEIVABLE (CONTINUED)

Cleaborn Homes, LP – A predevelopment loan for \$1,106,734 to be used for the purpose of financing a portion of certain predevelopment costs of Phase II of the project. The loan matures on December 31, 2012 or the date of the financial closing. The interest rate is 0.0%. No payments were received on this note during 2012.

NOTE 5 – CAPITAL ASSETS

The following is a summary of changes in capital assets for fiscal year ended June 30, 2012:

	Balance at June 30, 2011	Additions	Transfers /Deletions	Balance at June 30, 2012
Non-depreciable:				
Land	\$ 13,150,338	\$ -	\$ -	\$ 13,150,338
Construction in progress	<u>4,767,933</u>	<u>5,030,490</u>	<u>(5,084,778)</u>	<u>4,713,645</u>
Total non-depreciable	<u>17,918,271</u>	<u>5,030,490</u>	<u>(5,084,778)</u>	<u>17,863,983</u>
Depreciated:				
Buildings and improvements	218,206,166	-	5,084,778	223,290,944
Furniture and equipment	<u>2,767,950</u>	<u>-</u>	<u>-</u>	<u>2,767,950</u>
Total depreciated	<u>220,974,116</u>	<u>-</u>	<u>5,084,778</u>	<u>226,058,894</u>
Total capital assets	238,892,387	5,030,490	-	243,922,877
Less accumulated depreciation	<u>(162,562,071)</u>	<u>(8,820,559)</u>	<u>-</u>	<u>(171,382,630)</u>
Capital assets, net	<u>\$ 76,330,316</u>	<u>\$ (3,790,069)</u>	<u>\$ -</u>	<u>\$ 72,540,247</u>

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

NOTE 6 – ACCRUED LIABILITIES AND DEFERRED REVENUE

Accrued liabilities and deferred revenue consisted of the following at June 30, 2012:

Accrued salaries and fringe benefits	\$ 320,420
Accrued compensated absences - current portion	142,809
Deferred revenue- McKinney Act refunding	<u>277,884</u>
Total	<u>\$ 741,113</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 2012, \$92,628 was recognized as income.

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 7 – LONG-TERM LIABILITIES

	<u>Balance at</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 2012</u>	<u>Due in</u> <u>One Year</u>
Notes payable - City of Memphis	\$ 5,721,902	\$ 328,275	\$ 965,000	\$ 5,085,177	\$ 2,255,000
FSS escrow payables	10	-	10	-	-
Compensated absences	1,418,821	-	57,367	1,361,454	142,809
Total	<u>\$ 7,140,733</u>	<u>\$ 328,275</u>	<u>\$ 1,022,377</u>	<u>\$ 6,446,631</u>	<u>\$ 2,397,809</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 2012, no principal or interest was paid on these loans.

The future maturities of notes payable were as follows at June 30, 2012.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending:			
2013	\$ 2,255,000	\$ 337,700	\$ 2,592,700
2014	1,045,000	109,500.00	1,154,500
2015	1,085,000	66,900.00	1,151,900
2016	700,177	22,600	722,777
Total	<u>\$ 5,085,177</u>	<u>\$ 536,700</u>	<u>\$ 5,621,877</u>

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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.

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, 2012 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 2012, 2011 and 2010, Authority's annual pension payments to TCRS of \$675,604, \$814,336 and \$748,854, respectively, were equal to the Authority's required and actual contributions. Covered payroll for June 30, 2012, 2011 and 2010 was \$4,766,709, \$5,696,433 and \$5,933,870, respectively.

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 8 – RETIREMENT PLAN (CONTINUED)

The required contribution for 2012 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, 2012	\$ 675,604	100.00%	-
June 30, 2011	814,336	100.00%	-
June 30, 2010	748,854	100.00%	-
June 30, 2009	830,179	100.00%	-
June 30, 2008	708,838	100.00%	-
June 30, 2007	911,057	100.00%	-
June 30, 2006	664,357	100.00%	-
June 30, 2005	609,732	100.00%	-
June 30, 2004	442,528	100.00%	-
June 30, 2003	450,187	100.00%	-
June 30, 2002	83,669	100.00%	-

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.

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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, 2012, \$0 in grant funds was due from HCD. In conjunction with pass-through funding related to CDBG, as of June 30, 2012, \$975,853 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 2012, MHA recorded \$0 in interest income from development loans made to Owner-Entities.

The Owner-Entities operate under various regulatory and operating agreements with MHA, whereby a required number of units are set aside for public housing-assisted families. There is a commitment in each regulatory and operating agreement whereby MHA is obligated to fund operating costs related to the public housing-assisted apartments on an agreed basis. Operating subsidy in the amount of \$2,183,958 was expensed in 2012.

NOTE 10 – RISK MANAGEMENT

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

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

NOTE 11 – CONTINGENCIES AND COMMITMENTS

The Authority is subject to possible examination 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.

MEMPHIS HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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, 2012, the outstanding balance on this conduit debt was \$0. 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.

SUPPLEMENTAL INFORMATION

MEMPHIS HOUSING AUTHORITY
ENTITY-WIDE BALANCE SHEET SUMMARY
June 30, 2012

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
CURRENT ASSETS																		
Cash:																		
111	Unrestricted	\$ 7,863,841	\$ 1,622,544	\$ 530,308	\$ -	\$ 4,562,304	\$ -	\$ -	\$ -	\$ -	\$ 252,300	\$ -	\$ 17,288	\$ 33,646	\$ -	\$ -	\$ -	\$ 14,882,231
112	Restricted - Modernization and Development	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
113	Other restricted	190,045	-	-	944,500	2,496,704	-	-	-	-	-	-	-	-	-	-	-	3,631,249
114	Tenant security deposits	160,018	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	160,018
100	Total cash	8,213,904	1,622,544	530,308	944,500	7,059,008	-	-	-	-	252,300	-	17,288	33,646	-	-	-	18,673,498
Accounts and notes receivable:																		
121	Accounts receivable - PHA projects	-	-	-	-	208,254	-	-	-	-	-	-	-	-	-	-	-	208,254
122	HUD other projects	449,736	-	-	919,380	-	-	-	-	-	-	-	-	-	-	181,934	-	1,551,050
124	Other government	-	1,370,693	575,400	-	-	-	-	-	19,442	-	-	-	-	-	-	-	1,965,535
125	Miscellaneous	-	-	-	-	-	-	-	-	-	-	1,486	-	-	-	-	-	1,486
126	Tenants	50,450	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	50,450
126.1	Allowance for doubtful accounts - tenants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
126.10	Allowance for doubtful accounts - other	-	-	(172,649)	-	-	-	-	-	-	-	-	-	-	-	-	-	(172,649)
127	Notes, loans, & mortgages receivable - current	-	-	92,628	-	-	-	-	-	-	-	-	-	-	-	-	-	92,628
129	Accrued interest receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
120	Total receivables, net of allowances for uncollectibles	500,186	1,370,693	495,379	919,380	208,254	-	-	-	19,442	-	1,486	-	-	-	181,934	-	3,696,754
131	Investments - unrestricted	768,299	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	768,299
132	Investments - restricted	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total current investments	768,299	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	768,299
142	Prepaid expenses and other assets	131,063	88,801	-	-	-	-	-	-	-	-	-	-	-	-	-	-	219,864
143	Inventories	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
143.1	Allowance for obsolete inventories	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
144	Interprogram - due from	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150	Total current assets	9,613,452	3,082,038	1,025,687	1,863,880	7,267,262	-	-	-	19,442	252,300	1,486	17,288	33,646	-	181,934	-	23,358,415
NONCURRENT ASSETS																		
Fixed assets:																		
161	Land	4,275,307	8,875,031	-	-	-	-	-	-	-	-	-	-	-	-	-	-	13,150,338
162	Buildings	212,830,138	10,460,806	-	-	-	-	-	-	-	-	-	-	-	-	-	-	223,290,944
164	Furniture, equipment & mach - admin.	82,674	2,685,276	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,767,950
166	Accumulated depreciation	(165,761,806)	(5,620,824)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(171,382,630)
167	Construction in progress	4,713,645	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,713,645
160	Total fixed assets, net of accumulated depreciation	56,139,958	16,400,289	-	-	-	-	-	-	-	-	-	-	-	-	-	-	72,540,247
171	Notes, loans and mortgages receivable - noncurrent	3,477,010	-	112,745,776	-	-	-	-	-	-	-	-	-	-	-	-	-	116,222,786
180	Total noncurrent assets	59,616,968	16,400,289	112,745,776	-	-	-	-	-	-	-	-	-	-	-	-	-	188,763,033
190	TOTAL ASSETS	\$ 69,230,420	\$ 19,482,327	\$ 113,771,463	\$ 1,863,880	\$ 7,267,262	\$ -	\$ -	\$ -	\$ 19,442	\$ 252,300	\$ 1,486	\$ 17,288	\$ 33,646	\$ -	\$ 181,934	\$ -	\$ 212,121,448

MEMPHIS HOUSING AUTHORITY
ENTITY-WIDE BALANCE SHEET SUMMARY
June 30, 2012

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	\$ 956,465	\$ 11,644	\$ 609,432	\$ 1,863,880	\$ 47,055	\$ -	\$ -	\$ -	\$ 6,085	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 181,934.00	\$ -	\$ 3,676,495
313	Accounts payable > 90 days	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
321	Accrued wage/payroll taxes payable	171,324	140,136	-	-	1,850	-	-	-	5,954	-	1,156	-	-	-	-	-	320,420
322	Accrued compensated absences - current portion	74,275	59,246	-	-	1,885	-	-	-	7,403	-	-	-	-	-	-	-	142,809
324	Accrued Contingency Liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
331	Accounts payable - HUD	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
332	Accounts payable - PHA projects	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
341	Tenant security deposits	158,663	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	158,663
342	Deferred revenues	-	-	277,884	-	-	-	-	-	-	-	-	-	-	-	-	-	277,884
343	Current portion of LT debt - capital projects/ mortgage revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
344	Current portion of LT debt - operating borrowings	-	-	2,255,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,255,000
345	Other current liabilities	106,719	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	106,719
346	Other liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
347	Interprogram (due to)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
310	Total current liabilities	1,467,446	211,026	3,142,316	1,863,880	50,790	-	-	-	19,442	-	1,156	-	-	-	181,934	-	6,937,990
NONCURRENT LIABILITIES																		
351	Long-term debt, net of current - capital projects/ mortgage revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
352	Long-term debt, net of current - operating borrowings	-	-	2,830,177	-	-	-	-	-	-	-	-	-	-	-	-	-	2,830,177
353	Non-current liabilities - other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
354	Accrued compensated absences - noncurrent	703,984	497,695	-	-	16,966	-	-	-	-	-	-	-	-	-	-	-	1,218,645
350	Total noncurrent liabilities	703,984	497,695	2,830,177	-	16,966	-	-	-	-	-	-	-	-	-	-	-	4,048,822
300	Total liabilities	2,171,430	708,721	5,972,493	1,863,880	67,756	-	-	-	19,442	-	1,156	-	-	-	181,934	-	10,986,812
EQUITY																		
508.1	Invested in capital assets	56,139,958	16,400,289	-	-	-	-	-	-	-	-	-	-	-	-	-	-	72,540,247
511.1	Restricted net assets	190,045	-	-	944,500	2,496,704	-	-	-	-	-	-	-	-	-	-	-	3,631,249
512.1	Unrestricted net assets	10,728,987	2,373,317	107,798,970	(944,500)	4,702,602	-	-	-	252,300	330	17,288	17,288	33,646	-	-	-	124,963,140
513	Total equity/net assets	67,058,990	18,773,606	107,798,970	-	7,199,506	-	-	-	252,300	330	17,288	17,288	33,646	-	-	-	201,134,636
600	TOTAL LIABILITIES AND EQUITY/NET ASSETS	\$ 69,230,420	\$ 19,482,327	\$ 113,771,463	\$ 1,863,880	\$ 7,267,262	\$ -	\$ -	\$ -	\$ 19,442	\$ 252,300	\$ 1,486	\$ 17,288	\$ 33,646	\$ -	\$ 181,934	\$ -	\$ 212,121,448

MEMPHIS HOUSING AUTHORITY
ENTITY-WIDE REVENUE AND EXPENSE SUMMARY
Year Ended June 30, 2012

Line Item #	Accounts Description	Project																	Total
		Totals	COCC	Business Activities	Hope VI	HCVF	Supportive Housing	CDBG	VASH	ROSS	DHAP	CSBG	DHAP IKE	DVP	ARRA- Formula	ARRA- Competitive	Elimination		
REVENUE																			
70300	Net tenant rental revenue	\$ 3,725,858	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,725,858	
70400	Tenant revenue - other	105,705	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	105,705	
70500	Total tenant revenue	3,831,563	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,831,563	
70600	HUD PHA operating grants	12,140,820	-	-	4,218,341	47,616,727	175,075	-	-	213,387	-	-	-	-	266,202	138,308.00	-	64,768,860	
706.10	Capital grants	5,212,664	-	-	-	-	-	-	-	-	-	-	-	-	-	2,312,702.00	-	7,525,366	
70710	Management fee	-	1,945,389	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,945,389)	-	
70720	Asset management fee	-	444,388	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(444,388)	
70730	Bookkeeping fee	-	205,213	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(205,213)	
70750	Other fees	-	250,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	250,000	
70700	Total fee revenue	-	2,844,990	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,594,990)	250,000	
70800	Other governmental grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
71100	Investment income - unrestricted	4,562	-	38	-	-	-	-	-	-	-	-	-	-	-	-	-	4,600	
71400	Fraud recovery	-	-	-	-	18,395	-	-	-	-	-	-	-	-	-	-	-	18,395	
71500	Other revenue	459,090	1,430,666	2,999,934	-	776,440	-	-	-	-	-	24,167	-	-	-	-	-	5,690,297	
71600	Gain or loss on sale of capital assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
72000	Investment Income - Restricted	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
70000	Total revenue	21,648,699	4,275,656	2,999,972	4,218,341	48,411,562	175,075	-	-	213,387	-	24,167	-	-	266,202	2,451,010	(2,594,990)	82,089,081	
EXPENSES																			
Administrative:																			
91100	Administrative salaries	787,514	2,198,592	-	179,998	-	-	-	-	-	-	-	-	-	-	-	-	3,166,104	
91200	Auditing fees	77,991	40	-	24,440	35,360	1,300	-	-	-	-	-	-	-	-	-	-	139,131	
91300	Management fee	1,101,994	-	-	-	680,945	-	-	-	-	-	-	-	24,142	138,308.00	(1,945,389)	-		
913.10	Bookkeeping fee	205,213	-	-	-	-	-	-	-	-	-	-	-	-	-	(205,213)	-		
91400	Advertising and marketing	-	2,368	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,368	
91500	Employee benefit contributions - administrative	830,809	745,619	-	50,150	-	-	-	-	-	-	-	-	-	-	-	-	1,626,578	
91600	Office Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
91700	Legal expense	21,564	22,637	-	-	-	-	-	-	-	-	-	-	-	-	-	-	44,201	
91800	Travel	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
91900	Other	2,403,580	759,291	92,432	705,931	3,974,180	20,235	-	-	-	-	5,300	-	30,026	-	-	-	7,990,975	
	Total administrative	5,428,665	3,728,547	92,432	960,519	4,690,485	21,535	-	-	-	-	5,300	-	54,168	138,308	(2,150,602)	-	12,969,357	
92000	Asset management fee	444,388	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(444,388)	-	
Tenant services:																			
92100	Salaries	105,714	(186,435)	-	-	46,274	-	-	-	200,720	-	23,132	-	-	-	-	-	189,405	
92200	Relocation costs	242	-	-	5,086	-	-	-	-	-	-	-	-	-	-	-	-	5,328	
92300	Employee benefit contributions	-	-	-	-	11,744	-	-	-	-	-	7,718	-	-	-	-	-	19,462	
92400	Other	216,177	192,518	-	-	-	-	-	-	12,667	-	-	-	-	-	-	-	421,362	
	Total tenant services	322,133	6,083	-	5,086	58,018	-	-	-	213,387	-	30,850	-	-	-	-	-	635,557	
Utilities:																			
93100	Water	174,786	3,401	-	-	-	-	-	-	-	-	-	-	-	-	-	-	178,187	
93200	Electricity	1,798,112	110,905	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,909,017	
93300	Gas	266,871	6,600	-	-	-	-	-	-	-	-	-	-	-	-	-	-	273,471	
93400	Fuel	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
93600	Sewer	321,370	3,664	-	-	-	-	-	-	-	-	-	-	-	-	-	-	325,034	
93800	Other utilities expense	1,610	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,610	
	Total utilities	2,562,749	124,570	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,687,319	
Ordinary maintenance & operations:																			
94100	Labor	1,575,559	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,575,559	
94200	Materials and other	629,744	38,855	-	-	-	-	-	-	-	-	-	-	-	-	-	-	668,599	
94300	Contracts	956,138	164,434	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,120,572	
94500	Employee benefits contribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Total ordinary maintenance & operations	3,161,441	203,289	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,364,730	
Protective services:																			
95100	Labor	147,473	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	147,473	
95200	Other contract costs	112,770	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	112,770	
95300	Other	59,054	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	59,054	
95500	Employee benefit contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
95000	Total protective services	319,297	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	319,297	
96100	Total Insurance premiums	292,088	47,367	-	-	14,732	-	-	-	-	-	526	-	-	-	-	-	354,713	

MEMPHIS HOUSING AUTHORITY
ENTITY-WIDE REVENUE AND EXPENSE SUMMARY
Year Ended June 30, 2012

Line Item #	Accounts Description	Project Totals	COCC	Business Activities			Supportive Housing						ARRA-Formula	ARRA-Competitive	Elimination	Total	
				Hope VI	HCVP	CDBG	VASH	ROSS	DHAP	CSBG	DHAP IKE	DVP					
EXPENSES (Continued)																	
General expenses:																	
96200	Other general expenses	\$ 16,230	\$ 10,595	\$ -	\$ -	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,825	
96210	Compensated absences	31,393	8,235	-	-	-	-	-	-	-	-	-	-	-	-	39,628	
96300	Payments in lieu of taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
96400	Bad debt - tenant rents	298,188	-	-	-	-	-	-	-	-	-	-	-	-	-	298,188	
96800	Severance expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
96000	Total general expenses	345,811	18,830	-	-	-	-	-	-	-	-	-	-	-	-	364,641	
96700	Total interest expense and amortization cost	-	-	189,900	-	-	-	-	-	-	-	-	-	-	-	189,900	
96900	Total operating expenses	12,876,572	4,128,686	282,332	965,605	4,763,235	21,535	-	213,387	-	31,376	5,300	-	54,168	138,308	(2,594,990)	20,885,514
97000	Excess of operating revenue over operating expenses	8,772,127	146,970	2,717,640	3,252,736	43,648,327	153,540	-	-	-	(7,209)	(5,300)	-	212,034	2,312,702	-	61,203,567
97100	Extraordinary maintenance	1,238,671	-	1,824,686	3,252,736	-	-	-	-	-	-	-	-	-	0.00	-	6,316,093
97200	Casualty losses - non capitalized	487,504	-	-	-	-	-	-	-	-	-	-	-	-	-	-	487,504
97300	Housing assistance payments	-	-	-	-	46,097,572	177,718	-	-	-	-	10,136	-	-	-	-	46,285,426
97400	HAP Portability- IN	-	-	-	-	671,371	-	-	-	-	-	-	-	-	-	-	671,371
97400	Depreciation expense	8,110,127	710,432	-	-	-	-	-	-	-	-	-	-	-	-	-	8,820,559
90000	Total expenses	22,712,874	4,839,118	2,107,018	4,218,341	51,532,178	199,253	-	213,387	-	31,376	5,300	10,136	54,168	138,308	(2,594,990)	83,466,467
Other financing sources (uses):																	
10010	Operating transfer in	1,377,690	-	-	-	-	24,178	-	-	-	8,740	-	-	-	-	(1,410,608)	-
10020	Operating transfer out	(1,377,690)	(8,740)	-	-	(24,178)	-	-	-	-	-	-	-	-	-	1,410,608	-
10030	Operating transfers from / to primary government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10060	Proceeds from property sales	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10070	Extraordinary items, net gain / loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10080	Special items (net gain/loss)	-	-	(4,920,461)	-	-	-	-	-	-	-	-	-	-	-	-	(4,920,461)
10091	Inter project excell cash transfer in	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10093	Operating transfer between programs and projects - in	1,164,308	\$ 212,034	0	-	-	-	-	-	-	-	-	-	-	-	(1,376,342)	-
10094	Operating transfer between programs and projects - out	(1,164,308)	-	-	-	-	-	-	-	-	-	-	-	(212,034)	-	1,376,342	-
10100	Total other financing sources (uses)	-	203,294	(4,920,461)	-	(24,178)	24,178	-	-	-	8,740	-	-	(212,034)	-	-	(4,920,461)
10000	EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENSES	\$ (1,064,175)	\$ (360,168)	\$ (4,027,507)	\$ -	\$ (3,144,794)	\$ -	\$ -	\$ -	\$ -	\$ 1,531	\$ (5,300)	\$ (10,136)	\$ -	\$ 2,312,702	\$ -	\$ (6,297,847)
Memo Account Information																	
11020	Required annual debt principal payments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11030	Beginning equity	65,810,463	19,133,774	111,826,477	-	10,344,300	-	-	252,300	(1,201)	22,588	43,782	-	-	-	-	207,432,483
11040	Prior period adjustments, equity transfers & correction	2,312,702	-	-	-	0.00	-	-	-	-	-	-	-	-	(2,312,702)	-	-
11170	Administrative fee equity	-	-	-	-	4,702,802	-	-	-	-	-	-	-	-	-	-	4,702,802
11180	Housing assistance payments equity	-	-	-	-	2,496,704	-	-	-	-	-	-	-	-	-	-	2,496,704
11190	Unit months available	20,052	-	-	-	80,838	348	-	-	-	-	18	-	-	-	-	101,256
11210	Unit months leased	19,600	-	-	-	80,908	345	-	-	-	-	18	-	-	-	-	100,871
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, 2012**

Line Item #	Accounts Description	AMP 2	AMP 8	AMP 9	AMP 13	AMP 14	AMP 16	AMP 18	AMP 21	AMP 23	AMP 43	AMP 44	AMP 45	AMP 46	AMP 47
CURRENT ASSETS															
Cash:															
111	Unrestricted	\$ 1,376,106	\$ 2,368,310	\$ -	\$ 259,359	\$ 477,133	\$ 947,015	\$ 395,918	\$ 236,465	\$ 137,187	\$ -	\$ -	\$ -	\$ 23,284	\$ 34,466
112	Restricted - Modernization and Development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
113	Other restricted	-	-	-	-	-	-	-	-	-	-	-	-	-	-
114	Tenant security deposits	34,015	-	-	16,523	17,855	-	17,417	7,606	17,949	-	-	-	33,887	-
115	Restricted for Payment of Current Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
100	Total cash	1,410,121	2,368,310	-	275,882	494,988	947,015	413,335	244,071	155,136	-	-	-	57,171	34,466
Accounts and notes receivable:															
121	Accounts receivable - PHA projects	-	-	-	-	-	-	-	-	-	-	-	-	-	-
122	HUD other project	-	-	-	1,118	21,068	-	1,118	-	1,118	-	-	-	-	-
124	Other government	-	-	-	-	-	-	-	-	-	-	-	-	-	-
125	Accounts receivable - miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-
126	Tenants	9,477	-	-	2,834	6,352	-	5,640	5,581	4,957	-	-	-	7,009	-
126.1	Allowance for doubtful accounts - tenants	-	-	-	-	-	-	-	-	-	-	-	-	-	-
126.2	Allowance for Doubtful Accounts - Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
120	Total receivables, net of allowances for uncollectibles	9,477	-	-	3,952	27,420	-	6,758	5,581	6,075	-	-	-	7,009	-
131	Investments - unrestricted	175,868	192,542	-	82,909	90,028	-	87,096	41,873	86,259	-	-	-	-	-
132	Investments - restricted	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total current investments	175,868	192,542	-	82,909	90,028	-	87,096	41,873	86,259	-	-	-	-	-
142	Prepaid expenses and other assets	34,355	584	-	17,763	18,485	-	18,151	8,222	18,698	-	-	-	-	-
143	Inventories	-	-	-	-	-	-	-	-	-	-	-	-	-	-
143.1	Allowance for obsolete inventories	-	-	-	-	-	-	-	-	-	-	-	-	-	-
144	Interprogram - due from	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150	Total current assets	1,629,821	2,561,436	-	380,506	630,921	947,015	525,340	299,747	266,168	-	-	-	64,180	34,466
NONCURRENT ASSETS															
Fixed assets:															
161	Land	896,810	1,720,801	444,987	2,081	63,571	-	64,656	207,900	127,775	-	150,136	-	580,550	-
162	Buildings	42,814,713	55,088,752	43,590,398	12,638,910	13,290,182	-	9,595,857	6,649,207	10,470,823	-	-	6,312	8,423,454	-
164	Furniture, Equipment & Machinery - Administration	19,340	16,450	-	9,201	9,975	-	9,656	4,738	9,575	-	-	-	-	-
166	Accumulated depreciation	(36,850,476)	(45,613,631)	(39,435,563)	(8,654,155)	(9,748,961)	-	(7,706,927)	(4,197,905)	(7,709,255)	-	-	(420)	(3,088,953)	-
167	Construction in progress	-	-	-	749,627	2,382,921	-	352,747	296,764	294,758	-	-	-	137,941	-
160	Total fixed assets, net of accumulated depreciation	6,880,387	11,212,372	4,599,822	4,745,664	5,997,688	-	2,315,989	2,960,704	3,193,676	-	150,136	5,892	6,052,992	-
171	Notes, loans and mortgages receivable - noncurrent	-	-	-	-	-	-	-	-	-	-	-	-	-	-
180	Total noncurrent assets	6,880,387	11,212,372	4,599,822	4,745,664	5,997,688	-	2,315,989	2,960,704	3,193,676	-	150,136	5,892	6,052,992	-
190	TOTAL ASSETS	\$ 8,510,208	\$ 13,773,808	\$ 4,599,822	\$ 5,126,170	\$ 6,628,609	\$ 947,015	\$ 2,841,329	\$ 3,260,451	\$ 3,459,844	\$ -	\$ 150,136	\$ 5,892	\$ 6,117,172	\$ 34,466
CURRENT LIABILITIES															
312	Accounts payable <= 90 days	\$ 162,923	\$ 1,765	\$ -	\$ 63,272	\$ 63,308	\$ -	\$ 41,689	\$ 38,082	\$ 38,243	\$ 299	\$ 344	\$ -	\$ 576	\$ 284
321	Accrued wage/payroll taxes payable	64,061	6,403	-	15,696	16,651	-	16,405	31,122	17,943	-	-	-	-	-
322	Accrued compensated absences - current portion	26,017	-	-	9,392	8,569	-	8,975	6,169	12,826	-	-	-	-	-
324	Accrued Contingency Liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-
331	Accounts payable - HUD PHA programs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
341	Tenant security deposits	33,892	-	-	16,463	17,790	-	17,354	7,579	17,884	-	-	-	32,603	-
342	Deferred revenues	-	-	-	-	-	-	-	-	-	-	-	-	-	-
345	Other current liabilities	205	3	-	19,803	24,371	-	15,791	63	23,121	-	-	-	23,284	-
346	Accrued liabilities - other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
310	Total current liabilities	287,098	8,171	-	124,626	130,689	-	100,214	83,015	110,017	299	344	-	56,463	284
NONCURRENT LIABILITIES															
353	Non-current liabilities - other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
354	Accrued compensated absences - noncurrent	244,810	-	-	89,497	82,446	-	86,103	58,007	120,404	-	-	-	-	-
350	Total noncurrent liabilities	244,810	-	-	89,497	82,446	-	86,103	58,007	120,404	-	-	-	-	-
300	Total liabilities	531,908	8,171	-	214,123	213,135	-	186,317	141,022	230,421	299	344	-	56,463	284
EQUITY															
508.1	Invested in capital assets	6,880,387	11,212,372	4,599,822	4,745,664	5,997,688	-	2,315,989	2,960,704	3,193,676	-	150,136	5,892	6,052,992	-
511.1	Restricted net assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
512.1	Unrestricted net assets	1,097,913	2,553,265	-	166,383	417,786	947,015	339,023	158,725	35,747	(299)	(344)	-	7,717	34,182
513	Total equity/net assets	7,978,300	13,765,637	4,599,822	4,912,047	6,415,474	947,015	2,655,012	3,119,429	3,229,423	(299)	149,792	5,892	6,060,709	34,182

**MEMPHIS HOUSING AUTHORITY
PROJECT BALANCE SHEET SUMMARY
June 30, 2012**

Accounts Description	AMP 48	AMP 49	AMP 50	AMP 51	AMP 53	AMP 54	AMP 55	AMP 56	AMP 57	AMP 58	AMP 59	AMP 60	AMP 61	AMP 62
CURRENT ASSETS														
Cash:														
Unrestricted	\$ 9,269	\$ 398,037	\$ 29,644	\$ 248,809	\$ 319	\$ 50,639	\$ 96,130	\$ 16,624	\$ 10,264	\$ 161,817	\$ 152,660	\$ 30,364	\$ 112,352	\$ 60,668
Restricted - Modernization and Development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other restricted	-	-	-	-	-	-	190,045	-	-	-	-	-	-	-
Tenant security deposits	-	1,820	-	2,110	-	-	3,729	-	-	\$3,641	\$3,466	-	-	-
Restricted for Payment of Current Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total cash	9,269	399,857	29,644	250,919	319	50,639	289,904	16,624	10,264	165,458	156,126	30,364	112,352	60,668
Accounts and notes receivable:														
Accounts receivable - PHA projects	-	-	-	-	-	-	-	-	-	-	-	-	-	-
HUD Other Project	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other government	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts receivable - miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tenants	-	2,105	-	1,158	-	-	2,195	-	-	\$1,614	\$1,528	-	-	-
Allowance for doubtful accounts - tenants	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allowance for Doubtful Accounts - Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total receivables, net of allowances for uncollectibles	-	2,105	-	1,158	-	-	2,195	-	-	1,614	1,528	-	-	-
Investments - unrestricted	-	-	-	11,724	-	-	-	-	-	-	-	-	-	-
Investments - restricted	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total current investments	-	-	-	11,724	-	-	-	-	-	-	-	-	-	-
Prepaid expenses and other assets	-	1,711	-	3,208	-	-	3,253	-	-	3,009	3,624	-	-	-
Inventories	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allowance for obsolete inventories	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interprogram - due from	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total current assets	9,269	403,673	29,644	267,009	319	50,639	295,352	16,624	10,264	170,081	161,278	30,364	112,352	60,668
NONCURRENT ASSETS														
Fixed assets:														
Land	-	-	-	16,040	-	-	-	-	-	-	-	-	-	-
Buildings	-	410,059	-	1,840,455	-	-	244,222	-	-	4,160,947	2,800,926	796,071	-	-
Furniture, Equipment & Machinery - Administration	-	-	-	1,404	-	-	2,005	-	-	-	-	-	-	-
Accumulated depreciation	-	(98,721)	-	(706,365)	-	-	(198,917)	-	-	(1,103,633)	(523,476)	(123,860)	-	-
Construction in progress	-	-	-	164,537	-	-	106,635	-	-	-	-	-	-	-
Total fixed assets, net of accumulated depreciation	-	311,338	-	1,316,071	-	-	153,945	-	-	3,057,314	2,277,450	672,211	-	-
Notes, loans and mortgages receivable - noncurrent	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total noncurrent assets	-	311,338	-	1,316,071	-	-	153,945	-	-	3,057,314	2,277,450	672,211	-	-
TOTAL ASSETS	\$ 9,269	\$ 715,011	\$ 29,644	\$ 1,583,080	\$ 319	\$ 50,639	\$ 449,297	\$ 16,624	\$ 10,264	\$ 3,227,395	\$ 2,438,728	\$ 702,575	\$ 112,352	\$ 60,668
CURRENT LIABILITIES														
Accounts payable <= 90 days	\$ 82	\$ 79	\$ 150	\$ 13,379	\$ 19,250	\$ 17,353	\$ 16,441	\$ 24,032	\$ 15,643	\$ 311	\$ 161	\$ 165	\$ 135	\$ 108
Accrued wage/payroll taxes payable	-	-	-	998	-	-	2,045	-	-	-	-	-	-	-
Accrued compensated absences - current portion	-	-	-	764	-	-	1,563	-	-	-	-	-	-	-
Accrued Contingency Liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts payable - HUD PHA programs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tenant security deposits	-	4,887	-	2,102	-	-	3,715	-	-	2,313	2,081	-	-	-
Deferred revenues	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other current liabilities	-	-	-	42	-	-	36	-	-	-	-	-	-	-
Accrued liabilities - other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total current liabilities	82	4,966	150	17,285	19,250	17,353	23,800	24,032	15,643	2,624	2,242	165	135	108
NONCURRENT LIABILITIES														
Non-current liabilities - other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accrued compensated absences - noncurrent	-	-	-	7,585	-	-	15,132	-	-	-	-	-	-	-
Total noncurrent liabilities	-	-	-	7,585	-	-	15,132	-	-	-	-	-	-	-
Total liabilities	82	4,966	150	24,870	19,250	17,353	38,932	24,032	15,643	2,624	2,242	165	135	108
EQUITY														
Invested in capital assets	-	311,338	-	1,316,071	-	-	153,945	-	-	3,057,314	2,277,450	672,211	-	-
Restricted net assets	-	-	-	-	-	-	190,045	-	-	-	-	-	-	-
Unrestricted net assets	9,187	398,707	29,494	242,139	(18,931)	33,286	66,375	(7,408)	(5,379)	167,457	159,036	30,199	112,217	60,560
Total equity/net assets	9,187	710,045	29,494	1,558,210	(18,931)	33,286	410,365	(7,408)	(5,379)	3,224,771	2,436,486	702,410	112,217	60,560

**MEMPHIS HOUSING AUTHORITY
PROJECT BALANCE SHEET SUMMARY
June 30, 2012**

Line Item #	Accounts Description	AMP 63	AMP 64	AMP 65	AMP 66	AMP 67	AMP 68	AMP 69	AMP 70	AMP 71	AMP 72	AMP 73	Other AMP	Total
CURRENT ASSETS														
Cash:														
111	Unrestricted	\$ -	\$ -	\$ -	\$ -	\$ 10,637	\$ 91,685	\$ 128,680	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,863,841
112	Restricted - Modernization and Development	-	-	-	-	-	-	-	-	-	-	-	-	-
113	Other restricted	-	-	-	-	-	-	-	-	-	-	-	-	190,045
114	Tenant security deposits	-	-	-	-	-	-	-	-	-	-	-	-	160,018
115	Restricted for Payment of Current Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
100	Total cash	-	-	-	-	10,637	91,685	128,680	-	-	-	-	-	8,213,904
Accounts and notes receivable:														
121	Accounts receivable - PHA projects	-	-	-	-	-	-	-	-	-	-	-	-	-
122	HUD other project	-	-	-	-	-	-	-	25,653	368,561	-	31,100	-	449,736
124	Other government	-	-	-	-	-	-	-	-	-	-	-	-	-
125	Accounts receivable - miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-
126	Tenants	-	-	-	-	-	-	-	-	-	-	-	-	50,450
126.1	Allowance for doubtful accounts - tenants	-	-	-	-	-	-	-	-	-	-	-	-	-
126.2	Allowance for Doubtful Accounts - Other	-	-	-	-	-	-	-	-	-	-	-	-	-
120	Total receivables, net of allowances for uncollectibles	-	-	-	-	-	-	-	25,653	368,561	-	31,100	-	500,186
131	Investments - unrestricted	-	-	-	-	-	-	-	-	-	-	-	-	768,299
132	Investments - restricted	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total current investments	-	-	-	-	-	-	-	-	-	-	-	-	768,299
142	Prepaid expenses and other assets	-	-	-	-	-	-	-	-	-	-	-	-	131,063
143	Inventories	-	-	-	-	-	-	-	-	-	-	-	-	-
143.1	Allowance for obsolete inventories	-	-	-	-	-	-	-	-	-	-	-	-	-
144	Interprogram - due from	-	-	-	-	-	-	-	-	-	-	-	-	-
150	Total current assets	-	-	-	-	10,637	91,685	128,680	25,653	368,561	-	31,100	-	9,613,452
NONCURRENT ASSETS														
Fixed assets:														
161	Land	-	-	-	-	-	-	-	-	-	-	-	-	4,275,307
162	Buildings	-	-	-	-	-	-	-	-	-	-	-	8,850	212,830,138
164	Furniture, Equipment & Machinery - Administration	-	-	-	-	-	-	-	-	-	-	-	330	82,674
166	Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	(588)	(165,761,806)
167	Construction in progress	-	-	-	-	-	-	-	-	-	-	-	227,715	4,713,645
160	Total fixed assets, net of accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	236,307	56,139,958
171	Notes, loans and mortgages receivable - noncurrent	-	-	-	-	-	-	-	2,312,702	611,289	-	553,019	-	3,477,010
180	Total noncurrent assets	-	-	-	-	-	-	-	2,312,702	611,289	-	553,019	236,307	59,616,968
190	TOTAL ASSETS	\$ -	\$ -	\$ -	\$ -	\$ 10,637	\$ 91,685	\$ 128,680	\$ 2,338,355	\$ 979,850	\$ -	\$ 584,119	\$ 236,307	\$ 69,230,420
CURRENT LIABILITIES														
312	Accounts payable <= 90 days	\$ -	\$ 97	\$ 12,635	\$ 284	\$ 61	\$ -	\$ -	\$ 25,653	\$ 368,561	\$ -	\$ 31,100	\$ -	\$ 956,465
321	Accrued wage/payroll taxes payable	-	-	-	-	-	-	-	-	-	-	-	-	171,324
322	Accrued compensated absences - current portion	-	-	-	-	-	-	-	-	-	-	-	-	74,275
324	Accrued Contingency Liability	-	-	-	-	-	-	-	-	-	-	-	-	-
331	Accounts payable - HUD PHA programs	-	-	-	-	-	-	-	-	-	-	-	-	-
341	Tenant security deposits	-	-	-	-	-	-	-	-	-	-	-	-	158,663
342	Deferred revenues	-	-	-	-	-	-	-	-	-	-	-	-	-
345	Other current liabilities	-	-	-	-	-	-	-	-	-	-	-	-	106,719
346	Accrued liabilities - other	-	-	-	-	-	-	-	-	-	-	-	-	-
310	Total current liabilities	-	97	12,635	284	61	-	-	25,653	368,561	-	31,100	-	1,467,446
NONCURRENT LIABILITIES														
353	Non-current liabilities - other	-	-	-	-	-	-	-	-	-	-	-	-	-
354	Accrued compensated absences - noncurrent	-	-	-	-	-	-	-	-	-	-	-	-	703,984
350	Total noncurrent liabilities	-	-	-	-	-	-	-	-	-	-	-	-	703,984
300	Total liabilities	-	97	12,635	284	61	-	-	25,653	368,561	-	31,100	-	2,171,430
EQUITY														
508.1	Invested in capital assets	-	-	-	-	-	-	-	-	-	-	-	236,307	56,139,958
511.1	Restricted net assets	-	-	-	-	-	-	-	-	-	-	-	-	190,045
512.1	Unrestricted net assets	-	(97)	(12,635)	(284)	10,576	91,685	128,680	2,312,702	611,289	-	553,019	-	10,728,987
513	Total equity/net assets	-	(97)	(12,635)	(284)	10,576	91,685	128,680	2,312,702	611,289	-	553,019	236,307	67,058,990

**MEMPHIS HOUSING AUTHORITY
PROJECT REVENUE AND EXPENSE SUMMARY
June 30, 2012**

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	\$ 896,212	\$ -	\$ -	\$ 475,592	\$ 486,818	\$ -	\$ 486,562	\$ 162,775	\$ 488,827	\$ -
70400	Tenant revenue - other	37,138	-	-	1,070	28,072	-	-	15,307	8,778	-
70500	Total tenant revenue	843,350	-	-	476,662	514,890	-	486,562	178,082	497,605	-
70600	HUD PHA operating grants	2,206,845	1,868,490	-	500,861	556,366	-	722,553	511,143	414,810	174,408
70610	Capital grants	117,645	-	-	838,675	2,463,021	-	445,664	338,771	428,343	-
70700	Fee revenue	-	-	-	-	-	-	-	-	-	-
71100	Investment income - unrestricted	595	-	-	572	573	-	573	563	572	-
71500	Other revenue	153,435	1,194	3,656	57,733	78,400	-	61,080	31,072	61,703	-
71600	Gain or loss on sale of capital assets	-	-	-	-	-	-	-	-	-	-
70000	Total revenue	3,321,870	1,869,684	3,656	1,874,503	3,613,250	-	1,716,432	1,059,631	1,403,033	174,408
EXPENSES											
Administrative:											
91100	Administrative salaries	180,382	6,201	-	96,415	95,496	-	103,641	102,510	180,351	-
91200	Auditing fees	11,774	12,888	-	5,549	6,027	-	5,830	2,803	5,773	983
91300	Management fee	630,490	-	-	94,863	102,483	-	98,756	47,511	98,271	-
91310	Bookkeeping fee	37,413	-	-	17,553	18,962	-	18,272	8,793	18,184	7,165
91400	Advertising and marketing	-	-	-	-	-	-	-	-	-	-
91500	Employee benefit contributions - administrative	257,302	69,170	-	90,029	95,875	-	90,119	71,142	120,243	-
91600	Office expense	-	-	-	-	-	-	-	-	-	-
91700	Legal expense	8,427	-	-	4,346	2,668	-	2,911	1,234	157	-
91800	Travel	-	-	-	-	-	-	-	-	-	-
91900	Other	53,609	3,471	-	32,097	29,037	-	34,658	27,231	29,296	83,276
	Total administrative	1,179,397	91,730	-	340,852	350,546	-	354,187	261,224	452,265	91,424
92000	Asset management fee	-	441,800	-	-	-	-	-	-	-	-
Tenant services:											
92100	Salaries	-	-	-	46,489	24,964	-	7,844	-	26,417	-
92200	Relocation costs	-	-	-	-	-	-	-	-	-	-
92300	Employee benefit contributions - tenant services	-	-	-	-	-	-	-	-	-	-
92400	Other	63,926	-	-	28,401	31,979	-	36,687	16,414	30,050	-
92500	Total tenant services	63,926	-	-	74,890	56,943	-	43,811	16,414	56,467	-
Utilities:											
93100	Water	64,309	-	-	14,896	18,244	-	16,690	19,326	15,351	7,339
93200	Electricity	584,015	-	-	237,050	204,843	-	207,718	154,539	175,739	91,243
93300	Gas	144,722	(18,249)	-	18,746	18,607	-	24,953	24,709	20,815	4,756
93400	Fuel	-	-	-	-	-	-	-	-	-	-
93500	Sewer	144,617	-	-	28,647	34,422	-	32,544	32,401	21,366	7,968
93800	Other utilities expense	-	-	-	-	395	-	-	256	-	-
	Total utilities	937,663	(18,249)	-	299,339	276,511	-	281,905	231,231	233,271	111,306
Ordinary maintenance & operations:											
94100	Labor	607,387	105,235	-	155,193	187,151	-	181,162	126,315	179,843	-
94200	Materials and other	265,572	75	-	63,532	70,742	-	93,316	55,043	68,031	-
94300	Contracts	294,268	888	-	147,722	116,008	-	165,426	93,418	99,021	-
94500	Employee benefits contribution	-	-	-	-	-	-	-	-	-	-
	Total ordinary maintenance & operations	1,167,227	106,198	-	366,447	373,901	-	439,904	274,776	346,895	-
Protective services:											
95100	Labor	45,543	23,770	-	16,222	16,222	-	16,222	7,374	16,222	-
95200	Other contract costs	5,078	-	-	26,099	26,148	-	28,810	361	26,122	-
95300	Other	-	-	-	16,505	18,437	-	12,207	-	11,719	-
95500	Employee benefit contributions	-	-	-	-	-	-	-	-	-	-
95000	Total protective services	50,621	23,770	-	58,826	60,807	-	57,239	7,735	54,063	-
96110	Property Insurance	20,976	177	-	11,763	11,273	-	11,162	4,126	11,847	-
96120	Liability Insurance	21,187	4,862	-	10,232	14,245	-	13,959	4,951	10,434	-
96130	Workmen's Insurance	40,416	11,484	-	11,248	11,415	-	12,885	8,353	13,007	-
96140	All Other Insurance	5,420	1,957	-	2,278	2,599	-	2,671	1,606	3,030	-
96100	Total Insurance premiums	87,999	18,280	-	35,521	39,532	-	40,677	19,036	38,318	-
General expenses:											
96200	Other general expenses	7,594	318	-	1,170	-	-	2,352	2,767	1,606	-
96210	Compensated absences	19,020	5,749	-	-	1,370	-	-	5,254	-	-
96300	Payment in Lieu of Taxes	-	-	-	-	-	-	-	-	-	-
96400	Bad debt - tenant rents	33,206	13,628	-	23,123	82,720	-	65,379	15,051	40,440	-
63800	Severance Expense	-	-	-	-	-	-	-	-	-	-
96000	Total general expenses	59,820	19,695	-	24,293	84,090	-	67,731	23,072	42,046	-
96900	Total operating expenses	3,546,653	683,024	-	1,200,168	1,242,332	-	1,285,154	833,488	1,223,325	202,730
97000	Excess of operating revenue over operating expenses	(224,783)	1,186,660	3,656	674,335	2,370,918	-	431,278	226,143	179,708	(28,322)
97100	Extraordinary maintenance	23,087	-	-	31,782	33,905	-	42,893	31,372	35,808	-
97200	Casualty Losses - Non-capitalized	-	-	-	-	-	-	-	-	-	-
97400	Depreciation expense	1,978,303	1,551,282	1,260,142	560,290	575,251	-	357,302	341,831	363,872	-
90000	Total expenses	5,548,043	2,234,306	1,260,142	1,792,240	1,851,488	-	1,685,349	1,206,691	1,623,005	202,730
Other financing sources (uses):											
10010	Operating transfer in	117,645	-	-	89,048	80,100	-	92,917	42,007	388,585	33,812
10020	Operating transfer out	(117,645)	(650,956)	-	(89,048)	(80,100)	-	(82,917)	(42,007)	(133,585)	-
10070	Extraordinary items, net gain/loss	-	-	-	-	-	-	-	-	-	-
10083	Transfers between Program and Project - In	-	-	-	-	-	-	-	-	-	-
10084	Transfers between Project and Program - Out	-	-	-	-	-	-	-	-	-	-
10100	Total other financing sources (uses)	-	(650,956)	-	-	-	-	-	-	255,000	33,812
10000	EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENSES	\$ (2,226,173)	\$ (1,015,578)	\$ (1,256,486)	\$ 82,263	\$ 1,761,762	\$ -	\$ 31,083	\$ (147,060)	\$ 35,028	\$ 5,490
Memo Account Information											
11030	Beginning equity	10,204,473	14,781,215	5,856,308	4,829,784	4,853,712	947,015	2,623,929	3,266,489	3,194,395	(5,789)
11040	Prior period adjustments, equity transfers & correction	-	-	-	-	-	-	-	-	-	-
11190	Unit months available	5,040	-	-	2,364	2,580	-	2,484	1,188	2,460	-
11210	Unit months leased	4,981	-	-	2,313	2,497	-	2,412	1,161	2,406	-
11270	Excess cash	1,110,755	2,974,363	-	170,595	413,732	947,015	336,241	159,293	66,860	(17,193)
11620	Building Purchases	117,645	10,521	-	866,934	2,500,119	-	459,839	338,771	428,343	-
11640	Furniture and Equipment - Admin Purchases	-	-	-	-	-	-	-	-	-	-

MEMPHIS HOUSING AUTHORITY
PROJECT REVENUE AND EXPENSE SUMMARY
June 30, 2012

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	\$ -	\$ -	\$ 271,052	\$ -	\$ -	\$ 311,700	\$ -	\$ 114,005	\$ -	\$ -
70400	Tenant revenue - other	-	-	-	-	-	-	-	3,891	-	-
70500	Total tenant revenue	-	-	271,052	-	-	311,700	-	117,896	-	-
70600	HUD PHA operating grants	157,279	-	266,900	236,322	61,710	67,047	118,950	132,013	68,983	194,118
706.1	Capital grants	-	-	240,879	-	-	26,500	-	187,787	-	-
70700	Fee revenue	-	-	-	-	-	-	-	-	-	-
71100	Investment income - unrestricted	-	-	-	-	-	-	-	556	-	-
71500	Other revenue	-	-	-	-	-	-	-	8,916	-	-
71600	Gain or loss on sale of capital assets	-	-	-	-	-	-	-	-	-	-
70000	Total revenue	157,279	-	778,831	236,322	61,710	405,247	118,950	447,168	68,983	194,118
EXPENSES											
Administrative:											
91100	Administrative salaries	-	-	-	-	-	-	-	9,838	-	-
91200	Auditing fees	1,132	-	1,893	934	269	259	491	835	319	935
91300	Management fee	-	-	-	-	-	-	-	13,380	-	-
913.1	Bookkeeping fee	8,058	-	13,344	6,761	1,945	1,843	3,536	2,478	2,187	7,068
91400	Advertising and marketing	-	-	-	-	-	-	-	-	-	-
91500	Employee benefit contributions - administrative	-	-	-	-	-	-	-	5,294	-	-
91600	Office expense	-	-	-	-	-	-	-	-	-	-
91700	Legal expense	-	-	-	-	-	-	-	440	-	-
91800	Travel	-	-	-	-	-	-	-	-	-	-
91900	Other	156,540	-	175,620	194,169	50,228	62,400	85,282	3,453	45,864	152,538
	Total administrative	165,730	-	190,857	201,864	52,442	64,502	89,309	35,718	48,370	160,541
92000	Asset management fee	-	-	-	-	-	-	-	2,788	-	-
Tenant services:											
92100	Salaries	-	-	-	-	-	-	-	-	-	-
92200	Relocation costs	-	-	242	-	-	-	-	-	-	-
92300	Employee benefit contributions - tenant services	-	-	-	-	-	-	-	-	-	-
92400	Other	-	-	-	-	-	-	-	3,902	-	-
92500	Total tenant services	-	-	242	-	-	-	-	3,902	-	-
Utilities:											
93100	Water	-	-	-	-	-	-	-	6,028	-	-
93200	Electricity	-	-	-	-	-	-	-	44,764	50,687	-
93300	Gas	-	-	-	-	-	-	-	12,948	-	-
93400	Fuel	-	-	-	-	-	-	-	-	-	-
93600	Sewer	-	-	-	-	-	-	-	7,397	794	-
93800	Other utilities expense	-	-	-	-	-	-	-	959	-	-
	Total utilities	-	-	-	-	-	-	-	72,096	51,481	-
Ordinary maintenance & operations:											
94100	Labor	-	-	-	-	-	-	-	6,915	-	-
94200	Materials and other	-	-	-	-	-	-	-	5,670	-	-
94300	Contracts	-	-	-	-	-	-	-	16,472	-	-
94500	Employee benefits contribution	-	-	-	-	-	-	-	-	-	-
	Total ordinary maintenance & operations	-	-	-	-	-	-	-	29,057	-	-
Protective services:											
95100	Labor	-	-	-	-	-	-	-	2,949	-	-
95200	Other contract costs	-	-	-	-	-	-	-	152	-	-
95300	Other	-	-	-	-	-	-	-	-	-	-
95500	Employee benefit contributions	-	-	-	-	-	-	-	-	-	-
95000	Total protective services	-	-	-	-	-	-	-	3,101	-	-
96110	Property Insurance	-	-	-	-	-	-	-	2,610	-	-
96120	Liability Insurance	-	-	-	-	-	898	-	1,432	-	-
96130	Workmen's Insurance	-	-	-	-	-	-	-	696	-	-
96140	All Other Insurance	-	-	-	-	-	-	-	457	-	-
96100	Total Insurance premiums	-	-	-	-	-	898	-	5,195	-	-
General expenses:											
96200	Other general expenses	-	-	-	-	-	-	-	423	-	-
96210	Compensated absences	-	-	-	-	-	-	-	-	-	-
96300	Payment in Lieu of Taxes	-	-	-	-	-	-	-	-	-	-
96400	Bad debt - tenant rents	-	-	-	-	-	-	-	24,641	-	-
69800	Severance Expense	-	-	-	-	-	-	-	-	-	-
96000	Total general expenses	-	-	-	-	-	-	-	25,064	-	-
96900	Total operating expenses	165,730	-	191,099	201,864	52,442	65,400	89,309	176,921	99,851	160,541
97000	Excess of operating revenue over operating expenses	(8,451)	-	587,732	34,458	9,268	339,847	29,641	270,247	(30,868)	33,577
97100	Extraordinary maintenance	-	-	2,190	-	-	-	-	33,081	-	-
97200	Casualty Losses - Non-capitalized	-	-	487,504	-	-	-	-	-	-	-
97400	Depreciation expense	-	-	501,570	-	-	25,626	-	117,730	-	-
90000	Total expenses	165,730	-	1,182,363	201,864	52,442	91,026	89,309	327,732	99,851	160,541
Other financing sources (uses):											
10010	Operating transfer in	8,443	-	256,258	-	-	26,500	-	23,250	13,000	-
10020	Operating transfer out	-	-	(102,938)	-	-	(26,500)	-	(23,250)	-	-
10070	Extraordinary items, net gain/loss	-	-	-	-	-	-	-	-	-	-
10093	Transfers between Program and Project- In	-	-	-	-	-	-	-	-	-	-
10094	Transfers between Project and Program- Out	-	-	-	-	-	-	-	-	-	-
10100	Total other financing sources (uses)	8,443	-	153,320	-	-	-	-	-	13,000	-
10000	EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENSES	\$ (8)	\$ -	\$ (250,212)	\$ 34,458	\$ 9,268	\$ 314,221	\$ 29,641	\$ 119,436	\$ (17,868)	\$ 33,577
Memo Account Information											
11030	Beginning equity	149,800	5,892	6,310,921	(276)	(81)	395,824	(147)	1,438,774	(1,063)	(291)
11040	Prior period adjustments, equity transfers & correction	-	-	-	-	-	-	-	-	-	-
11190	Unit months available	-	-	1,848	-	-	252	-	336	-	-
11210	Unit months leased	-	-	1,771	-	-	249	-	330	-	-
11270	Excess cash	(14,154)	-	(8,187)	17,360	4,817	391,546	22,052	240,381	(27,251)	(19,908)
11620	Building Purchases	-	-	362,860	-	-	26,500	-	187,787	-	-
11640	Furniture and Equipment - Admin Purchases	-	-	-	-	-	-	-	-	-	-

MEMPHIS HOUSING AUTHORITY
STATEMENT AND CERTIFICATION OF PROGRAM COSTS
June 30, 2012

2007 Capital Fund Program Grant (CFP)	<u>TN43P001501-07</u>
Funds approved	\$ 5,668,219
Funds expended	<u>5,668,219</u>
Excess of funds approved	<u>\$ -</u>
Funds advanced	\$ 5,668,219
Funds expended	<u>5,668,219</u>
Excess of funds advanced	<u>\$ -</u>
2008 Capital Fund Program Grant (CFP)	<u>TN43P001501-08</u>
Funds approved	\$ 4,992,380
Funds expended	<u>4,992,380</u>
Excess of funds approved	<u>\$ -</u>
Funds advanced	\$ 4,992,380
Funds expended	<u>4,992,380</u>
Excess of funds advanced	<u>\$ -</u>
2009 Capital Fund Recovery Grant (CFRG)	<u>TN43S001501-09</u>
Funds approved	\$ 13,259,030
Funds expended	<u>13,259,030</u>
Excess of funds approved	<u>\$ -</u>
Funds advanced	\$ 13,259,030
Funds expended	<u>13,259,030</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, 2012**

2007 ROSS Grant

TN001RNN006A007

Funds approved	\$	250,000
Funds expended		<u>250,000</u>
Excess of funds approved	\$	<u>-</u>
Funds advanced	\$	250,000
Funds expended		<u>250,000</u>
Excess of funds advanced	\$	<u>-</u>

2010 ROSS Grant

TN001RFS199A010

Funds approved	\$	69,000
Funds expended		<u>69,000</u>
Excess of funds approved	\$	<u>-</u>
Funds advanced	\$	69,000
Funds expended		<u>69,000</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, 2012, and have issued our report thereon dated March 29, 2013. 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

Management of the Authority is responsible for establishing and maintaining effective 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.

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 March 29, 2013.

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
March 29, 2013



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 the Memphis Housing Authority (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, 2012. 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, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2012-01.

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 a deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 2012-01. *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 response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Authority's response and, accordingly, we express no opinion on it.

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
March 29, 2013

MEMPHIS HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012

	<u>CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development (HUD)		
Mainstream Vouchers	14.879	\$ 175,075
Public and Indian Housing Program	14.850	9,344,654
HOPE VI	14.866	4,218,341
Resident Opportunity and Supportive Services	14.870	<u>213,387</u>
Housing Choice Voucher Program:		
Housing Choice Voucher	14.871	51,556,356
Disaster Voucher Program	14.871	<u>10,139</u>
Housing Choice Voucher Program Total		<u>51,566,495</u>
Capital Fund Program Cluster:		
Capital Funds Program	14.872	8,008,830
Formula Capital Fund Stimulus Grant - ARRA (Competitive)	14.884	2,451,010
Formula Capital Fund Stimulus Grant - ARRA (Formula)	14.885	<u>266,202</u>
Capital Fund Program Cluster Total		<u>10,726,042</u>
U.S. Department of Health and Human Services		
CSBGDA Community Food & Nutrition	93.571	<u>31,376</u>
TOTAL FEDERAL EXPENDITURES		<u>\$ 76,275,370</u>

The accompanying notes are an integral part of this schedule.

MEMPHIS HOUSING AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2012

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, 2012.

NOTE 3 – LOAN GUARANTEES

At year ended June 30, 2012, 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 2012 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, 2012**

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? _____ Yes X 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

<u>Name of Federal Program or Cluster</u>	<u>CFDA Numbers</u>	<u>Amount</u>
HOPE VI	14.866	\$ 4,218,341
Capital Fund Program Cluster	14.872/14.885/14.884	10,726,042
Housing Choice Voucher Program	14.871	51,566,495

Dollar threshold used to distinguish between type A and type B programs: \$2,288,261

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

**MEMPHIS HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012**

II. Findings – Financial Statement Findings

None.

III. Federal Award Findings and Questioned Costs

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

Condition/Context

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

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

Criteria

24 CFR 982.405(a) states "The PHA must inspect the unit leased to a family prior to the initial term of the lease, at least annually during assisted occupancy, and at other times as needed, to determine if the unit meets the HQS." 24 CFR 982.404 (a)(2) states "If the owner fails to maintain the dwelling unit in accordance with HQS, the PHA must take prompt and vigorous action to enforce the owner obligations."

Effect

The Authority is not in compliance with federal regulations regarding HQS inspections.

Cause

The Authority did not adequately monitor the HQS inspections to ensure they were in compliance with the HQS standards.

Questioned Costs

Unable to determine

Recommendation

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

Management's Response

TNQ concurs that two of the forty files tenant files tested (5%) did not contain evidence that a reinspection was performed within the period.

Contact:

Cheiktha Dowers

MEMPHIS HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

Corrective Action/Anticipated Completion Dates

MHA has established procedures to monitor HQS Inspections and Enforcement to ensure compliance with 24 CFR 982.405(a). MHA HQS Inspection and Enforcement procedures require staff to monitor inspections scheduling and results to ensure compliance with HQS standards. In accordance with established procedures, staff shall monitor the HQS Compliance Reports to ensure that all failed items are addressed timely.

MHA conducts regular Quality Control (QC) samples of failed inspections to determine compliance with HQS Enforcement. MHA will continue to monitor its QC and tracking reports several times each week to ensure compliance.

Anticipated Completion Date: On-going

MEMPHIS HOUSING AUTHORITY
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

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.

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 been cleared.

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:

- 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.

MEMPHIS HOUSING AUTHORITY
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

There was no log reviews of system activity being performed to ensure only authorized activities/changes were being made to the production environment.

Auditor's Recommendation

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

Status

This finding has been cleared.

Finding 2011-03: U.S. Department of Housing and Urban Development Housing Choice Voucher Program, CFDA – 14.871 Special Tests – Reasonable Rent 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.

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 been cleared.

Finding 2011-04: U.S. Department of Housing and Urban Development Capital Fund Cluster, CFDA – 14.872/14.884/14.885 Cash Management 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.

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.

Status

This finding has been cleared.