

**SHELBY COUNTY HOUSING AUTHORITY**

**FINANCIAL STATEMENTS  
&  
SUPPLEMENTAL INFORMATION  
YEAR ENDED JUNE 30, 2011**

**SHELBY COUNTY HOUSING AUTHORITY  
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YEAR ENDED JUNE 30, 2011**

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Shelby County Housing Authority  
Board of Commissioners Roster  
Year Ended June 30, 2011

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Name of Member	Title
John B. Smith	Chairman
Patrick H. Carter III	Vice Chairman
Tannera George Gibson	Commissioner
H. David Lowrance	Commissioner
Malcolm D. Collier	Tenant Commissioner

To the Board of Commissioners  
Shelby County Housing Authority

## Independent Auditor's Report

We have audited the accompanying basic financial statements of the Shelby County Housing Authority (the "Authority"), as of and for the year ended June 30, 2011, 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.

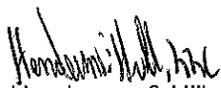
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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 Authority as of June 30, 2011, and the respective changes in financial position and, where applicable, 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 issued our report dated March 29, 2012, on our consideration of the Authority's internal control over financial reporting and 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 considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 7 are not a required part of the basic financial statements but are 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 opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplemental information, which includes the Financial Data Schedule (FDS) and the Board of Commissioners Roster, is presented for purposes of additional analysis, and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Henderson & Hill, LLC  
March 29, 2012

SHELBY COUNTY HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION & ANALYSIS  
JUNE 30, 2011

**Management's Discussion and Analysis**

The Management's Discussion and Analysis (the "MD&A") is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Shelby County Housing Authority's, (the "Authority") financial activity, (c) identify changes in the Authority's financial position (its ability to address the next and subsequent years' challenges), and (d) identify issues or concerns. This will now be presented at the front of each year's financial statements.

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 financial statements, which follow this section.

**Financial Highlights**

- Net assets at June 30, 2011, decreased to \$1,431,795. Since the Authority engages only in business-type activities, the decrease is all in the category of business-type net assets. Net assets were \$1,754,066 for 2010.
- The business-type activities operating revenue at June 30, 2011, decreased to \$1,247,991. Total operating revenue was \$1,435,071 for 2010.
- The total operating expenses of all programs for June 30, 2011, increased to \$1,567,024. Total operating expenses were \$1,299,559 for 2010.
- Total capital grant contributions at June 30, 2011, decreased to \$7,295. Total capital grant contributions were \$162,756 for 2010.

**Overview of the Financial Statements**

The financial statements included in this annual report are those of a special-purpose government engaged in a business-type activity.

This MD&A is intended to serve as an introduction to the Authority's basic financial statements.

The following statements are included:

- Statement of Net Assets – reports current financial resources (short-term expendable resources) with capital assets and long-term obligations.
- Statement of Revenue, Expenses, and Changes in Fund Net Assets - reports operating and nonoperating revenue, by major source along with operating and nonoperating expenses and capital contributions.
- Statement of Cash Flows – reports cash flows from operating, investing, capital, non-capital activities.

**Programs**

Conventional Public Housing – Under the Conventional Public Housing Program, the Authority rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides operating subsidy and capital grant funding to enable the PHA to provide the housing at a rent that is based upon 30% of household income (as defined in the HUD regulations).

Capital Fund Grants – The Authority’s capital funds are received from the federal government through a formula driven computation. These funds are used to upgrade our facilities at various developments to give our residents the decent and safe living environment they need. Each year’s grant funds must be entirely obligated within two years of inception of the grant, and entirely expended within four years.

Housing Choice Voucher Program - Under the Housing Choice Voucher Program, the Authority contracts with independent landlords that own the property. The Authority subsidizes the family’s rent through a Housing Assistance Payment (HAP) made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions funding to enable the Authority to structure a lease that sets the participant’s rent at 30% or up 40% of household income.

## FINANCIAL ANALYSIS

The following tables focus on the net assets and the change in net assets of the primary government as a whole.

**TABLE 1 – STATEMENT OF NET ASSETS**

	<u>2011</u>	<u>2010</u>	<u>Variance</u>	<u>%Change</u>
Current Assets	\$ 339,557	\$ 593,781	\$ (254,224)	-42.81%
Capital Assets, Net	1,120,589	1,177,275	(56,686)	-4.82%
<b>Total Assets</b>	<b>\$ 1,460,146</b>	<b>\$ 1,771,056</b>	<b>\$ (310,910)</b>	<b>-17.56%</b>
Current Liabilities	\$ 23,964	\$ 15,155	\$ 8,809	58.13%
Noncurrent Liabilities	4,387	1,835	2,552	139.07%
<b>Total Liabilities</b>	<b>28,351</b>	<b>16,990</b>	<b>11,361</b>	<b>66.87%</b>
<b>Net Assets:</b>				
Invested in Capital Assets	1,120,589	1,177,275	(56,686)	-4.82%
Restricted	49,969	194,702	(144,733)	-74.34%
Unrestricted	261,237	382,089	(120,852)	-31.63%
<b>Total Net Assets</b>	<b>1,431,795</b>	<b>1,754,066</b>	<b>(322,271)</b>	<b>-18.37%</b>
<b>Total Liabilities &amp; Net Assets</b>	<b>\$ 1,460,146</b>	<b>\$ 1,771,056</b>	<b>\$ (310,910)</b>	<b>-17.56%</b>

## MAJOR FACTORS AFFECTING THE STATEMENT OF NET ASSETS

Current assets decreased by \$254,224 due primarily to a reduction in HCV cash related to Housing Assistance Payments (HAP) reserves and a decrease in HUD accounts receivable.

Capital assets decreased by \$56,686 primarily due to current year depreciation in excess of capital additions.

Current liabilities increased by \$8,809 due to an increase in accounts payable at year-end.

Noncurrent liabilities increased by \$2,552 due to an increase in the noncurrent portion of accrued compensated absences expense.

**TABLE 2 – STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS**

The following schedule compares the revenue and expenses for the current and previous fiscal years. The Authority is engaged only in business-type activities.

	<u>2011</u>	<u>2010</u>	<u>Variance</u>	<u>% Change</u>
<b>Operating Revenues</b>				
Rental Income	\$ 78,168	\$ 128,729	\$ (50,561)	-39.28%
Federal Grants	1,105,465	1,234,948	(129,483)	-10.48%
Other	<u>64,358</u>	<u>71,394</u>	<u>(7,036)</u>	-9.86%
Total Operating Revenues	<u>1,247,991</u>	<u>1,435,071</u>	<u>(187,080)</u>	-13.04%
<b>Operating Expenses</b>				
Administration	436,152	349,022	87,130	24.96%
Tenant Services	-	106,532	(106,532)	-100.00%
Utilities	13,789	47,673	(33,884)	-71.08%
Maintenance	137,764	176,187	(38,423)	-21.81%
General	62,266	58,580	3,686	6.29%
Housing Assistance Payments	823,970	352,185	471,785	133.96%
Depreciation	<u>93,083</u>	<u>209,380</u>	<u>(116,297)</u>	-55.54%
Total Operating Expenses	<u>1,567,024</u>	<u>1,299,559</u>	<u>267,465</u>	20.58%
Operating Income (loss)	<u>(319,033)</u>	<u>135,512</u>	<u>(454,545)</u>	-335.43%
<b>Nonoperating revenues (expenses):</b>				
Interest Revenue	1,105	920	185	20.11%
Capital Contributions	7,295	162,756	(155,461)	-95.52%
Loss on Disposal of Capital Assets	(11,638)	-	-	-
Loss on Impairment of Capital Assets	-	(1,937,088)	1,937,088	-100.00%
Total Nonoperating Activity	<u>(3,238)</u>	<u>(1,773,412)</u>	<u>1,770,174</u>	-99.82%
Change in Net Assets	(322,271)	(1,637,900)	1,315,629	-80.32%
Prior Period Adjustments	-	(219,597)	219,597	-100.00%
Beginning Net Assets	<u>1,754,066</u>	<u>3,611,563</u>	<u>(1,857,497)</u>	-51.43%
Ending Net Assets	<u>\$ 1,431,795</u>	<u>\$ 1,754,066</u>	<u>\$ (322,271)</u>	-18.37%

**MAJOR FACTORS AFFECTING THE STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS**

Decrease in net assets was \$322,271 primarily due to a reduction in federal grants and capital contributions and an increase in HAP expense.

The Authority had an operating loss of \$319,033 including non-cash depreciation expense of \$93,083 versus an operating gain of \$135,512 and depreciation expense of \$209,380 in prior year.

Total operating revenue decreased by \$187,080 to \$1,247,991 as a result of a decrease in federal grants.

Total operating expenses increased by \$267,465 to \$1,567,024 primarily due to an increase in HAP expense in connection with the HCV program and increased administrative costs.

Capital contributions decreased by \$155,461 to \$7,295 due to unit modification projects that were undertaken during the previous year compared to the purchase of a copier in the current year.

The Authority recognized a loss on impairment of capital assets in the prior year in the amount of \$1,937,088, which represents the excess of the carrying value of the assets associated with the Horton Gardens project over their appraised value of \$200,000. No such impairment was noted in the current year.

## **CAPITAL ASSETS**

As of June 30, 2011, investment in capital assets for its business-type activities was \$1,120,589 net of accumulated depreciation. This investment in capital assets includes land, buildings, improvements, equipment and construction in progress.

Major capital asset purchases during the current fiscal year included the following:

- 2010 Dodge Charger
- Security cameras
- Copier

Major capital asset disposals during the current fiscal year included the following:

- Write off of obsolete administrative equipment

## **SUBSEQUENT EVENTS**

Subsequent to year-end the Authority was the subject of an Office of Inspector General (OIG) investigation based upon an audit request from the U.S. Department of Housing and Urban Development (HUD). The OIG issued their report on January 26, 2012. A complete copy of the report can be obtained at [www.hudoig.gov/reports/TN.php](http://www.hudoig.gov/reports/TN.php).

In response to the OIG findings, the Board upon consultation with HUD's office of public housing has determined that the agency is not financially viable and on January 6, 2012 passed a resolution to develop an action plan of merger with the Memphis Housing Authority (MHA) relinquishing ownership of the public housing properties and programmatic assets and responsibilities associated with the public housing low rent program and the Housing Choice Voucher program. The merger will require additional official action by the Board, the MHA Board and approval by the Assistant Secretary of HUD. Negotiations between the two agencies will ensure a merger plan is developed. It is anticipated that the transition would take a minimum of three months to complete. The Board will then make a determination relative to the dissolution of the current entity legally known as the Shelby County Housing Authority upon advice of Counsel.

Effective February 1, 2012, the Authority and Martin Housing Authority have entered into an intergovernmental management agreement. The Martin Housing Authority now has full management authority for the Authority's operations and will provide the Board much needed operational support and guidance during this transition period.

In 2010, the Authority adopted a plan to dispose of the Horton Gardens public housing project. In connection with the plan of disposal, the Authority wrote down the carrying value of the property to the estimated fair value of \$200,000 in accordance with GASB Statement No. 42, *Accounting and Financial*

*Reporting for Impairment of Capital Assets and for Insurance Recoveries.* Subsequently, the physical condition of the site has deteriorated significantly and the fair market value of the property may have substantially declined since the balance sheet date. At June 30, 2011, the carrying value of Horton Gardens public housing project is included in Capital Assets on the Statement of Net Assets and consists of the following:

Land	\$	82,562
Buildings		<u>117,438</u>
Total	\$	<u>200,000</u>

**ECONOMIC FACTORS**

Significant economic factors affecting the Authority are as follows:

- Federal funding of the Department of Housing and Urban Development.
- Local labor supply and demand, which can affect salary and wage rates.
- Local inflation, recession and employment trends, which can affect resident incomes and therefore the amount of rental income.
- Inflationary pressure on utility rates, supplies and other costs.
- The President's 2012 budget contains language that if included in the HUD 2012 Appropriations Act would require HUD to take into account the Authority's operating reserves in the calculation of the Authority's 2012 operating subsidy. This process is referred to as the "Subsidy Allocation Adjustment." After HUD determines the 2012 operating fund eligibility for each public housing authority project, HUD will make an allocation adjustment, as applicable, to the Authority's eligibility. The Authority estimates this could result in an 82-100 percent reduction in the Authority's 2012 operating subsidy eligibility.

**FINANCIAL CONTACT**

This financial report is designed to provide a general overview of the finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to Mr. Brian Harris, Agency Consultant, Shelby County Housing Authority, 901-353-0590.

SHELBY COUNTY HOUSING AUTHORITY  
STATEMENT OF NET ASSETS  
ENTERPRISE FUND  
JUNE 30, 2011

**ASSETS**

Current Assets:

Unrestricted cash and cash equivalents	\$ 269,870
Restricted cash and cash equivalents	56,136
Accounts receivable	
Miscellaneous	2,961
Tenants, net of allowance of \$16,929	389
Fraud recovery	238
Inventories, net of allowance of \$500	1,500
Prepays and other assets	8,463
Total current assets	<u>339,557</u>

Noncurrent assets:

Capital assets:

Land	100,000
Building and equipment	1,651,407
Construction in progress	52,151
Less accumulated depreciation	<u>(682,969)</u>
Capital assets, net	<u>1,120,589</u>
Total noncurrent assets	<u>1,120,589</u>

Total assets \$ 1,460,146

**LIABILITIES**

Current liabilities:

Accounts payable	\$ 7,991
Accrued liabilities	9,804
Other government payables	2
Tenant security deposits	3,800
Other current liabilities	2,367
Total current liabilities	<u>23,964</u>

Noncurrent liabilities:

Compensated absences, net of current portion	<u>4,387</u>
Total noncurrent liabilities	<u>4,387</u>

Total liabilities 28,351

**NET ASSETS**

Invested in capital assets	1,120,589
Restricted	49,969
Unrestricted	<u>261,237</u>
Total net assets	<u>1,431,795</u>

Total Liabilities & Net Assets \$ 1,460,146

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

SHELBY COUNTY HOUSING AUTHORITY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
ENTERPRISE FUND  
FOR YEAR ENDED JUNE 30, 2011

Operating revenues	
Rental income	\$ 78,168
Federal grants	1,105,465
Other	<u>64,358</u>
Total operating revenues	<u>1,247,991</u>
Operating expenses	
Administration	436,152
Utilities	13,789
Maintenance	137,764
General	62,266
Housing assistance payments	823,970
Depreciation	<u>93,083</u>
Total operating expenses	<u>1,567,024</u>
Operating Income (loss)	(319,033)
Nonoperating revenues (expenses):	
Interest revenue	1,105
Loss on disposal of capital assets	<u>(11,638)</u>
Income (loss) before contributions	(329,566)
Capital contributions	<u>7,295</u>
Change in net assets	(322,271)
Total net assets - beginning of the year	<u>1,754,066</u>
Total net assets - end of the year	<u>\$ 1,431,795</u>

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

SHELBY COUNTY HOUSING AUTHORITY  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUND  
FOR YEAR ENDED JUNE 30, 2011

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from tenants	\$ 69,956
Federal grants	1,154,613
Other receipts	64,358
Payments to suppliers and Section 8 landlords	(1,080,334)
Payments to or on behalf of employees	<u>(346,823)</u>
Net cash provided (used) by operating activities	<u>(138,230)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchase of capital assets	(48,035)
Capital contributions	<u>7,295</u>
Net cash provided (used) by capital financing activities	<u>(40,740)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest revenue	<u>1,105</u>
Net cash provided (used) by investing activities	<u>1,105</u>
Net increase (decrease) in cash and cash equivalents	(177,865)
Balances - beginning of the year	<u>503,871</u>
Balances - end of the year	<u>\$ 326,006</u>
<b>Reconciliation of income (loss) to net cash provided (used) by operating activities</b>	
Operating income (loss)	\$ (319,033)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	93,083
Change in assets and liabilities:	
Receivables, net	58,479
Inventories, net	7,886
Prepays and other assets	9,994
Accounts payable	7,844
Intergovernmental payables	2
Other liabilities	2,367
Accrued liabilities	791
Compensated absences	207
Tenant security deposits	<u>150</u>
Net cash provided (used) by operating activities	<u>\$ (138,230)</u>

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

SHELBY COUNTY HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR YEAR ENDED JUNE 30, 2011

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Shelby County Housing Authority (the "Authority") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority has previously implemented GASB Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain significant changes in the statements are as follows: The financial statements will include a Management's Discussion and Analysis (MD&A) section providing an analysis of the Authority's overall financial position and results of operations.

The Authority is a special-purpose government engaged only in business-type activities and therefore, presents only the financial statements required for enterprise funds, in accordance with GASB Statement 34, paragraph 138. For these governments, basic financial statements and required supplemental information consist of:

- Management Discussion and Analysis (MD&A)
- Enterprise fund financial statements consisting of –
  - \* Statement of Net Assets
  - \* Statement of Revenues, Expenses and Changes in Fund Net Assets
  - \* Statement of Cash Flows
- Notes to financial statements
- Required supplemental information other than MD&A

The Authority has multiple programs which are accounted for in one enterprise fund, which is presented as the "enterprise fund" in the basic financial statements. Significant Authority policies are described below.

**A. The Reporting Entity**

The Authority was established as a tax-exempt quasi-governmental entity under the United States Housing Act of 1937 for the purpose of providing affordable housing to low and moderate income families in Shelby County, Tennessee. The governing body of the Authority is composed of a 5 member appointed Board of Commissioners (the "Board"). The Mayor appoints the Board, who in turn hires the Executive Director. The Authority is governed by its charter and by-laws, state and local laws and federal regulations. The Board is responsible for the establishment and adoption of policy. The execution of such policy is the responsibility of the Authority's management. The Authority has no component units.

**B. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The Authority's financial statements are accounted for on the flow of economic resources management focus using the accrual basis of accounting. The accounting objectives are a determination of net income, financial position, and changes in cash flow.

All assets and liabilities associated with a proprietary fund's activities are included on the Statement of Net Assets. Proprietary fund net assets are segregated into Invested in Capital Assets, Net of Related Debt, Restricted Net Assets and Unrestricted Net Assets. Revenues are recognized when they are earned and expenses are recognized when incurred. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are rental charges to tenants and operating subsidy grants from HUD. Operating expenses for proprietary funds include the cost of administrative expenses,

SHELBY COUNTY HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR YEAR ENDED JUNE 30, 2011

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

maintenance expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The Authority applies restricted resources to fund restricted costs and unrestricted resources to fund unrestricted costs. All material inter-program accounts and transactions are eliminated in the preparation of the basic financial statements.

The Authority applies all relevant GASB pronouncements and Accounting Principles Board (APB) Opinions issued on or before November 30, 1989. The Authority follows all applicable Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989 for proprietary activities, unless they conflict with GASB pronouncements.

The Authority has previously adopted GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. In accordance with this statement, the Authority accounted for all grants that qualify as non-exchange transactions, recognizing receivables and revenues when all applicable eligibility requirements are met. In addition, capital contributions are recorded on the Statement of Revenues, Expenses and Changes in Fund Net Assets after income before contributions and before changes in net assets.

Generally accepted accounting principles for state and local governments requires that resources be classified for accounting and reporting purposes into the following three net asset categories:

- *Invested in capital assets* – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- *Restricted* – Net assets whose use by the Authority is subject to externally imposed stipulations that can be fulfilled by actions of the Authority pursuant to those stipulations or that expire by the passage of time. Such assets include assets restricted for capital acquisitions, debt service and HUD mandated HAP equity.
- *Unrestricted* – Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Board or may otherwise be limited by contractual agreements with outside parties.

**C. Cash, Cash Equivalents and Investments**

Cash and cash equivalents include cash on hand, demand deposits and money market accounts. For purposes of the statement of cash flows, the Authority considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. The carrying amounts reported on the balance sheet approximate fair values because of the short maturities of those investments.

**D. Receivables**

All receivables are current and due within one year. Receivables are reported net of an allowance for uncollectible accounts. Allowances are reported when accounts are proven to be uncollectible. At June 30, 2011, the allowance account is \$16,929 based on the Authority's estimates.

**E. Restricted Assets and Liabilities**

Debt covenants, HUD regulations, and inter-local agreements restrict the use of certain assets. Restricted assets are offset by related liabilities in accordance with their liquidity.

SHELBY COUNTY HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR YEAR ENDED JUNE 30, 2011

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**F. Inventories**

Inventories are accounted for under the consumption method and recorded at the lower of cost or market, net of any allowance for obsolete inventory. Materials and supplies are recorded as inventories when purchased and as expenditures when used. At June 30, 2011, the allowance account is \$500 based on the Authority's estimates.

**G. Prepaids**

Prepaids represent payments made to vendors for services that will benefit beyond June 30, 2011.

**H. Capital Assets**

Capital assets include property, furniture, equipment and machinery. Capital assets with initial, individual costs that equal or exceed \$500 and estimated useful lives of over one year are recorded as capital assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. Construction in progress consists of capital improvements funded by modernization grant programs. Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings & Improvements	20-40
Improvements other than buildings	15
Furniture, equipment, and machinery	3-7

**I. Compensated Absences**

The Authority's policy allows each employee to accumulate up to 240 vacation hours and be paid for them upon separation. Unlimited sick leave can also be accrued but is only paid in the event of illness while employed. Time accrued beyond these amounts is forfeited unless exception is granted by the Board. The majority of employees utilize their annual accrual of vacation and sick leave during the year accrued. The Authority records compensated absences in the period they are earned and uses a systematic allocation process to allocate between short-term and long-term liability classification.

**J. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**K. Recent Accounting Pronouncements**

The Authority's management has assessed the potential impact of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and determined this is not applicable as the Authority provides no other postemployment benefits.

SHELBY COUNTY HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR YEAR ENDED JUNE 30, 2011

**NOTE 2 – CASH DEPOSITS AND INVESTMENTS**

Cash and investments may be invested in the following HUD-approved vehicles:

- Direct obligations of the federal government backed by the full faith and credit of the United States;
- Obligations of government agencies;
- Securities of government sponsored agencies;
- Demand and savings deposits; and,
- Time deposits and repurchase agreements.

At June 30, 2011, cash was in bank deposits or money market funds that were insured or collateralized with securities held by the Authority or by its agent in the Authority's name. The investments were in certificates of deposit.

*Interest Rate Risk* – The Authority's formal investment policy does not specifically address the exposure to this risk.

*Credit Risk* - The Authority's formal investment policy does not specifically address credit risk. Credit risk is generally evaluated based on the credit ratings issued by nationally recognized statistical rating organizations.

*Custodial Credit Risk* – The Authority's policy is to limit credit risk by adherence to the list of HUD permitted investments, which are backed by the full faith and credit of or a guarantee of principal and interest by the U.S. Government.

*Concentration of Credit Risk* – *The Authority's investment policy does not restrict the amount that the Authority may invest in any one issuer.*

**NOTE 3 – CAPITAL ASSETS**

**A. Changes in Capital Assets**

Capital asset activity for the year ended June 30, 2011 was as follows:

	Beginning Balance	Additions	Decreases	Reclassifications	Ending Balance
Capital assets not being depreciated					
Land	\$ 100,000	\$ -	\$ -	\$ -	\$ 100,000
Construction in process	434,265	7,295	-	(389,409)	52,151
Total capital assets not being depreciated	<u>534,265</u>	<u>7,295</u>	<u>-</u>	<u>(389,409)</u>	<u>152,151</u>
Capital assets being depreciated					
Buildings and improvements	1,115,994	22,223	-	381,794	1,520,011
Equipment	180,477	18,517	(75,213)	7,615	131,396
Total capital assets being depreciated	<u>1,296,471</u>	<u>40,740</u>	<u>(75,213)</u>	<u>389,409</u>	<u>1,651,407</u>
Less accumulated depreciation for:					
Buildings and improvements	(507,737)	(74,258)	-	-	(581,995)
Equipment	(145,724)	(18,825)	63,575	-	(100,974)
Total accumulated depreciation	<u>(653,461)</u>	<u>(93,083)</u>	<u>63,575</u>	<u>-</u>	<u>(682,969)</u>
Capital assets, net	<u>\$ 1,177,275</u>	<u>\$ (45,048)</u>	<u>\$ (11,638)</u>	<u>\$ -</u>	<u>\$ 1,120,589</u>

SHELBY COUNTY HOUSING AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS  
 FOR YEAR ENDED JUNE 30, 2011

**NOTE 3 – CAPITAL ASSETS (Continued)**

**B. Net Capital Assets**

The following is a summary of net capital assets as shown on the statement of net assets:

Land	\$ 100,000
Construction in progress	52,151
Buildings and improvements	1,520,011
Equipment	<u>131,396</u>
	1,803,558
Less: accumulated depreciation	<u>(682,969)</u>
Capital assets, net	<u>\$ 1,120,589</u>

**C. Capital Contributions**

The Authority receives capital grants from HUD. The Authority recognized \$7,295 in capital contributions for the fiscal year ended June 30, 2011.

**NOTE 4 – NONCURRENT LIABILITIES**

Noncurrent liabilities at June 30, 2011 consisted of the following:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Accr. Compensated Absences	\$ 6,116	\$ 2,552	\$ 2,345	\$ 6,323	\$ 1,936
Total Noncurrent Liabilities	<u>\$ 6,116</u>	<u>\$ 2,552</u>	<u>\$ 2,345</u>	<u>\$ 6,323</u>	<u>\$ 1,936</u>

**NOTE 5 – PENSION PLAN (DEFINED CONTRIBUTION)**

The Authority provides pension benefits for its employees through a defined contribution plan, which is administered by *Housing Agency Retirement Trust*. The plan was adopted on November 1, 2008. Only the Board has the authority to approve any amendments to the plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. All employees are eligible for the plan after one year of service. The Authority contributes an amount equal to 2% of each employee's base salary to the plan. Employees are required to contribute 1% to the plan. During the past year, the Authority's contributions were \$3,530 and the employees contributions were \$1,765.

**NOTE 6 – 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; injuries to employees; and natural disasters. The Authority has mitigated this risk by obtaining insurance coverage from commercial insurance companies. Premiums paid for insurance coverage are recorded as expenses of the funds affected. The various insurance policies are subject to deductible amounts and maximum coverages. If the deductibles and maximums are exceeded, this could cause the Authority to suffer losses if a loss is incurred from any such incidents. The ultimate

SHELBY COUNTY HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR YEAR ENDED JUNE 30, 2011

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**NOTE 6 – RISK MANAGEMENT (Continued)**

outcome of uninsured losses cannot presently be determined, and no provision for any liability that may result, if any, has been made in the financial statements. During the current year and the prior three years, settled claims have not exceeded coverage levels, and insurance coverage, by major categories of risk, is consistent with prior year.

**NOTE 7 – CONCENTRATION OF RISK**

The Authority receives most of its funding from HUD. These funds and grants are subject to modification by HUD depending on availability of funding.

**NOTE 8 – RELATED PARTY TRANSACTION**

There was one related party transaction during the year between the Authority and the business owned by the father in law of the Operations Manager, Jerry McGill Landscaping. The transaction consisted of disbursements for annual lawn care services in the amount of approximately \$9,000.

**NOTE 9 – COMMITMENTS AND CONTINGENCIES**

**A. Grants**

Amounts received or receivable from HUD are subject to audit and adjustment by grantor agencies. If expenses are disallowed as a result of these audits, the claims for reimbursement to the grantor agency would become a liability of the Authority. Subsequent to year-end, the Authority was the subject of an OIG investigation which identified approximately \$315,000 of ineligible costs that may ultimately be required to be repaid (*see Note 11 – Subsequent Events*).

**B. Litigation**

The Authority is a defendant in two lawsuits against it arising from matters relating to its normal operations. The Authority intends to vigorously defend itself in all litigation. The Authority's potential liability in these matters, if any, cannot yet be determined.

**NOTE 10 – RESTRICTED NET ASSETS**

Restricted Net Assets consists of excess Housing Assistance Payment (HAP) funds available to the Authority under the Section 8 Housing Choice Vouchers program. These funds are to be used only for HAP expenditures for the program. These funds are also known as Restricted Net Assets since there is no offsetting liability. Total restricted net assets related to this excess were \$49,969 as of the end of the fiscal year.

**NOTE 11 – SUBSEQUENT EVENTS**

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about the conditions that existed at the balance sheet date are recognized in the accompanying

SHELBY COUNTY HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR YEAR ENDED JUNE 30, 2011

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**NOTE 11 – SUBSEQUENT EVENTS (Continued)**

financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Authority through March 29, 2012 (the date the financial statements were available to be issued) and concluded that the following events have occurred that require disclosure in the notes to the financial statements.

Subsequent to year-end the Authority was the subject of an Office of Inspector General (OIG) investigation based upon an audit request from the U.S. Department of Housing and Urban Development (HUD). The OIG issued their report on January 26, 2012. A complete copy of the report can be obtained at [www.hudoig.gov/reports/TN.php](http://www.hudoig.gov/reports/TN.php).

In response to the OIG findings, the Board upon consultation with HUD's office of public housing has determined that the agency is not financially viable and on January 6, 2012 passed a resolution to develop an action plan of merger with the Memphis Housing Authority (MHA) relinquishing ownership of the public housing properties and programmatic assets and responsibilities associated with the public housing low rent program and the Housing Choice Voucher program. The merger will require additional official action by the Board, the MHA Board and approval by the Assistant Secretary of HUD. Negotiations between the two agencies will ensure a merger plan is developed. It is anticipated that the transition would take a minimum of three months to complete. The Board will then make a determination relative to the dissolution of the current entity legally known as the Shelby County Housing Authority upon advice of Counsel.

Effective February 1, 2012, the Authority and Martin Housing Authority have entered into an intergovernmental management agreement. The Martin Housing Authority now has full management authority for the Authority's operations and will provide the Board much needed operational support and guidance during this transition period.

In 2010, the Authority adopted a plan to dispose of the Horton Gardens public housing project. In connection with the plan of disposal, the Authority wrote down the carrying value of the property to the estimated fair value of \$200,000 in accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. Subsequently, the physical condition of the site has deteriorated significantly and the fair market value of the property may have substantially declined since the balance sheet date. At June 30, 2011, the carrying value of Horton Gardens public housing project is included in Capital Assets on the Statement of Net Assets and consists of the following:

Land	\$ 82,562
Buildings	117,438
Total	<u>\$ 200,000</u>

The President's 2012 budget contains language that if included in the HUD 2012 Appropriations Act would require HUD to take into account the Authority's operating reserves in the calculation of the Authority's 2012 operating subsidy. This process is referred to as the "Subsidy Allocation Adjustment." After HUD determines the 2012 operating fund eligibility for each public housing authority project, HUD will make an allocation adjustment, as applicable, to the Authority's eligibility. The Authority estimates this could result in an 82-100 percent reduction in the Authority's 2012 operating subsidy eligibility.

Shelby County Housing Authority  
Financial Data Schedule - Balance Sheet  
June 30, 2011

	Project Total	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$ 252,574	\$ 17,296	\$ 269,870	\$ -	\$ 269,870
112 Cash - Restricted - Modernization and Development					
113 Cash - Other Restricted		49,969	49,969		49,969
114 Cash - Tenant Security Deposits	3,800		3,800		3,800
115 Cash - Restricted for Payment of Current Liabilities		2,367	2,367		2,367
100 Total Cash	256,374	69,632	326,006	-	326,006
121 Accounts Receivable - PHA Projects					
122 Accounts Receivable - HUD Other Projects					
124 Accounts Receivable - Other Government					
125 Accounts Receivable - Miscellaneous	2,961		2,961		2,961
126 Accounts Receivable - Tenants	17,318		17,318		17,318
126.1 Allowance for Doubtful Accounts - Tenants	(16,929)		(16,929)		(16,929)
126.2 Allowance for Doubtful Accounts - Other	-		-		-
127 Notes, Loans, & Mortgages Receivable - Current					
128 Fraud Recovery		238	238		238
128.1 Allowance for Doubtful Accounts - Fraud		-	-		-
129 Accrued Interest Receivable					
120 Total Receivables, Net of Allowances for Doubtful Accounts	3,350	238	3,588	-	3,588
131 Investments - Unrestricted					
132 Investments - Restricted					
135 Investments - Restricted for Payment of Current Liability					
142 Prepaid Expenses and Other Assets	8,463		8,463		8,463
143 Inventories	2,000		2,000		2,000
143.1 Allowance for Obsolete Inventories	(500)		(500)		(500)
144 Inter Program Due From	-		-		-
145 Assets Held for Sale					
150 Total Current Assets	269,887	69,870	339,557	-	339,557
161 Land	100,000		100,000		100,000
162 Buildings	887,654		887,654		887,654
163 Furniture, Equipment & Machinery - Dwellings	-		-		-
164 Furniture, Equipment & Machinery - Administration	131,396		131,396		131,396
165 Leasehold Improvements	632,357		632,357		632,357
166 Accumulated Depreciation	(682,969)		(682,969)		(682,969)
167 Construction in Progress	52,151		52,151		52,151
168 Infrastructure					
160 Total Capital Assets, Net of Accumulated Depreciation	1,120,589	-	1,120,589	-	1,120,589
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	1,120,589	-	1,120,589	-	1,120,589
190 Total Assets	1,390,276	69,870	1,460,146	-	1,460,146
311 Bank Overdraft					
312 Accounts Payable <= 90 Days	7,991		7,991		7,991
313 Accounts Payable >90 Days Past Due					
321 Accrued Wage/Payroll Taxes Payable	7,868		7,868		7,868

Shelby County Housing Authority  
Financial Data Schedule - Balance Sheet  
June 30, 2011

322	Accrued Compensated Absences - Current Portion	1,936		1,936		1,936
324	Accrued Contingency Liability					
325	Accrued Interest Payable					
331	Accounts Payable - HUD PHA Programs					
332	Account Payable - PHA Projects					
333	Accounts Payable - Other Government	2		2		2
341	Tenant Security Deposits	3,800		3,800		3,800
342	Deferred Revenues					
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue					
344	Current Portion of Long-term Debt - Operating Borrowings					
345	Other Current Liabilities		2,367	2,367		2,367
346	Accrued Liabilities - Other					
347	Inter Program - Due To		-	-	-	-
348	Loan Liability - Current					
310	Total Current Liabilities	21,597	2,367	23,964	-	23,964
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	4,387		4,387		4,387
355	Loan Liability - Non Current					
356	FASB 5 Liabilities					
357	Accrued Pension and OPEB Liabilities					
350	Total Non-Current Liabilities	4,387	-	4,387	-	4,387
300	Total Liabilities	25,984	2,367	28,351	-	28,351
508.1	Invested In Capital Assets, Net of Related Debt	1,120,589		1,120,589		1,120,589
509.2	Fund Balance Reserved					
511.2	Unreserved, Designated Fund Balance					
511.1	Restricted Net Assets		49,969	49,969		49,969
512.1	Unrestricted Net Assets	243,703	17,534	261,237		261,237
512.2	Unreserved, Undesignated Fund Balance					
513	Total Equity/Net Assets	1,364,292	67,503	1,431,795	-	1,431,795
600	Total Liabilities and Equity/Net Assets	\$ 1,390,276	\$ 69,870	\$ 1,460,146	\$ -	\$ 1,460,146

Shelby County Housing Authority  
Financial Data Schedule - Income Statement  
For Year Ended June 30, 2011

	Project Total	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$ 78,168	\$ -	\$ 78,168	\$ -	\$ 78,168
70400 Tenant Revenue - Other					
70500 Total Tenant Revenue	78,168	-	78,168		78,168
70600 HUD PHA Operating Grants	349,708	755,757	1,105,465		1,105,465
70610 Capital Grants	7,295		7,295		7,295
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	857	124	981		981
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	37,470	26,888	64,358		64,358
71600 Gain or Loss on Sale of Capital Assets	(11,638)		(11,638)		(11,638)
72000 Investment Income - Restricted		124	124		124
70000 Total Revenue	461,860	782,893	1,244,753		1,244,753
91100 Administrative Salaries	161,066	39,095	200,161		200,161
91200 Auditing Fees	5,815	5,815	11,630		11,630
91300 Management Fee					
91310 Book-keeping Fee					
91400 Advertising and Marketing	1,835		1,835		1,835
91500 Employee Benefit contributions - Administrative	101,077	13,033	114,110		114,110
91600 Office Expenses	47,534		47,534		47,534
91700 Legal Expense	3,343		3,343		3,343
91800 Travel	114		114		114
91810 Allocated Overhead					
91900 Other	57,425		57,425		57,425
91000 Total Operating - Administrative	378,209	57,943	436,152		436,152
92000 Asset Management Fee					
92100 Tenant Services - Salaries					
92200 Relocation Costs					
92300 Employee Benefit Contributions - Tenant Services					
92400 Tenant Services - Other					
92500 Total Tenant Services					
93100 Water	3,562		3,562		3,562
93200 Electricity	4,824		4,824		4,824
93300 Gas	2,967		2,967		2,967
93400 Fuel					
93500 Labor					
93600 Sewer	2,181		2,181		2,181
93700 Employee Benefit Contributions - Utilities					
93800 Other Utilities Expense	255		255		255
93000 Total Utilities	13,789	-	13,789		13,789

Shelby County Housing Authority  
Financial Data Schedule - Income Statement  
For Year Ended June 30, 2011

94100 Ordinary Maintenance and Operations - Labor	32,822		32,822	32,822
94200 Ordinary Maintenance and Operations - Materials and Other	11,193		11,193	11,193
94300 Ordinary Maintenance and Operations Contracts	93,133		93,133	93,133
94500 Employee Benefit Contributions - Ordinary Maintenance	616		616	616
94000 Total Maintenance	137,764	-	137,764	137,764
95100 Protective Services - Labor				
95200 Protective Services - Other Contract Costs				
95300 Protective Services - Other				
95500 Employee Benefit Contributions - Protective Services				
95000 Total Protective Services	-	-	-	-
96110 Property Insurance	19,884		19,884	19,884
96120 Liability Insurance	2,197		2,197	2,197
96130 Workmen's Compensation	5,378		5,378	5,378
96140 All Other Insurance	4,391		4,391	4,391
96100 Total Insurance Premiums	31,850	-	31,850	31,850
96200 Other General Expenses	12,723		12,723	12,723
96210 Compensated Absences				
96300 Payments in Lieu of Taxes				
96400 Bad debt - Tenant Rents	17,693		17,693	17,693
96500 Bad debt - Mortgages				
96600 Bad debt - Other				
96800 Severance Expense				
96000 Total Other General Expenses	30,416	-	30,416	30,416
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 Cost	-	-	-	-
96900 Total Operating Expenses	592,028	57,943	649,971	649,971
97000 Excess of Operating Revenue over Operating Expenses	(130,168)	724,950	594,782	594,782
97100 Extraordinary Maintenance				
97200 Casualty Losses - Non-capitalized				
97300 Housing Assistance Payments		802,470	802,470	802,470
97350 HAP Portability-In		21,500	21,500	21,500
97400 Depreciation Expense	93,083		93,083	93,083
97500 Fraud Losses				
97600 Capital Outlays - Governmental Funds				
97700 Debt Principal Payment - Governmental Funds				
97800 Dwelling Units Rent Expense				
90000 Total Expenses	685,111	881,913	1,567,024	1,567,024
10010 Operating Transfer In				
10020 Operating transfer Out				
10030 Operating Transfers from/to Primary Government				
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				

Shelby County Housing Authority  
Financial Data Schedule - Income Statement  
For Year Ended June 30, 2011

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	(223,251)	(99,020)	(322,271)	(322,271)
11020 Required Annual Debt Principal Payments	-	-	-	-
11030 Beginning Equity	1,844,499	109,567	1,754,066	1,754,066
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	(56,956)	56,956	-	-
11050 Changes in Compensated Absence Balance				
11060 Changes in Contingent Liability Balance				
11070 Changes in Unrecognized Pension Transition Liability				
11080 Changes in Special Term/Severance Benefits Liability				
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents				
11100 Changes in Allowance for Doubtful Accounts - Other				
11170 Administrative Fee Equity		17,534	17,534	17,534
11180 Housing Assistance Payments Equity		49,969	49,969	49,969
11190 Unit Months Available	504	1,572	2,076	2,076
11210 Number of Unit Months Leased	503	1,513	2,016	2,016
11270 Excess Cash	188,792		188,792	188,792
11610 Land Purchases				
11620 Building Purchases				
11630 Furniture & Equipment - Dwelling Purchases				
11640 Furniture & Equipment - Administrative Purchases	25,812		25,812	25,812
11650 Leasehold Improvements Purchases	22,223		22,223	22,223
11660 Infrastructure Purchases				
13510 CFFP Debt Service Payments				
13901 Replacement Housing Factor Funds	\$ -	\$ -	\$ -	\$ -

SHELBY COUNTY HOUSING AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR YEAR ENDED JUNE 30, 2011

Federal Grantor	CFDA Number	Contract Number	Beginning (Accrued) Deferred	Cash Receipts	Expenditures	Ending (Accrued) Deferred
<b>Federal Awards</b>						
<u>US Department of Housing and Urban Development (HUD):</u>						
Low Rent Public Housing Program	14.850	TN095-00000110D	\$ -	\$ 198,458	\$ 198,458	\$ -
Low Rent Public Housing Program	14.850	TN095-00000111D	-	151,250	151,250	-
<b>Total Low Rent Public Housing Program (14.850)</b>			-	<b>349,708</b>	<b>349,708</b>	-
Housing Choice Voucher Program	14.871	TN095AF	-	755,757	755,757	-
<b>Total Housing Choice Voucher Program (14.871)</b>			-	<b>755,757</b>	<b>755,757</b>	-
Capital Fund Program	14.872	TN43P095501-08	(49,148)	49,148	-	-
Capital Fund Program	14.872	TN43P095501-09	-	7,295	7,295	-
<b>Total Capital Fund Program (14.872)</b>			<b>(49,148)</b>	<b>56,443</b>	<b>7,295</b>	-
<b>TOTAL FEDERAL AWARDS</b>			<b>\$ (49,148)</b>	<b>\$ 1,161,908</b>	<b>\$ 1,112,760</b>	<b>\$ -</b>

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the 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 Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

To the Board of Commissioners  
Shelby County Housing Authority

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*

We have audited the basic financial statements of the Shelby County Housing Authority (the "Authority"), as of and for the year ended June 30, 2011, and have issued our report thereon dated March 29, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 11-01, 11-04, 11-05 and 11-06 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 11-04, 11-05 and 11-06.

We noted certain matters that we reported to management of the Authority in a separate letter dated March 29, 2012.

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

This report is intended for the information of the Board of Commissioners, management, others within the entity and the Office of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

  
Henderson & Hill, LLC  
March 29, 2012

To the Board of Commissioners  
Shelby County Housing Authority

Report on Compliance with Requirements Applicable to Each Major Program and Internal  
Control over Compliance in Accordance with OMB Circular A-133

### Compliance

We have audited the compliance of the Shelby County Housing Authority (the "Authority") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2011. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and 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 the Authority's compliance with those requirements.

As described in items 11-02 and 11-03 in the accompanying schedule of findings and questioned costs, the Authority did not comply with requirements regarding Eligibility and Special Tests that are applicable to its Housing Choice Voucher program. Compliance with such requirements is necessary, in our opinion, for the Authority to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.

### Internal Control over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with 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 requirements that could have a direct and material effect on a major federal program as a basis for designing 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.

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

A *deficiency in 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 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 a 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 11-02 and 11-03 to be material weaknesses.

The Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Authority's 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, others within the organization, and the Office of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

  
Henderson & Hill, LLC  
March 29, 2012

SHELBY COUNTY HOUSING AUTHORITY  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS  
FOR YEAR ENDED JUNE 30, 2011

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10-01 Financial Reporting

*Condition and Criteria:* During our audit, we identified certain material misstatements to prior year audited and current year unaudited financial statements. In addition, we determined that the Board was not providing adequate governance and oversight over the Authority's 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 and correct misstatements of the financial statements on a timely basis. Statement on Auditing Standards (SAS) 115 states that the restatement of previously issued financial statements due to the correction of an error, identification by the auditor of a material misstatement of the financial statements under audit and ineffective oversight of the entity's financial reporting and internal control by those charged with governance are indications of material weaknesses.

*Cause:* During the year, the Authority converted to a new accounting software and encountered significant difficulties during implementation. The Authority also relocated to a new public housing office after the prior office was severely vandalized in which certain records were destroyed or misplaced. In regards to governance, the Board of Commissioners experienced significant turnover and did not meet regularly during the year.

*Effect:* The Authority reported a prior period adjustment in the current year financial statements to correct depreciation errors in prior years and we identified certain material misstatement of expenses in the current year. Also, the Authority could not provide a Board approved 2010 operating budget and operated without proper Board oversight during the year.

*Auditor's Recommendation:* We recommend the Authority continue to become more familiar with the accounting software and it's capabilities to ensure financial transactions are properly recorded and necessary historical reports are available for review. Board meetings should occur at least quarterly and sufficient financial information should be provided to Board members to facilitate effective oversight over the Authority's financial reporting while ensuring all applicable policies and procedures are followed.

*Grantee Response:* The Executive Director acknowledges the finding and is following the auditor's recommendation.

*Current Status:* See finding 11-01.

SHELBY COUNTY HOUSING AUTHORITY  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS  
FOR YEAR ENDED JUNE 30, 2011

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10-02 Eligibility – Housing Choice Voucher Program

*Condition and Criteria:* The Authority could not produce all necessary, required information in certain tenant files selected for testing to determine eligibility and/or support proper determination of tenant rents.

OMB Circular A-133 Single Audit compliance requirements require that for tenant eligibility, tenant files include certain information and documentation. Per 24 CFP section 5.230, 5.603, & 960.259, tenants are required to provide necessary information, documentation, and releases for the Authority to verify income eligibility.

*Cause:* The Authority could not provide certain required documentation from tenants necessary to perform eligibility determination and accurate tenant rent calculations. The Housing Choice Voucher Program was newly implemented in the current year and employees had limited experience with the compliance requirements of the program. In addition, the closure of the Horton Gardens public housing project and the occurrence of a natural disaster in the form of a flood that displaced hundreds of families in Shelby County, TN and the surrounding area created excessive demand for Section 8 rental assistance.

*Effect:* Some of the Authority's tenants may be ineligible for the Section 8 Housing Choice Voucher Program and/or the Authority may not be charging the tenants the correct amount of rent.

*Auditor's Recommendation:* The Authority should be more thorough when obtaining the required eligibility information from the tenants and should ensure tenants provide all necessary information and documentation before admittance into the Authority's Housing Choice Voucher Program.

*Grantee Response:* The Executive Director acknowledges the finding and is following the auditor's recommendation.

*Current Status:* See finding 11-02.

SHELBY COUNTY HOUSING AUTHORITY  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS  
FOR YEAR ENDED JUNE 30, 2011

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10-03 Special Tests - Housing Choice Vouchers Program

*Condition and Criteria:* The Authority did not comply with HUD requirements to provide sufficient documentation to determine rent reasonableness or the proper enforcement of HQS inspection violations.

*Cause:* The Housing Choice Voucher Program was newly implemented in the current year and employees had limited experience with the compliance requirements of the program. In addition, the closure of the Horton Gardens public housing project and the occurrence of a natural disaster in the form of a flood that displaced hundreds of families in Shelby County, TN and the surrounding area created excessive demand for Section 8 rental assistance.

*Effect:* Sufficient documentation was not available to verify compliance with certain Special Test compliance requirements of the Housing Choice Voucher Program.

*Auditor's Recommendation:* The Authority should perform an internal review of all controls over compliance with Housing Choice Voucher program requirements, including quality control inspections of tenant files.

*Grantee Response:* The Executive Director acknowledges the finding and is following the auditor's recommendation.

*Current Status:* See finding 11-03.

SHELBY COUNTY HOUSING AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR YEAR ENDED JUNE 30, 2011

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**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:  
Are any material weaknesses identified?  x  Yes   No

Are any significant deficiencies identified not considered to be material weaknesses?   Yes  x  None Reported

Is any noncompliance material to financial statements noted?  x  Yes   No

**Federal Awards**

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

Internal control over major programs:  
Are any material weaknesses identified?  x  Yes   No

Are any significant deficiencies identified not considered to be material weaknesses?   Yes  x  None Reported

Are any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)?  x  Yes   No

Identification of major programs:  
U.S. Department of Housing and Urban Development  
CFDA #14.871 - Housing Choice Voucher Program

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Is the auditee qualified as low-risk auditee?   Yes  x  No

**Section II - Financial Statement Findings**

See pages 32, 35-37

**Section III - Federal Award Findings and Questioned Costs**

See pages 33 and 34

SHELBY COUNTY HOUSING AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR YEAR ENDED JUNE 30, 2011

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11-01 Financial Management and Governance

*Condition and Criteria:* The Authority lacked sufficient financial management and proper board oversight during the fiscal year under audit.

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 and correct misstatements of the financial statements on a timely basis. Statement on Auditing Standards (SAS) 115 states that the ineffective oversight of the entity's financial reporting and internal control by management and those charged with governance is an indication of material weaknesses.

*Cause:* The Board of Commissioners (the "Board") recently experienced significant turnover and the new Board was not appointed until early 2011. The first documented meeting of the newly appointed Board did not occur until May 2011, eleven months into the fiscal year under audit. In addition, the former Executive Director was ineffective in implemented necessary internal controls over financial reporting and compliance function.

*Effect:* The Authority operated during the 2011 fiscal year without a Board approved operating budget or payroll budget, tenant accounts receivable write-offs were not properly approved, and the Authority did not comply with its check signing policy, and violated numerous other internal policies, HUD guidelines, federal regulations, and provisions of grant agreements.

*Auditor's Recommendation:* We have noted the Board has already begun to remediate this issue, including, but not limited to, holding regular meetings, the former Executive Director has been terminated, the Authority has contracted with another housing authority to provide much needed operational support and guidance, and is currently working on a transition plan that may include merging with the Memphis Housing Authority. We recommend the Authority continue with this current course of action.

*Grantee Response:* The Agency Consultant acknowledges the finding and is following the auditor's recommendation.

SHELBY COUNTY HOUSING AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR YEAR ENDED JUNE 30, 2011

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11-02 Eligibility – CFDA # 14.871 – Housing Choice Voucher Program

*Condition and Criteria:* The Authority could not produce all necessary, required information in certain tenant files selected for testing to determine eligibility and/or support proper determination of tenant rents.

HUD guidelines state the Authority must ensure that tenant files include certain information and documentation. Per 24 CFR Part 982 & 984, tenants are required to provide necessary information, documentation, and releases for the Authority to verify income eligibility.

*Cause:* The Housing Choice Voucher Program was newly implemented in 2009 and employees had limited experience with the compliance requirements of the program. In addition, the recent closure of the Horton Gardens public housing project and the occurrence of a natural disaster in the form of a flood that displaced hundreds of families in Shelby County, TN and the surrounding area created excessive demand for Section 8 rental assistance.

*Effect:* All ten of the tenant files selected for testing lacked one or a combination of the following documentation requirements. Certain tenant files lacked required citizenship declarations, birth certificates, social security cards, signed HAP contracts, signed lease agreements, and we noted errors in the calculation of tenant rents primarily resulting from inaccurate utility allowances. As a result, some of the Authority's tenants may be ineligible for the Section 8 Housing Choice Voucher Program and/or the Authority may not be charging the tenants the correct amount of rent.

*Auditor's Recommendation:* Although we saw improvements in the area of income verification and determination by key staff members, the Authority should be more thorough when obtaining the required eligibility information from tenants prior to admittance into the program. Additional training may be required in the areas of rent calculation, specifically in determining utility allowances. In addition, the Authority should implement a quality control process which includes supervisory review of all tenant files.

*Grantee Response:* The Agency Consultant acknowledges the finding and is following the auditor's recommendation.

SHELBY COUNTY HOUSING AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR YEAR ENDED JUNE 30, 2011

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11-03 Special Tests – CFDA # 14.871 – Housing Choice Vouchers Program

*Condition and Criteria:* The Authority could not provide sufficient documentation to support compliance with Special Test compliance requirements of the Housing Choice Voucher program.

HUD guidelines and federal regulations (24 CFR Part 982 & 984) require the Authority to perform procedures to ensure tenants are housed in dwellings that meet certain housing quality standards and are paying reasonable rents.

*Cause:* The Housing Choice Voucher Program was newly implemented in 2009 and employees had limited experience with the compliance requirements of the program. In addition, the closure of the Horton Gardens public housing project and the occurrence of a natural disaster in the form of a flood that displaced hundreds of families in Shelby County, TN and the surrounding area created excessive demand for Section 8 rental assistance.

*Effect:* All ten tenant files selected for testing lacked one or a combination of the following documentation requirements. Certain tenant files did not contain documentation to support that initial and/or annual HQS inspections were performed on a timely basis, the proper enforcement of HQS inspections that were identified, or the timely determination of reasonable rent.

*Auditor's Recommendation:* Although we did note that the Authority has implemented procedures to determine rent reasonableness since the prior year audit, the Authority should continue to enhance internal controls over compliance to ensure all applicable compliance requirements are being met, including quality control inspections of tenant files.

*Grantee Response:* The Agency Consultant acknowledges the finding and is following the auditor's recommendation.

SHELBY COUNTY HOUSING AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR YEAR ENDED JUNE 30, 2011

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11-04 ACOP – Waitlist Management and Eviction Procedures

*Condition and Criteria:* The Authority did not have proper controls in place to ensure compliance with its Board approved Admission and Continued Occupancy Policy (ACOP), HUD guidelines, and dwelling lease agreements when administering its Low Rent Public Housing Program.

*Cause:* Management did not ensure employees directly responsible for administering the Low Rent Public Housing Program had sufficient training. The newly formed Board of Commissioners also had limited experience with program requirements and had limited available time to obtain the desired level of training in order to provide the appropriate level of oversight. Therefore, the Board relied heavily on the former Executive Director to ensure the Authority was complying with all applicable requirements.

*Effect:* Eviction determinations were not consistently applied and the Authority could not demonstrate compliance with waiting list procedures when housing tenants.

*Auditor's Recommendation:* The Authority should perform an internal review of all controls over compliance with regard to its ACOP as it relates to Waitlist Management and Eviction Procedures.

*Grantee Response:* The Agency Consultant acknowledges the finding and is following the auditor's recommendation.

SHELBY COUNTY HOUSING AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR YEAR ENDED JUNE 30, 2011

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11-05 Safeguarding of Assets

*Condition and Criteria:* The Authority does not have sufficient procedures in place to ensure the safeguarding of Authority assets.

HUD guidelines, federal regulations, and the Authority's Annual Contributions Contract (ACC) require the Authority properly safeguard the federal assets of the Authority. These requirements apply to real property and equipment.

*Cause:* Management failed to properly implement controls necessary to preserve Authority assets. In addition, the Authority has not implemented effective controls over equipment inventory.

*Effect:* In 2010, the Authority adopted a plan to dispose of the Horton Gardens public housing project, but subsequently failed to properly secure and maintain the site in a manner which would guarantee the preservation of the assets. As a result, the physical condition of the site has deteriorated significantly and suggests the fair market value of the property may have substantially declined since June 30, 2011. In regards to equipment, we noted several equipment items on the Authority's fixed asset listing that were no longer in the Authority's possession and could not be accounted for.

*Auditor's Recommendation:* We are aware that the Board has already begun to remediate this issue, including, but not limited to, taking steps to clear and secure the property and moving forward with an immediate auction of the property. We recommend the Authority continue with this current course of action and implement controls to ensure the safeguarding of equipment, including performing an inventory of equipment, which includes updating the property records at least once every two years.

*Grantee Response:* The Agency Consultant agrees with the finding and will follow the Auditor's recommendations.

SHELBY COUNTY HOUSING AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR YEAR ENDED JUNE 30, 2011

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11-06 Procurement

*Condition and Criteria:* The Authority was not able to provide sufficient documentation to support proper procurement of contracts in accordance with its Board approved Procurement Policy.

*Cause:* Management failed to properly implement controls to ensure compliance with internal procurement policies and procedures.

*Effect:* The Authority was not able to provide sufficient documentation to support proper procurement of 2 out of 3 contracts tested. In each case, the Authority did not obtain the necessary number of bids as outlined in the Board approved Procurement Policy. In addition, no formal contract could be provided for one of the items tested.

*Auditor's Recommendation:* We are aware that the Board has already begun to remediate this issue, including, but not limited to, contracting with another housing authority to provide much needed operational support and necessary training to assure that compliance with procurement requirements is maintained until a more permanent course of action can be determined. We recommend the Authority continue with this course of action.

*Grantee Response:* The Agency Consultant agrees with the finding and will follow the Auditor's recommendations.

To the Board of Commissioners  
Shelby County Housing Authority

Independent Accountant's Report on Applying Agreed-Upon Procedure

We have performed the procedure described in the second paragraph of this report, which was agreed to by the Shelby County Housing Authority (the "Authority") and the U.S. Department of Housing and Urban Development, Real Estate Assessment Center (REAC), solely to assist them in determining whether the electronic submission of certain information agrees with the related hard copy documents. The Authority is responsible for the accuracy and completeness of the electronic submission. This agreed upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedure is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

We compared the electronic submission of the items listed in the "UFRS Rule Information" column with the corresponding printed documents listed in the "Hard Copy Documents" column. The results of the performance of our agreed-upon procedure indicate agreement or non-agreement of electronically submitted information and hard copy documents as shown in the chart below.

We were engaged to perform an audit of the financial statements of the Authority as of and for the year ended June 30, 2011, and have issued our report thereon dated March 29, 2012. The information in the "Hard Copy Documents" column was included within the scope, or was a by-product, of that audit. Further, our opinion on the fair presentation of the Authority's Financial Data Schedule dated March 29, 2012, was expressed in relation to the basic financial statements of the Authority taken as a whole.

A copy of the financial statement package and the FDS, which includes the auditor's report, is available in its entirety from the Authority. We have not performed any additional auditing procedures since the date of the aforementioned audit report. Further, we take no responsibility for the security of the information transmitted electronically to the U.S. Department of Housing and Urban Development, REAC.

This report is intended solely for the information and use of the Authority and the U.S. Department of Housing and Urban Development, REAC, and is not intended to be and should not be used by anyone other than these specified parties.

Procedure	UFRS Rule Information	Hard Copy Documents	Agrees	Does Not Agree
1	Balance Sheet and Revenue And Expense	Financial Data Schedule, all CFDA's	X	
2	Footnotes	Footnotes to audited basic financial statements	X	
3	Type of opinion on FDS	Auditor's supplemental Report on FDS	X	
4	Audit findings narrative	Schedule of Findings and Questioned Costs	X	
5	General Information	OMB Data Collection Form	X	
6	Financial Statement Report information	Schedule of Findings and Questioned Costs, Part 1 and OMB Data Collection Form	X	
7	Federal program report Information	Schedule of Findings and Questioned Costs, Part 1 and OMB Data Collection Form	X	
8	Federal agencies required to receive reporting package	OMB Data Collection Form	X	
9	Basic financial statements and auditor's reports required to be submitted electronically	Basic financial statements (inclusive of auditor reports)	X	

*Henderson & Hill, LLC*  
Henderson & Hill, LLC  
March 29, 2012