

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL FINANCIAL INFORMATION WITH
INDEPENDENT AUDITOR'S REPORT
SHELBY COUNTY HOUSING AUTHORITY
YEAR ENDED JUNE 30, 2009**

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SHELBY COUNTY HOUSING AUTHORITY
GOVERNANCE OFFICIALS
JUNE 30, 2009

Board of Commissioners

Jeffery Higgs, Chairman

Louise Lane, Secretary

Juanita Terrell

E. Michael Yarber

Pamela Z. Clary

Administrative Officials

Edward Pearlman, Executive Director



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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Shelby County Housing Authority
Memphis, Tennessee

We have audited the accompanying financial statements of Shelby County Housing Authority (the Authority), as of and for the year ended June 30, 2009. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of June 30, 2009, and the changes in financial position and cash flows thereof 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 30, 2010, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 considered in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Authority's financial statements taken as a whole. The accompanying financial information listed as Supplementary Information and the Financial Data Schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements. Also, the accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such Supplementary Information and schedules have been subjected to the auditing procedures applied in the audit of the Authority's basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Bouda Kaplan, PLLC".

Germantown, Tennessee
March 30, 2010

SHELBY COUNTY HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2009

Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their *Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued June 1999.

Financial Highlights

Assets: As of June 30, 2009, total assets were \$3,831,900 as compared to \$3,598,742, as of June 30, 2008, an increase of \$233,158 or 6.48%. Current assets increased \$58,527 and capital assets increased \$174,631.

Liabilities: Total liabilities increased \$2,286 or 1.05% from \$218,051 in 2008 to \$220,337 in 2009. Current liabilities increased \$2,035 and non-current liabilities increased \$251.

Revenues: In 2009, total revenue increased \$300,243 or 38.16% from \$786,903 in 2008 to \$1,087,146 in 2009. Other income reported the largest increase in total income, which was a result of deferred insurance proceeds received in the prior year recognized as income in the current year.

Expenses: Total expenses decreased \$35,073 from \$891,347 in 2008 to \$856,274 in 2009. Most of the decrease was due to a reduction in routine maintenance expenses.

Overview of the Financial Statements

The annual report includes a Management Discussion and Analysis report, the Basic Financial Statements, the Notes to the Financial Statements, and the Financial Data Schedule (FDS) as referenced in the section of Supplemental Information Required by HUD. The financial statements are presented as fund level financial statements because the Housing Authority only has proprietary funds.

The financial statements report information using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about the Housing Authority's activities. The Statement of Net Assets includes all assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to the Housing Authority's creditors (liabilities). It also provides the basis for evaluating capital structure and assessing liquidity and financial flexibility.

SHELBY COUNTY HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
JUNE 30, 2009

For accounting purposes, the Housing Authority is classified as an enterprise fund. Enterprise funds account for activities similar to those found in the private business sector where the determination of net income is necessary or useful to sound financial administration. Enterprise funds are reported using the full accrual method of accounting in which all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Their focus is on income measurement which, together with the maintenance of equity, is an important financial indicator. Our discussion and analysis provides an overview of the financial activities and performance of the Shelby County Housing Authority for the 2009 fiscal year.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues and Expenses and Changes in Net Assets. This statement measures the ability of management to meet budgets, maintain the property (meet HUD specifications and inspections), and determines whether the Housing Authority has successfully recovered all its costs through its rental fees and other charges.

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

The section Supplemental Information Required by HUD contains the Financial Data Schedule (FDS). HUD has established Uniform Financial Reporting Standards that require the Housing Authority to submit financial information electronically to HUD using the FDS format. This financial information has been electronically transmitted to the Real Estate Assessment Center (REAC) for the year-ended June 30, 2009.

Financial Analysis:

One of the most important questions asked about the Authority's finances, "Is the Housing Authority, as a whole, better or worse off as a result of the achievements of the reported fiscal year?" The information presented in this Management's Discussion and Analysis is to assist the reader in answering this question.

The Housing Authority's basic financial statements are the Statement of Net Assets and the Statement of Revenue and Expenses and Changes in Net Assets. The Statement of Net Assets provides a summary of the Housing Authority's assets and liabilities as of the close of business on June 30, 2009. The Statement of Revenues, Expenses and Changes in Net Assets summarizes the revenues and sources of those revenues as well as the expenses incurred in operating the Housing Authority for the year ended June 30, 2009.

SHELBY COUNTY HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
JUNE 30, 2009

The Shelby County Housing Authority has a low rent program that provides housing for qualified tenants and a capital fund program that the Housing Authority uses for improvements to its low-rent property. The following analysis focuses on the net assets and the change in net assets of the Housing Authority as a *whole* and not the individual programs.

Net Assets				
June 30,				
	<u>2009</u>	<u>2008</u>	<u>Change</u>	<u>% of Change</u>
Current Assets, Net of Inter-program	\$ 458,140	\$ 399,613	\$ 58,527	14.65%
Capital Assets, Net	<u>3,373,760</u>	<u>3,199,129</u>	<u>174,631</u>	<u>5.46%</u>
Total Assets	<u><u>\$ 3,831,900</u></u>	<u><u>\$ 3,598,742</u></u>	<u><u>\$ 233,158</u></u>	<u><u>6.48%</u></u>
Current Liabilities, Net of Inter-program	\$ 211,479	\$ 209,444	\$ 2,035	0.97%
Non-Current Liabilities	<u>8,858</u>	<u>8,607</u>	<u>251</u>	<u>2.92%</u>
Total Liabilities	<u><u>\$ 220,337</u></u>	<u><u>\$ 218,051</u></u>	<u><u>\$ 2,286</u></u>	<u><u>1.05%</u></u>
Net Assets:				
Invested in Capital Assets	\$ 3,373,760	\$ 3,199,129	\$ 174,631	5.46%
Unrestricted Assets	<u>237,803</u>	<u>181,562</u>	<u>56,241</u>	<u>30.98%</u>
Total Net Assets	<u><u>\$ 3,611,563</u></u>	<u><u>\$ 3,380,691</u></u>	<u><u>\$ 230,872</u></u>	<u><u>6.83%</u></u>
Expendable Fund Balance				
Expendable Fund Balance	<u><u>\$ 234,037</u></u>	<u><u>\$ 176,185</u></u>	<u><u>\$ 57,852</u></u>	<u><u>32.84%</u></u>
Number of Months Expendable Fund	<u><u>4.25</u></u>	<u><u>3.05</u></u>	<u><u>1.20</u></u>	<u><u>39.37%</u></u>

SHELBY COUNTY HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
JUNE 30, 2009

Assets:

Current assets are resources that are reasonably expected, based on the plans and intentions of the Authority, to be converted into cash or its equivalent during the current operating cycle.

As of June 30, 2009, current assets were \$458,140 as compared to \$399,613, as of June 30, 2008, an increase of \$58,527. Current assets increased primarily because of the receivable due from HUD for construction in progress that was completed prior to year-end. The change in current assets consists primarily of increases in accounts receivable - HUD of \$171,346, less decreases in cash of \$104,490, accounts receivable - tenants of \$6,012, prepaid expenses of \$957, and inventories of \$1,360.

Capital assets are long-term tangible assets obtained as a result of past transactions, events, or circumstances and include buildings, equipment, and improvements to buildings and land.

Capital assets increased \$174,631 from \$3,199,129 in 2008 to \$3,373,760 in 2009; mainly due to the increase in construction in progress of \$301,106 from \$19,688 in 2008 to \$320,794 in 2009. The increase was due to capital purchases made for improvements at Kefauver Place.

The Housing Authority has \$904,866 from their 2006, 2007, 2008, and 2009 Capital program funds to draw down and spend in the future.

Liabilities:

Current liabilities are current debts that are owed by the Authority and due within 12 months. It is expected that current liabilities will consume current financial resources to satisfy debt.

As of June 30, 2009, current liabilities were \$211,479 as compared to \$209,444, as of June 30, 2008, an increase of \$2,035. The change in current liabilities consists of decreases in security deposits of \$1,195 and deferred revenues of \$170,879, and increases in account payables of \$170,952, compensated absences (vacation pay and/or sick leave) of \$26, and other accrued liabilities of \$ 3,131.

Non-current liabilities are debts that are owed but not due within 12 months. It is not expected that these liabilities will consume the Authority's current financial resources to satisfy the debt.

As of June 30, 2009, the Housing Authority had non-current liabilities consisting of \$8,858 in compensated absences, which was an increase of \$251 as compared to \$8,607 in 2008. Accrued compensated absences are liabilities for wages such as vacation and sick wages earned but not yet taken.

SHELBY COUNTY HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
JUNE 30, 2009

Debt:

The Authority had no long term obligations such as notes or bonds payable as of June 30, 2009 or 2008.

Capital Assets

June 30,

	<u>2009</u>	<u>2008</u>	<u>Change</u>	<u>% of Change</u>
Land	\$ 100,000	\$ 100,000	\$ -	0.00%
Buildings	5,561,953	5,540,458	21,495	0.39%
Furniture & Equipment - Admin	197,264	162,139	35,125	21.66%
Leasehold Improvements	1,419,100	1,406,595	12,505	0.89%
Construction in Progress	320,794	19,688	301,106	1529.39%
Subtotal	7,599,111	7,228,880	370,231	5.12%
Accumulated Depreciation	(4,225,351)	(4,029,751)	(195,600)	4.85%
Net Capital Assets	<u>\$ 3,373,760</u>	<u>\$ 3,199,129</u>	<u>\$ 174,631</u>	<u>5.46%</u>

Net Assets:

As of June 30, 2009, the Housing Authority had \$3,611,563 invested in total net assets. Of this amount, \$237,803 of unrestricted assets may be used to meet the Authority's future ongoing expenses and obligations. The remainder of \$3,373,760 represents the capital assets of land, buildings, furnishings, leasehold improvements, equipment, and construction in progress.

Expendable Fund Balance:

The expendable fund balance is a measure of the liquidity of the entity. If current assets, less materials inventory, are converted to cash and the Authority pays all current liabilities, the amount of cash remaining is the expendable fund balance. Shelby County Housing Authority's expendable fund balance increased \$57,852 from 2008 to 2009 due to increases in current assets over increases in current liabilities.

SHELBY COUNTY HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
JUNE 30, 2009

Number of Months Expendable Fund Balance:

The number of months in expendable funds is a measure of how many months the Authority could operate under current conditions without any additional income. The average monthly expenses are calculated by dividing the total expenses for the year, less depreciation, by twelve (12). The expendable fund balance is divided by the average monthly expense to arrive at the number of months expendable fund balance. The Authority's number of months expendable fund balance increased 1.20 months from 2008 to 2009 due to the increase in the expendable fund balance.

Changes in Net Assets				
For the Year Ended June 30,				
	<u>2009</u>	<u>2008</u>	<u>Change</u>	<u>% of Change</u>
Revenue:				
Tenant Revenue	\$ 166,149	\$ 161,277	\$ 4,872	3.02%
Federal Grants & Subsidy	743,521	616,585	126,936	20.59%
Investment Income	1,905	2,418	(513)	-21.22%
Other Income	175,571	6,623	168,948	2550.93%
Total Revenue	<u>\$ 1,087,146</u>	<u>\$ 786,903</u>	<u>\$ 300,243</u>	<u>38.16%</u>
Expenses:				
Administrative	302,925	228,544	74,381	32.55%
Tenant Services	706	635	71	11.18%
Utilities	50,180	49,322	858	1.74%
Routine Maintenance	235,236	319,354	(84,118)	-26.34%
Protective Services	2,259	2,154	105	4.87%
General Expenses	45,674	69,297	(23,623)	-34.09%
Casualty Losses	23,694	21,697	1,997	100.00%
Depreciation	195,600	200,344	(4,744)	-2.37%
Total Expenses	<u>\$ 856,274</u>	<u>\$ 891,347</u>	<u>\$ (35,073)</u>	<u>-3.93%</u>
Increase (Decrease) in Net Assets	<u>\$ 230,872</u>	<u>\$ (104,444)</u>	<u>\$ 335,316</u>	<u>-321.05%</u>

SHELBY COUNTY HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)

JUNE 30, 2009

Revenues:

The basic sources of revenue are rents and other tenant charges and/or funds received from the Department of Housing and Urban Development (HUD) in the form of operating subsidies and capital improvement grants.

In 2009, tenant revenue increased \$4,872 from \$161,277 in 2008 to \$166,149. Tenant rent revenue increased \$8,582 while other tenant revenue decreased \$3,710

HUD revenue will often vary from year to year since it is dependent on the federal budget (operating subsidy) and availability and/or use of grant revenues. In 2009, Shelby County Housing Authority's operating subsidy decreased \$163,716 while capital contributions increased \$290,652 that resulted in a net increase of \$126,936.

Investment income decreased \$513 from \$2,418 in 2008 to \$1,905 in 2009

Other income increased \$168,948 from \$6,623 in 2008 to \$175,571 in 2009.

Expenses:

In 2009, administrative expenses increased \$74,381 from \$228,544 in 2008 to \$302,925 in 2009. Salaries increased \$44,314 and benefits increased \$23,149 primarily because the Authority hired a new executive director during the fiscal year. Audit fees increased \$325 and other administrative expenses increased \$6,593.

Tenant services increased \$71, utilities increased \$858 from \$49,322 in 2008 to \$50,180 in 2009 due mainly to increases in water/sewer costs, and protective services increased \$105, which had minimal effects on the financial statements.

Routine maintenance expenses decreased \$84,118 from \$319,354 in 2008 to \$235,236 in 2009. Labor decreased \$14,370 while benefits increased \$8,307. Material costs decreased \$39,907 and maintenance contract costs decreased \$56,217 due mainly to decreases in unit turnaround costs.

General expenses decreased \$23,623 from \$69,297 in 2008 to \$45,674 in 2009 due mainly to decreases in tenant bad-debts.

The Authority reported \$23,694 in casualty losses, as compared to \$21,697 in the previous fiscal year, due to fire damages.

Depreciation expenses decreased \$4,744 from \$200,344 in 2008 to \$195,600 in 2009.

SHELBY COUNTY HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
JUNE 30, 2009

Economic Factors

The Housing Authority is primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected by both federal budgetary decisions and by local economic conditions. The funding of programs could be significantly affected by the 2009 and 2010 federal budget.

Contacting the Housing Authority's Financial Management

Our financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Housing Authority's finances and to show the Housing Authority's accountability for the money it receives. If you have questions or need further clarification regarding the financial statements, contact Edward Pearlman, Executive Director, at the Housing Authority of the Shelby County, 715 Rouge Bluff Road, Memphis, TN 38127, telephone number (901)353-0590.

FINANCIAL STATEMENTS

SHELBY COUNTY HOUSING AUTHORITY

STATEMENT OF NET ASSETS

JUNE 30, 2009

ASSETS

CURRENT ASSETS:

Cash	\$ 239,188
Restricted cash	15,443
Total cash	<u>254,631</u>
Tenant receivables, net of allowance for doubtful accounts	709
Accounts receivable - HUD	171,346
Prepaid expenses	18,830
Inventories, net	12,624
Total current assets	<u>458,140</u>

NONCURRENT ASSETS:

Capital assets	
Nondepreciable	420,794
Depreciable, net of accumulated depreciation	<u>2,952,966</u>
Total noncurrent assets	<u>3,373,760</u>
TOTAL ASSETS	<u><u>\$ 3,831,900</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$ 171,527
Security deposits	15,443
Accrued liabilities	11,798
Deferred revenue	12,711
Total current liabilities	<u>211,479</u>

NONCURRENT LIABILITIES:

Compensated absences	<u>8,858</u>
TOTAL LIABILITIES	<u>220,337</u>

NET ASSETS:

Invested in capital assets	3,373,760
Unrestricted	<u>237,803</u>
Total net assets	<u>3,611,563</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,831,900</u></u>

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

SHELBY COUNTY HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended JUNE 30, 2009

OPERATING REVENUES:	
Tenant revenue	\$ 166,149
Government operating grants	442,415
Miscellaneous	<u>175,571</u>
Total Operating Revenues	<u>784,135</u>
OPERATING EXPENSES:	
Administration	302,925
Casualty losses	23,694
Depreciation	195,600
General	45,674
Maintenance	235,236
Protective services	2,259
Tenant services	706
Utilities	<u>50,180</u>
Total Operating Expenses	<u>856,274</u>
OPERATING INCOME (LOSS)	<u>(72,139)</u>
NON-OPERATING REVENUE (EXPENSE):	
Interest income	<u>1,905</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>(70,234)</u>
Capital Contributions	<u>301,106</u>
CHANGE IN NET ASSETS	<u>230,872</u>
NET ASSETS - BEGINNING OF YEAR	<u>3,380,691</u>
NET ASSETS - END OF YEAR	<u><u>\$ 3,611,563</u></u>

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

SHELBY COUNTY HOUSING AUTHORITY

STATEMENT OF CASH FLOWS

For the Year Ended JUNE 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from tenants	\$ 166,673
Operating subsidies	442,415
Payments to suppliers	(524,953)
Payments to employees	(296,977)
Other receipts (payments)	<u>175,571</u>
Net cash provided (used) by operating activities	<u>(37,271)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Capital contributions	301,106
Purchases of capital assets	<u>(370,231)</u>
Net cash provided (used) by capital and related financing activities	<u>(69,125)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest earned on invested cash	<u>1,905</u>
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NET INCREASE IN CASH AND CASH EQUIVALENTS (104,490)

CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR 359,121

CASH AND CASH EQUIVALENTS - END OF YEAR \$ 254,631

RECONCILIATION OF OPERATING (LOSS) TO NET

CASH PROVIDED (USED) BY OPERATING ACTIVITIES:

Operating loss	<u>\$ (72,139)</u>
Adjustments not affecting cash	
Depreciation	195,600
Bad debts	2,961
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable - tenants	3,052
(Increase) decrease in accounts receivable - HUD	(171,346)
(Increase) decrease in inventories	1,360
(Increase) decrease in prepaid expenses	957
Increase (decrease) in accounts payable	170,952
Increase (decrease) in accrued expenses	3,406
Increase (decrease) in security deposits	(1,195)
Increase (decrease) in deferred revenue	<u>(170,878)</u>
Total adjustments	<u>34,868</u>

NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES \$ (37,271)

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

SHELBY COUNTY HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

The financial statements of the Shelby County Housing Authority have been prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the Shelby County Housing Authority are discussed below.

Under the United States Housing Act of 1937, as amended, the U.S. Department of Housing and Urban Development (HUD) has direct responsibility for administering low income housing programs in the United States. Accordingly, HUD has contracted with the entity to administer certain HUD funds.

A. Reporting Entity

These financial statements present the financial position and results of operations of Shelby County Housing Authority, a primary government. There are no component units, as defined by GASB No. 14, that are to be included in the Shelby County Housing Authority's reporting entity. The Authority's one fund consists of the following programs:

- Low-Income Housing, 175 Single-family units: 131 at Horton Gardens, located in Northaven, TN and 44 units at Kefauver Terrace, located in Bartlett, TN
- Capital Fund Program

B. Basic Financial Statements

The Authority is a public corporation, legally separate, fiscally independent and governed by a Board of Commissioners. As such, Shelby County Housing Authority is considered a special-purpose government. All activities of the Authority are considered business-type activities.

All activities of the Authority are reported in one proprietary fund. The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The proprietary fund of the Authority is classified as one enterprise fund.

SHELBY COUNTY HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is secured by the Authority's fixed assets and by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or, (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

GASB No. 34, requires a government's basic financial statements include government-wide (reporting the Authority as a whole) and fund financial statements (reporting the Authority's major funds). GASB No. 34 was written from the perspective of general-purpose governments. The Shelby County Housing Authority is considered to be a special-purpose government since its existence is to satisfy a very specific and narrow purpose. The Authority presents a single set of enterprise fund financial statements, consisting of a Low Income Housing Program and a Capital Fund Program. In the Statement of Net Assets, the business-type activities total column is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

GASB No. 34, paragraph 66, requires the following financial statements for proprietary funds:

- Statement of Net Assets
- Statement of Revenues, Expenses, and Changes in Fund Net Assets
- Statement of Cash Flow

The Authority's net assets are reported in three parts-invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Authority first utilizes restricted resources to finance qualifying activities.

When an expense has been incurred for purposes for which both restricted and unrestricted net assets are available, the Authority will first apply restricted resources to such expense.

C. Accrual Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

SHELBY COUNTY HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

D. Budget

Enterprise Fund service delivery levels are determined by the extent of consumer demand. Because Enterprise Fund revenues and expenses fluctuate with changing service delivery levels, generally accepted accounting principles do not require the financial statements to include budgetary comparisons and, accordingly, these comparisons have not been included.

Budgets are prepared for regulatory purposes in accordance with the Authority's contract with HUD. The Authority prepares annual budgets for each program. Prior to the beginning of each budget year, the Authority's annual budget is approved by its governing body. Budgetary amendments require approval by the governing body. All budgetary appropriations lapse at the end of each year. Budgets for Capital Fund Programs are approved in the Authority's 5-year and annual plans.

E. Financial Statements Amounts

1. Cash and Cash Equivalents. The Shelby County Housing Authority defines cash to include certificates of deposit, money market funds, savings accounts, demand deposits, and other short-term securities with original maturities of three months or less; consequently, the cost, carrying value, and market value are equivalent.
2. Restricted Cash and Cash Equivalents. Restricted cash and cash equivalents consists of cash held in trust for a specific purpose. For the year ended June 30, 2009, restricted cash and cash equivalents consisted of security deposits plus interest, in the amount of \$15,443.
3. Tenant Accounts Receivable. This receivable consists of amounts due from tenants for rental, excess utilities and repair charges. The Authority provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. The Authority's estimate is based on historical collection experience and a review of the current status of accounts receivable. It is reasonably possible that the Authority's estimate of the allowance for doubtful accounts will change. Tenant's credit balances are recorded as deferred revenues at the discretion of the Authority. The allowance for doubtful accounts totaled \$12,623 at June 30, 2009.
4. Inventories. Inventories consist of materials used in the maintenance and repair of the rental dwellings. Inventories are stated at cost determined by the first-in, first-out (FIFO) method.
5. Security Deposit. Security deposits consist of amounts held in trust with the Shelby County Housing Authority in order for tenants to secure apartment leases.

SHELBY COUNTY HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

6. Capital Assets. Capital assets purchased or acquired with an original cost of \$500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Land improvements	15 years
Buildings	40 years
Buildings - refurbishing and improvements	20 years
Furniture and equipment – administrative	3-7 years

7. Construction in Progress. Construction in progress consists of expenditures under HUD’s Capital Fund Program (CFP). When a project is completed, the cost is transferred to an appropriate Capital Asset account and depreciated. Certain expenditures under these programs are not capitalizable expenditures, and therefore are expensed as incurred.

8. Accrued Compensated Absences. Accrued compensated absences consist of earned, accumulated, unpaid vacation and sick leave and associated employee-related costs. The Authority’s policy states that a maximum of 260 hours can be accrued.

9. Insurance Proceeds. In the prior year, insurance proceeds in the amount of \$167,028 were received from the Authority's insurance company for fire damage incurred to the property. This amount is was expended in the current year and reclassified to miscellaneous income on the Statement of Revenues, Expenses and Changes in Net Assets during the year ended June 30, 2009.

10. Revenues. All Authority revenues are accrued. These revenues consist of user charges for rents, utilities, repairs and other miscellaneous charges. Monies received from tenants for security deposits are recorded as a liability upon receipt.

Subsidies and grants, which finance current operations, are reported as operating revenues. Subsidies and grants, which finance capital operations, are reported as non-operating revenues. Revenues for government-mandated and voluntary exchange transactions are recorded when all applicable eligibility requirements, including time requirements, are met. Resources received before all eligibility requirements are met are reported as deferred revenues.

11. Expenditures. Expenditures are recognized when the liability is incurred. Inventory costs are reported in the period when inventory items are used, rather than in the year purchased.

SHELBY COUNTY HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

12. Depreciation. Depreciation expense of \$195,600 has been recognized during the year ended June 30, 2009.
13. Advertising. The Authority had advertising expenses of \$1,958 for the year ended June 30, 2009.
14. Income taxes. The Authority is not subject to federal or state income taxes.
15. Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles as applied to governmental units require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the Authority insures itself against loss by purchase of commercial insurance and participation in a public entity risk pool. The Authority also insures itself against workers' compensation claims through purchase of commercial insurance.

The Authority participates in the public entity risk pool managed by the Tennessee Housing Authorities Risk Management Trust (THARMT) for its property and liability risk of loss coverage. The Authority, along with other participating entities, is responsible for paying annual premiums to the pool as determined by THARMT. The pool administers the pooled resources to provide risk of loss protection for each participating municipality by purchasing commercial excess insurance.

SHELBY COUNTY HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

NOTE 3 – CAPITAL ASSETS

Changes in capital assets are as follows:

	Beginning Balance	Additions	Adjustments and Retirements	Ending Balance
<u>Nondepreciable capital assets:</u>				
Land	\$ 100,000	\$ -	\$ -	\$ 100,000
Construction in Progress	19,688	301,106	-	320,794
Total nondepreciable capital assets	<u>119,688</u>	<u>301,106</u>	<u>-</u>	<u>420,794</u>
<u>Depreciable capital assets:</u>				
Land improvements	1,406,595	12,505	-	1,419,100
Buildings	5,540,458	21,495	-	5,561,953
Equipment	162,139	35,125	-	197,264
Total depreciable capital assets	<u>7,109,192</u>	<u>69,125</u>	<u>-</u>	<u>7,178,317</u>
<u>Less accumulated depreciation:</u>				
Land improvements	(956,164)	(33,862)	-	(990,026)
Buildings	(2,922,863)	(155,356)	-	(3,078,219)
Equipment	(150,724)	(6,382)	-	(157,106)
Total accumulated depreciation	<u>(4,029,751)</u>	<u>(195,600)</u>	<u>-</u>	<u>(4,225,351)</u>
Depreciable capital assets, net	<u>3,079,441</u>	<u>(126,475)</u>	<u>-</u>	<u>2,952,966</u>
Total capital assets, net	<u>\$ 3,199,129</u>	<u>\$ 174,631</u>	<u>\$ -</u>	<u>\$ 3,373,760</u>

Construction in progress is composed of expenditures related to major renovation of certain buildings owned by the entity, said renovation to be fully financed by grants from HUD.

All land and buildings are encumbered by a Declaration of Trust in favor of the United States of America as security for obligations guaranteed by the federal government and to protect other interests of the federal government.

SHELBY COUNTY HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

NOTE 4 – COMMITMENTS

Commitments arise primarily from construction in progress. Commitments at June 30, 2009 are composed of the following:

	<u>Project Authorization</u>	<u>Expended to June 30, 2009</u>	<u>Remaining Commitment</u>
CFP 501-05	\$ 259,009	\$ 259,009	\$ -
CFP 501-06	248,613	205,529	43,084
CFP 501-07	254,482	33,721	220,761
CFP 501-08	249,148	-	249,148
CFP 501-09	247,847	-	247,847
CFP 501-09D	315,372	171,346	144,026
Total	<u>\$ 1,574,471</u>	<u>\$ 669,605</u>	<u>\$ 904,866</u>

All project funds are provided by grants from HUD; therefore no additional funding is required to satisfy outstanding commitments at June 30, 2009.

NOTE 5 – CONTINGENCIES

The Authority is subject to possible examinations 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.

NOTE 6 – CONCENTRATION OF CREDIT RISK

At various times during the year, the Authority's cash in bank balance exceeded the Federal Deposit Insurance Corporation (FDIC) insured portion of \$250,000 per bank. However, at June 30, 2009, all of the Authority's cash in bank balances were within FDIC limitations.

SHELBY COUNTY HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

NOTE 7 – RETIREMENT PLAN

The Authority participates in the Housing Agency Retirement Trust (formerly the Housing Renewal and Local Agency Retirement Plan), which provides retirement benefits to its full-time employees. The Housing Authority board is responsible for establishing and amending the plan provisions.

The Authority's plan specifies that all current full-time employees as of November 1, 2008 with at least one year of continuous, uninterrupted service shall participate in the plan. All future regular full-time employees shall participate in the plan on the first day of the month after attaining age twenty-five (25) and completing one year of continuous and uninterrupted employment. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The employee's contribution shall equal 1% of their base rate of pay. The Authority will contribute 2% of the employee's base rate of pay. Participating employees who were employed on the effective date of the Plan shall be one hundred percent (100%) vested. All future participating employees shall vest in the employer's contributions at the rate of twenty percent (20%) for each full year of continuous participation in the Plan. The Authority's contribution to the plan for the year ended June 30, 2009 was \$1,812.

SUPPLEMENTAL FINANCIAL INFORMATION

SHELBY COUNTY HOUSING AUTHORITY

FINANCIAL DATA SCHEDULE

JUNE 30, 2009

Single Project Balance Sheet		
<i>TN095</i>	<i>06/30/2009</i>	<i>Audited/A-133</i>
		Total Project
111 Cash - Unrestricted		239,188
112 Cash - Restricted - Modernization and Development		
113 Cash - Other Restricted		
114 Cash - Tenant Security Deposits		15,443
115 Cash - Restricted for Payment of Current Liabilities		
100 Total Cash		254,631
121 Accounts Receivable - PHA Projects		
122 Accounts Receivable - HUD Other Projects		171,346
124 Accounts Receivable - Other Government		
125 Accounts Receivable - Miscellaneous		
126 Accounts Receivable - Tenants		13,332
126.1 Allowance for Doubtful Accounts - Tenants		(12,623)
126.2 Allowance for Doubtful Accounts - Other		-
127 Notes, Loans, & Mortgages Receivable - Current		
128 Fraud Recovery		
128.1 Allowance for Doubtful Accounts - Fraud		
129 Accrued Interest Receivable		
120 Total Receivables, Net of Allowances for Doubtful Accounts		172,055
131 Investments - Unrestricted		
132 Investments - Restricted		
135 Investments - Restricted for Payment of Current Liability		
142 Prepaid Expenses and Other Assets		18,830
143 Inventories		13,288
143.1 Allowance for Obsolete Inventories		(664)
144 Inter Program Due From		
145 Assets Held for Sale		
150 Total Current Assets		458,140

SHELBY COUNTY HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE (CONTINUED)
JUNE 30, 2009

Single Project Balance Sheet		
<i>TN095</i>	<i>06/30/2009</i>	<i>Audited/A-133</i>
		Total Project
161 Land		100,000
162 Buildings		5,561,953
163 Furniture, Equipment & Machinery - Dwellings		
164 Furniture, Equipment & Machinery - Administration		197,264
165 Leasehold Improvements		1,419,100
166 Accumulated Depreciation		(4,225,351)
167 Construction in Progress		320,794
168 Infrastructure		
160 Total Capital Assets, Net of Accumulated Depreciation		3,373,760
171 Notes, Loans and Mortgages Receivable - Non-Current		
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due		
173 Grants Receivable - Non Current		
174 Other Assets		
176 Investments in Joint Ventures		
180 Total Non-Current Assets		3,373,760
190 Total Assets		3,831,900
311 Bank Overdraft		
312 Accounts Payable <= 90 Days		171,527
313 Accounts Payable >90 Days Past Due		
321 Accrued Wage/Payroll Taxes Payable		7,369
322 Accrued Compensated Absences - Current Portion		4,429
324 Accrued Contingency Liability		
325 Accrued Interest Payable		
331 Accounts Payable - HUD PHA Programs		
332 Account Payable - PHA Projects		
333 Accounts Payable - Other Government		
341 Tenant Security Deposits		15,443
342 Deferred Revenues		12,711
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds		
344 Current Portion of Long-term Debt - Operating Borrowings		
345 Other Current Liabilities		
346 Accrued Liabilities - Other		
347 Inter Program - Due To		
348 Loan Liability - Current		
310 Total Current Liabilities		211,479

**SHELBY COUNTY HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE (CONTINUED)**

JUNE 30, 2009

Single Project Balance Sheet		
<i>TN095</i>	<i>06/30/2009</i>	<i>Audited/A-133</i>
		Total Project
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue		
352 Long-term Debt, Net of Current - Operating Borrowings		
353 Non-current Liabilities - Other		
354 Accrued Compensated Absences - Non Current		8,858
355 Loan Liability - Non Current		
356 FASB 5 Liabilities		
357 Accrued Pension and OPEB Liabilities		
350 Total Non-Current Liabilities		8,858
300 Total Liabilities		220,337
508.1 Invested In Capital Assets, Net of Related Debt		3,373,760
509.2 Fund Balance Reserved		
511.2 Unreserved, Designated Fund Balance		
511.1 Restricted Net Assets		
512.1 Unrestricted Net Assets		237,803
512.2 Unreserved, Undesignated Fund Balance		
513 Total Equity/Net Assets		3,611,563
600 Total Liabilities and Equity/Net Assets		3,831,900

SHELBY COUNTY HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE (CONTINUED)
JUNE 30, 2009

Single Project Revenue and Expense				
<i>TN095</i>	<i>06/30/2009</i>		<i>Audited/A-133</i>	
		14,850	14,872	Total Project
70300 Net Tenant Rental Revenue		165,461		165,461
70400 Tenant Revenue - Other		688		688
70500 Total Tenant Revenue		166,149	-	166,149
70600 HUD PHA Operating Grants		442,415		442,415
70610 Capital Grants			301,106	301,106
70710 Management Fee				
70720 Asset Management Fee				
70730 Book Keeping Fee				
70740 Front Line Service Fee				
70750 Other Fees				
70700 Total Fee Revenue				
70800 Other Government Grants				
71100 Investment Income - Unrestricted		1,905		1,905
71200 Mortgage Interest Income				
71300 Proceeds from Disposition of Assets Held for Sale				
71310 Cost of Sale of Assets				
71400 Fraud Recovery				
71500 Other Revenue		175,571		175,571
71600 Gain or Loss on Sale of Capital Assets				
72000 Investment Income - Restricted				
70000 Total Revenue		786,040	301,106	1,087,146
91100 Administrative Salaries		163,251		163,251
91200 Auditing Fees		6,825		6,825
91300 Management Fee				
91310 Book-keeping Fee				
91400 Advertising and Marketing		1,958		1,958
91500 Employee Benefit contributions - Administrative		57,748		57,748
91600 Office Expenses		41,747		41,747
91700 Legal Expense		14,933		14,933
91800 Travel		2,278		2,278
91810 Allocated Overhead				
91900 Other		13,808		13,808
91000 Total Operating - Administrative		302,548	-	302,548

SHELBY COUNTY HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE (CONTINUED)
JUNE 30, 2009

Single Project Revenue and Expense				
<i>TN095</i>	<i>06/30/2009</i>		<i>Audited/A-133</i>	
		14.850	14.872	Total Project
92000 Asset Management Fee				
92100 Tenant Services - Salaries				
92200 Relocation Costs				
92300 Employee Benefit Contributions - Tenant				
92400 Tenant Services - Other		706		706
92500 Total Tenant Services		706	-	706
93100 Water		19,064		19,064
93200 Electricity		20,012		20,012
93300 Gas				
93400 Fuel				
93500 Labor				
93600 Sewer		10,370		10,370
93700 Employee Benefit Contributions - Utilities				
93800 Other Utilities Expense		734		734
93000 Total Utilities		50,180	-	50,180
94100 Ordinary Maintenance and Operations - Labor		50,547		50,547
94200 Ordinary Maintenance and Operations - Materials and Other		23,383		23,383
94300 Ordinary Maintenance and Operations Contracts		133,220		133,220
94500 Employee Benefit Contributions - Ordinary Maintenance		28,086		28,086
94000 Total Maintenance		235,236	-	235,236
95100 Protective Services - Labor				
95200 Protective Services - Other Contract Costs		2,259		2,259
95300 Protective Services - Other				
95500 Employee Benefit Contributions - Protective Services				
95000 Total Protective Services		2,259	-	2,259
96110 Property Insurance		31,648		31,648
96120 Liability Insurance		2,163		2,163
96130 Workmen's Compensation		4,028		4,028
96140 All Other Insurance		4,873		4,873
96100 Total Insurance Premiums		42,712	-	42,712

SHELBY COUNTY HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE (CONTINUED)
JUNE 30, 2009

Single Project Revenue and Expense				
<i>TN095</i>	<i>06/30/2009</i>		<i>Audited/A-133</i>	
		14.850	14.872	Total Project
96200 Other General Expenses				
96210 Compensated Absences		377		377
96300 Payments in Lieu of Taxes		1		1
96400 Bad debt - Tenant Rents		2,961		2,961
96500 Bad debt - Mortgages				
96600 Bad debt - Other				
96800 Severance Expense				
96000 Total Other General Expenses		3,339	-	3,339
96710 Interest of Mortgage (or Bonds) Payable				
96720 Interest on Notes Payable (Short and Long Term)				
96730 Amortization of Bond Issue Costs				
96700 Total Interest Expense and Amortization		-	-	-
96900 Total Operating Expenses		636,980	-	636,980
97000 Excess of Operating Revenue over Operating Expenses		450,166	301,106	751,272
97100 Extraordinary Maintenance				
97200 Casualty Losses - Non-capitalized		23,694		23,694
97300 Housing Assistance Payments				
97350 HAP Portability-In				
97400 Depreciation Expense		195,600		195,600
97500 Fraud Losses				
97600 Capital Outlays - Governmental Funds				
97700 Debt Principal Payment - Governmental Funds				
97800 Dwelling Units Rent Expense				
90000 Total Expenses		856,274	-	856,274

**SHELBY COUNTY HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE (CONTINUED)**

JUNE 30, 2009

Single Project Revenue and Expense				
<i>TN095</i>	<i>06/30/2009</i>		<i>Audited/A-133</i>	
		14.850	14.872	Total Project
10010 Operating Transfer In		-	-	-
10020 Operating transfer Out		-	-	-
10030 Operating Transfers from/to Primary				
10040 Operating Transfers from/to Component Unit		-	-	-
10050 Proceeds from Notes, Loans and Bonds				
10060 Proceeds from Property Sales				
10070 Extraordinary Items, Net Gain/Loss				
10080 Special Items (Net Gain/Loss)				
10091 Inter Project Excess Cash Transfer In				
10092 Inter Project Excess Cash Transfer Out				
10093 Transfers between Program and Project - In				
10094 Transfers between Project and Program - Out				
10100 Total Other financing Sources (Uses)		-	-	-
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses		(70,234)	301,106	230,872
11020 Required Annual Debt Principal Payments				
11030 Beginning Equity		3,380,691	-	3,380,691
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors		-	-	-
11050 Changes in Compensated Absence Balance				
11060 Changes in Contingent Liability Balance				
11070 Changes in Unrecognized Pension Transition				
11080 Changes in Special Term/Severance Benefits				
11090 Changes in Allowance for Doubtful Accounts Dwelling Rents				
11100 Changes in Allowance for Doubtful Accounts Other				
11170 Administrative Fee Equity				
11180 Housing Assistance Payments Equity				

**SHELBY COUNTY HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE (CONTINUED)**

JUNE 30, 2009

Single Project Revenue and Expense				
<i>TN095</i>	<i>06/30/2009</i>		<i>Audited/A-133</i>	
		14.850	14.872	Total Project
11190 Unit Months Available		2,100		2,100
11210 Number of Unit Months Leased		1,732		1,732
11270 Excess Cash		162,373		162,373
11610 Land Purchases		-	-	-
11620 Building Purchases		21,495	-	21,495
11630 Furniture & Equipment - Dwelling Purchases		-	-	-
11640 Furniture & Equipment - Administrative		35,125	-	35,125
11650 Leasehold Improvements Purchases		12,505	-	12,505
11660 Infrastructure Purchases		-	-	-
13510 CFFP Debt Service Payments		-	-	-
13901 Replacement Housing Factor Funds		-	-	-

SHELBY COUNTY HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2009

Federal Grantor / Program Title	Grant ID Number	Federal CFDA Number	2008		2009	
			Receivable (Payable) Balance	Receipts	Disbursements	Receivable (Payable) Balance
U.S. Department of Housing and Urban Development						
Major Federal Program:						
Low Income Housing - Operating Subsidy	TN09500306	14.850	\$ -	\$ 442,415	\$ 442,415	\$ -
Capital Fund Program	TN43P095501	14.872	-	129,760	301,106	171,346
Total Federal Programs			\$ -	\$ 572,175	\$ 743,521	\$ 171,346

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Shelby County Housing 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 Corporations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of the financial statements.

SHELBY COUNTY HOUSING AUTHORITY
STATEMENT OF CAPITAL FUND PROGRAM COSTS UNCOMPLETED
ANNUAL CONTRIBUTIONS CONTRACT A-3077
YEAR ENDED JUNE 30, 2009

1. The capital fund program costs are as follows:

	<u>501-09D</u>
Funds approved	\$ 315,372
Funds expended	<u>171,346</u>
Excess (deficiency) of funds approved	<u><u>\$ 144,026</u></u>
Funds advanced	\$ -
Funds expended	<u>171,346</u>
Excess (deficiency) of funds advanced	<u><u>\$ (171,346)</u></u>

2. Cost additions totaling \$171,346 were made during the period, and accordingly, were audited by Zoccola Kaplan, PLLC.

1. The capital fund program costs are as follows:

	<u>501-09</u>
Funds approved	\$ 247,847
Funds expended	<u>-</u>
Excess (deficiency) of funds approved	<u><u>\$ 247,847</u></u>
Funds advanced	\$ -
Funds expended	<u>-</u>
Excess (deficiency) of funds advanced	<u><u>\$ -</u></u>

1. The capital fund program costs are as follows:

	<u>501-08</u>
Funds approved	\$ 249,148
Funds expended	<u>-</u>
Excess (deficiency) of funds approved	<u><u>\$ 249,148</u></u>
Funds advanced	\$ -
Funds expended	<u>-</u>
Excess (deficiency) of funds advanced	<u><u>\$ -</u></u>

SHELBY COUNTY HOUSING AUTHORITY
STATEMENT OF CAPITAL FUND PROGRAM COSTS UNCOMPLETED
ANNUAL CONTRIBUTIONS CONTRACT A-3077 (CONTINUED)
YEAR ENDED JUNE 30, 2009

1. The capital fund program costs are as follows:

	<u>501-07</u>
Funds approved	\$ 254,482
Funds expended	<u>33,721</u>
Excess (deficiency) of funds approved	<u>\$ 220,761</u>
Funds advanced	\$ 33,721
Funds expended	<u>33,721</u>
Excess (deficiency) of funds advanced	<u>\$ -</u>

2. Cost additions totaling \$33,721 were made during the period, and accordingly, were audited by Zoccola Kaplan, PLLC.

1. The capital fund program costs are as follows:

	<u>501-06</u>
Funds approved	\$ 248,613
Funds expended	<u>205,529</u>
Excess (deficiency) of funds approved	<u>\$ 43,084</u>
Funds advanced	\$ 205,529
Funds expended	<u>205,529</u>
Excess (deficiency) of funds advanced	<u>\$ -</u>

2. Cost additions totaling \$66,442 were made during the period, and accordingly, were audited by Zoccola Kaplan, PLLC.

SHELBY COUNTY HOUSING AUTHORITY
STATEMENT OF CAPITAL FUND PROGRAM COSTS COMPLETED
ANNUAL CONTRIBUTIONS CONTRACT A-3077
YEAR ENDED JUNE 30, 2009

1. The capital fund program costs are as follows:

	<u>501-05</u>
Funds approved	\$ 259,009
Funds expended	<u>259,009</u>
Excess (deficiency) of funds approved	<u><u>\$ -</u></u>
Funds advanced	\$ 259,009
Funds expended	<u>259,009</u>
Excess (deficiency) of funds advanced	<u><u>\$ -</u></u>

2. Cost additions totaling \$29,597 were made during the period, and accordingly, were audited by Zoccola Kaplan, PLLC.
3. The above costs are in agreement with the final Financial Status Report, submitted to HUD for approval, and the PHA's records.
4. All costs have been expended and no liabilities exist at June 30, 2009.
5. All funds were received as of June 30, 2009.

NON-FINANCIAL SECTION



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**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**

To the Board of Commissioners
Shelby County Housing Authority
Memphis, Tennessee

We have audited the financial statements of Shelby County Housing Authority (the "Authority") as of and for the year ended June 30, 2009, and have issued our report thereon dated March 30, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 the Authority's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, 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*.

The Authority's response to prior years' findings identified in our prior audits are described in the accompanying schedule of prior year's 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 management, the audit committee, others within the entity, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



Germantown, Tennessee
March 30, 2010



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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Commissioners
Shelby County Housing Authority
Memphis, Tennessee

Compliance

We have audited the compliance of Shelby County Housing Authority (the "Authority") with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2009. The Authority's major federal program is 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, grant agreements and other matters applicable to its major federal program 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 of Shelby County Housing Authority's compliance with those requirements.

In our opinion, Shelby County Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2009.

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, grant agreements and other matters 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, 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 *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The Authority's response to prior years' findings identified in our prior audits are described in the accompanying schedule of prior year's 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 management, the audit committee, others within the entity, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



Germantown, Tennessee
March 30, 2010

**SHELBY COUNTY HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009**

Section I - Summary of Auditors' Results

Financial Statements:

Type of auditor's report issued:		Unqualified
Internal control over financial reporting:		
- Material weakness(es) identified?	_____ yes	_____ <u>X</u> no
- Significant deficiencies identified that are not considered to be material weaknesses?	_____ yes	_____ <u>X</u> none reported
- Noncompliance material to financial statements noted?	_____ yes	_____ <u>X</u> no

Federal Awards:

Internal control over major programs:		
- Material weakness(es) identified?	_____ yes	_____ <u>X</u> no
- Significant deficiencies identified that are not considered to be material weaknesses?	_____ yes	_____ <u>X</u> none reported
Type of auditor's report issued on compliance for major program:		Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	_____ yes	_____ <u>X</u> no

Identification of major programs:

CFDA No. 14.850		Low-Income Housing
CFDA No. 14.872		Capital Funds
Threshold for distinguishing type A and B programs:		\$300,000
Auditee qualified as low risk auditee?	_____ yes	_____ <u>X</u> no

SHELBY COUNTY HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2009

Section II - Financial Statement Findings

There were no findings for the year ended June 30, 2009.

Section III - Federal Award Findings and Questioned Costs

There were no findings for the year ended June 30, 2009.

SHELBY COUNTY HOUSING AUTHORITY
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

Prior-Year Financial Statement Findings:

Finding 2008-1 Accounts Receivable - Formal Agreements

Condition: Accounts receivable - formal agreements are not being reconciled.

Recommendation: We recommend that a separate spreadsheet be prepared, showing the tenant's name, beginning balance owed and any payments that are made; and that such spreadsheet be reconciled to the amount recorded in the general ledger and subsidiary ledger on a monthly basis.

Current status: Accounts receivable - formal agreements has been reconciled, therefore this finding is considered to be closed.

Finding 2008-2 Move-Out Process

Condition: There does not appear to be a policy and procedure in place for the move-out process.

Recommendation: A move-out checklist should be prepared, indicating each step/procedure that needs to be done when a tenant moves out, and then this checklist should go in the tenant file once all steps have been completed.

Current status: The move-out process has been refined and credit balances were researched and cleaned-up. This finding is considered to be closed.

Finding 2008- 4 Waiting List

Condition: The waiting list is not properly maintained.

Recommendation: After a potential client from the list is called, the list needs to indicate whether that person was interested, was not interested at this time, or if they have decided to move elsewhere. Then, after a certain number of calls, if that person does not move in, their name should be removed from the list.

Current status: The waiting list report setup was corrected in the system. This finding is considered to be closed.

SHELBY COUNTY HOUSING AUTHORITY
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2009

Finding 2008- 7 Tenant Files

Condition: Tenant files are not properly maintained.

Recommendation: We recommend the Client regularly review the tenant file checklist, making sure all appropriate forms and signatures are properly included in the file.

Current status: Tenant files were even more improved over last year; with no findings noted in the current year. This finding is considered to be closed.

SHELBY COUNTY HOUSING AUTHORITY
INDEPENDENT AUDITORS' GENERAL COMMENTS
AND OTHER SUPPORTING DATA REQUIRED BY HUD
JUNE 30, 2009

Required disclosures related to the auditor:

Name of Lead Auditor: W. Marcus Rountree, CPA
Firm: Zoccola Kaplan, PLLC
Firm Address: 6800 Poplar Avenue, Suite 210, Germantown, TN 38138
Firm Telephone Number: (901) 523-8283
Firm Federal I.D. Number: 62-1152935

All other supporting data required by HUD has been presented elsewhere in this report.