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**Audited Financial Statements for the  
Minneapolis Public Housing Authority (MPHA)**

**Fiscal Year 2006  
October 1, 2005 – September 30, 2006**

**Cora McCorvey  
MPHA Executive Director**

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**MINNEAPOLIS PUBLIC  
HOUSING AUTHORITY  
MINNEAPOLIS, MINNESOTA**

**Year Ended September 30, 2006**

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**MINNEAPOLIS PUBLIC HOUSING AUTHORITY**  
**MINNEAPOLIS, MINNESOTA**

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## **INTRODUCTORY SECTION**

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**MINNEAPOLIS PUBLIC HOUSING AUTHORITY  
MINNEAPOLIS, MINNESOTA**

ORGANIZATION  
SEPTEMBER 30, 2006

Board of Commissioners

		<u>Term Expires</u>
Cornell Moore	Chair	December 31, 2006
Grace Lee	Secretary	December 31, 2008
Judy Karon	Commissioner	December 31, 2008
Darlene Rogers	Commissioner	December 31, 2008
Mark Manbeck	Commissioner	December 31, 2007
William Dooley	Commissioner	December 31, 2007
Westley Wheeler	Commissioner	December 31, 2006
Elizabeth Ryan	Commissioner	December 31, 2007
Dawn Stanton	Commissioner	December 31, 2008

Executive Director of Public Housing

Cora McCorvey	Indefinite
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**FINANCIAL SECTION**

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REBECCA OTTO  
STATE AUDITOR

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## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Minneapolis Public Housing Authority

We have audited the accompanying financial statements of the Minneapolis Public Housing Authority (MPHA) as of and for the year ended September 30, 2006, as listed in the table of contents. The financial statements include the Community Housing Resources' activities as of and for the year ended December 31, 2005. These financial statements are the responsibility of the MPHA'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 MPHA as of September 30, 2006, including the Community Housing Resources as of December 31, 2005, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis listed in the table of contents is not a required part of the 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 made for the purpose of forming an opinion on the financial statements taken as a whole. The Financial Data Schedule listed as supplementary information in the table of contents is required by the U.S. Department of Housing and Urban Development and is not a required part of the financial statements of the MPHA. The information in that schedule and the other supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 2007, on our consideration of the MPHA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

May 23, 2007

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**MINNEAPOLIS PUBLIC HOUSING AUTHORITY  
MINNEAPOLIS, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended September 30, 2006  
(Unaudited)**

This section of the Minneapolis Public Housing Authority's (MPHA) annual financial report presents our Management's Discussion and Analysis (MD&A) of the MPHA's financial performance during the fiscal year ended on September 30, 2006. The MD&A is designed to assist the reader in focusing on significant financial issues, to provide an overview of the MPHA's financial activity and position, and to identify financial trends and concerns.

Since this section is designed to focus on the current year's activities, resulting changes, and currently known facts, please read it in conjunction with the MPHA's financial statements.

**FINANCIAL HIGHLIGHTS**

- Federal capital grants decreased by 35 percent from 2005. The decrease is the result of decreased construction expenditures for the Heritage Commons at Pond's Edge apartment complex and the Linden Hills Townhomes. The majority of the construction expenses for these new developments were incurred in 2005.
- Section 8 housing assistance payments decreased by 12 percent from 2005. The decrease in utilization of program assistance is attributable to several factors. The most significant factors include the implementation of more restrictive occupancy standards, resulting in decreased voucher sizes and lower Housing Assistance Payments (HAP) costs, an increase in the issuance of one bedroom households in MPHA's Disabled Voucher allocations, and an increased focus on program integrity which terminated housing contracts with noncompliant landlords based upon participant program violations and owner Housing Quality Standards violations.

**AGENCY OVERVIEW**

The MPHA is supported largely by the U.S. Department of Housing and Urban Development (HUD). The MPHA's mission is to provide decent, safe, and affordable housing to low-income and special needs populations. The MPHA uses the enterprise fund method for financial reporting. This presentation is designed to be corporate-like in that all business-type activities are consolidated into one agency-wide total. While detailed sub-fund information is not presented, separate accounts are maintained for each program or grant to control and manage money for particular purposes or to demonstrate that the MPHA is properly using specific appropriations and grants. The Financial Data Schedule, presented in the Supplementary

Information section of the financial statements, provides a balance sheet and income statement by program as required by HUD. Although the Financial Data Schedule presents several programs, the major operations include administering a Housing Choice Voucher Program and managing and operating public housing property.

On June 18, 2001, the MPHA formed a non-profit affiliate organization, Community Housing Resources (CHR). CHR's purpose is to support the MPHA in the development and operation of affordable housing. CHR is presented on these financial statements as a blended component unit of the MPHA, meaning that CHR's financial transactions are combined with the MPHA's transactions in accordance with the prescribed generally accepted accounting principles.

### ***Housing Choice Voucher Program***

The MPHA administers a Housing Choice Voucher Program with federal funds received from HUD. The Housing Choice Voucher Program is the federal government's major program for assisting very low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing in the private market. Since housing assistance is provided on behalf of the family or individual, participants are able to find their own housing, including single-family homes, townhouses, and apartments.

A family issued a housing voucher is responsible for finding a suitable housing unit of the family's choice where the owner agrees to rent under the program. A housing subsidy is paid to the landlord directly by the MPHA on behalf of the participating family. The family then pays the difference between the actual rent charged by the landlord and the amount subsidized by the program. Under certain circumstances, a family may use its voucher to purchase a modest home.

Eligibility for a housing voucher is determined based on the total annual gross income and family size and is limited to U.S. citizens and specified categories of non-citizens who have eligible immigration status. In general, the family's income may not exceed 50 percent of the median income for the county or metropolitan area in which the family chooses to live. By law, the MPHA must provide 75 percent of its vouchers to applicants whose incomes do not exceed 30 percent of the area median income.

In 2004, HUD enacted changes in the Housing Choice Voucher Program that attempted to better control the increasing costs of vouchers. These changes restricted the number of vouchers that the MPHA could have under lease below the 4,838 per month maximum previously authorized by HUD. The MPHA utilized 88 percent of the available rent subsidy funding provided by HUD in 2006 and averaged 4,087 housing choice vouchers under lease per month, a 7.5 percent decrease in usage from the 2005 level. The decrease in utilization of program assistance is attributable to several factors. The most significant factors include the implementation of more restrictive occupancy standards, resulting in decreased voucher sizes and lower HAP costs, an increase in the issuance of one-bedroom households in the MPHA's Disabled Voucher allocations, and an increased focus on program integrity which terminated housing contracts with noncompliant landlords based upon participant program violations and owner Housing Quality

Standards violations. Additionally, the MPHA entered into agreements for 528 project-based vouchers to families with special needs. These projects typically saw 11 percent to 14 percent monthly vacancy rates in 2006, which further contributed to lower program utilization.

The MPHA has been granted authority from HUD that allows voucher holders to use their housing assistance for their mortgage payment as first-time homebuyers. As of September 30, 2006, the MPHA had 22 families using their housing choice voucher for the purchase of a home.

### ***Public Housing Program***

Public housing was established to provide decent and safe rental housing for eligible low-income families, the elderly, and persons with disabilities. The MPHA's public housing comes in all sizes and types, from scattered single-family houses to high-rise apartments for elderly families. There are approximately 5,800 households living in public housing units managed by the MPHA, which includes 736 single-family homes, 184 townhouse units, and 4,958 high-rise apartment units.

HUD provides federal aid to the MPHA so that the MPHA can manage the housing for low-income residents at rents they can afford. Eligibility for public housing is determined based on the total family's annual gross income and is limited to U.S. citizens and specified categories of non-citizens who have eligible immigration status. In addition to federal aid for the operation of public housing, HUD also provides the MPHA with capital grant funds for public housing modernization and new public housing unit development. The MPHA's 40 high-rise apartment buildings were predominantly built in the 1960s and early 1970s, and it annually spends close to \$10 million in modernization work. In 2006, the MPHA spent over \$9.2 million in public housing modernization. In addition, the MPHA completed the construction of a new 102-unit seniors-only apartment complex, bringing the total number of high-rise apartment complexes to 41. The construction has been primarily funded by HUD's HOPE VI Grant. In 2006, the MPHA spent \$3.7 million on the construction of this new facility.

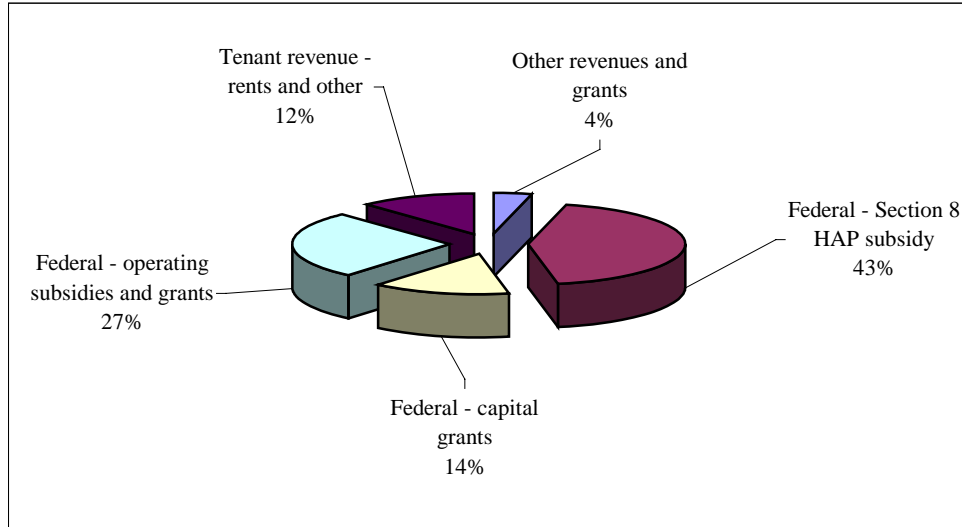
The MPHA's public housing program continued to show high occupancy levels in 2006 with annual occupancy of nearly 98 percent of all available public housing units. In addition, the MPHA was once again designated as a "high performer" by HUD for the management of the public housing program.

### ***Sources and Uses of Funds***

The following charts present a breakdown of the MPHA's 2006 sources and uses of funds. The sources and uses presentation is another method of looking at how the MPHA is utilizing the resources provided to manage its housing programs. It differs slightly from the financial statement in Exhibit B. The difference is that depreciation expense, which does not result in a cash disbursement, is not included, but capital expenditures, which do require a cash outlay, are included. The other difference is provided in the footnote with each schedule.

As in previous years, the MPHA was heavily financed from the federal government. In 2006, federal grants and subsidies made up 84 percent of the MPHA's sources of funds. These funds were provided for general program operation, capital uses for both improvements for existing structures and new public housing development, and Section 8 housing assistance subsidies. This breakdown is consistent with the MPHA's experience in recent years.

### 2006 Sources of Funds

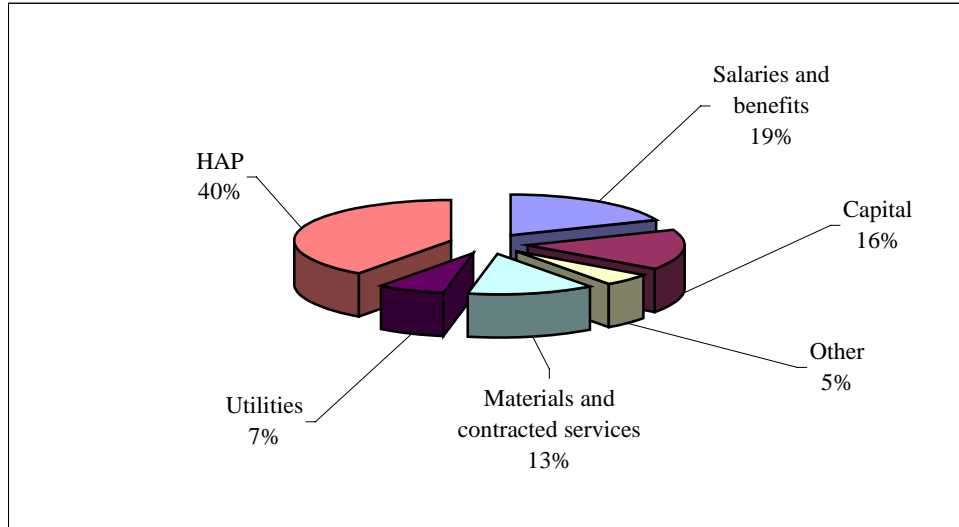


Tenant revenue - rents and other	\$ 12,290,794
Federal - operating subsidies and grants	26,481,143
Federal - capital grants <sup>1</sup>	13,442,155
Federal - Section 8 HAP subsidy	42,655,365
Other revenues and grants	<u>4,092,154</u>
 Total Sources	 <u>\$ 98,961,611</u>

<sup>1</sup>Includes \$1.07 million, which was provided by HUD for specific public housing development. The Statement of Revenues and Expenses classifies these funds as operating subsidy, instead of capital grants, because these funds were loaned or granted by the MPHA to a private owner or government entity. Since the funds were required to be used for the acquisition or construction of public housing units, this presentation classifies them as capital grants.

The majority of uses of funds were for HAP to Section 8 landlords, followed by capital uses, which include capital improvements to existing housing and financing for public housing development.

**2006 Uses of Funds**



Salaries and benefits	\$ 17,760,589
Materials and contracted services	11,849,428
Utilities	6,779,354
HAP	37,566,840
Other	5,098,675
Capital <sup>1</sup>	<u>15,226,153</u>
 Total Uses	 <u><u>\$ 94,281,039</u></u>

<sup>1</sup>Includes \$1.07 million, which was provided by HUD for specific public housing development. These funds were loaned or granted by the MPHA to a private owner or another government entity for the acquisition or construction of public housing units, which the owner or government entity agrees to operate as public housing. The public housing units developed under this method are not owned by the MPHA and, therefore, the grants or loans to the owner are classified as general operating expenses under the Statement of Revenues and Expenses, instead of classified as capital assets on the Statement of Net Assets.

## OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements are designed to provide readers with a broad overview of the MPHA's finances in a manner similar to a private-sector business. These statements include:

Statement of Net Assets which presents information on all of the MPHA's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets usually serve as a useful indicator of whether the financial position of the MPHA is improving or deteriorating. The Statement of Net Assets is shown as Exhibit A.

Statement of Revenues, Expenses, and Changes in Net Assets which presents information showing how the MPHA's net assets changed during the most recent period. This statement shows the total revenues and total expenses of the MPHA and the difference between them is MPHA's net income. This statement is shown as Exhibit B.

Statement of Cash Flows which presents changes in cash and cash equivalents resulting from operations, capital and noncapital financing activities, and investing activities. The Statement of Cash Flows is shown as Exhibit C.

The Notes to the Financial Statements provide additional information essential to the full understanding of the data provided in the MPHA's other basic financial statements. The Notes to the Financial Statements can be found on pages 19 through 31 of this report.

## COMPARATIVE FINANCIAL ANALYSIS

The following table provides a comparative analysis of the MPHA's financial position as of the fiscal years ending September 30, 2005, and September 30, 2006. This table provides a snapshot of the MPHA's economic resources (assets), the claims on these resources (liabilities) by outside creditors, and the net resources (equity) available to the MPHA.

	2006	2005	Variance (%)
Assets			
Current and other assets	\$ 32.4	\$ 30.3	7
Capital assets	165.5	160.4	3
Total Assets	\$ 197.9	\$ 190.7	4
Liabilities			
Current liabilities	\$ 10.0	\$ 14.5	(31)
Long-term liabilities	4.6	3.7	24
Total Liabilities	\$ 14.6	\$ 18.2	(20)

	<u>2006</u>	<u>2005</u>	<u>Variance (%)</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 163.2	\$ 157.8	3
Restricted net assets	0.9	1.1	(18)
Unrestricted net assets	<u>19.2</u>	<u>13.6</u>	41
Total Net Assets	<u>\$ 183.3</u>	<u>\$ 172.5</u>	6

Current and other assets and capital assets increased over 2005 levels by \$2.1 million and \$5.1 million, respectively. The increase in current assets is due to an increase in the available cash held by the MPHA. The availability of excess cash is predominantly the result of a change in 2005 to HUD policy that permits public housing authorities (PHAs) to keep and invest federal funds for Section 8 housing assistance payments that have not yet been paid to landlords. The creation of this new reserve provides a contingency for PHAs to cover future increases in Section 8 rental assistance. In years past, HUD held and maintained such a reserve fund. The increase in capital assets relates to the construction of a new “elderly-only” apartment complex. Heritage Commons on Pond’s Edge was completed in May 2006.

The majority of the MPHA’s assets (84 percent) are capital assets which consist of 41 high-rise apartment buildings, over 920 single-family or townhome units, and 3 administrative buildings. As presented in the Change in Capital Assets Schedule, capital assets increased by \$5.1 million from 2005. This increase is related to the construction of a new apartment complex.

**Change in Capital Assets  
(In Millions)**

Beginning Balance as of FYE 2005	\$ 160.3
Additions	15.0
Retirements, net of accumulated depreciation	(0.2)
Depreciation	<u>(9.7)</u>
Ending Balance as of FYE 2006	<u>\$ 165.5</u>

Most of the MPHA’s capital assets are in the form of public housing buildings depreciated over 39 years and capital improvements to these buildings depreciated over 20 years.

Total liabilities decreased in 2006 by \$3.6 million. Current liabilities, primarily vendor accounts payable, accounted for all of the decrease. Due to the completion of the new apartment complex, the MPHA’s outstanding vendor payments decreased significantly in 2006. In 2005, the MPHA had an unusually large amount of building construction and modernization costs incurred but not yet paid as of the end of the year.

The MPHA's long-term liabilities increased by \$900,000 in 2006. The increase is the result of the MPHA entering into a capital lease in 2006 to finance further energy improvements under a HUD energy savings incentive program. The energy bonds (1997) and capital leases (1998 and 2006) that the MPHA has were issued as part of an energy savings incentive program where the MPHA made capital improvements that resulted in significant energy consumption decreases in the buildings used for the Public Housing Program. An Energy Service Company (ESCO) makes the capital improvements and guarantees that there will be sufficient savings to cover the debt issued. The MPHA made \$699,977 in principal payments on the energy bonds and capital lease in 2006. The MPHA's long-term debt consists of energy bonds (\$1.4 million), capital leases used for energy efficient equipment (\$2.5 million), and a note payable for security deposit assistance (\$40,000).

Total net assets increased by 6 percent from 2005. The largest portion of the MPHA's net assets are in capital assets, net of related debt. Capital assets, net of related debt, comprise 89 percent of the total net assets. These net assets mainly represent the buildings that the MPHA utilizes in housing low-income individuals and families in the Public Housing Program.

The MPHA's unrestricted net assets increased by \$5.6 million in 2006. The \$19.2 million in unrestricted net assets is divided among the various programs that the MPHA operates. The Public Housing Program ended 2006 with a \$9 million balance, the internal public liability fund with \$2.1 million, the Housing Choice Voucher Program with \$7.1 million, and various other funds totaling \$1.0 million. The largest increase was within the Housing Choice Voucher Program, which increased by \$5.5 million. The increase is the result of HUD housing assistance contributions that were not spent in 2006. As these funds can only be used to cover housing payments to landlords, the MPHA will utilize these funds in future years if HUD funding does not keep pace with housing assistance needs.

## **OPERATING ACTIVITIES**

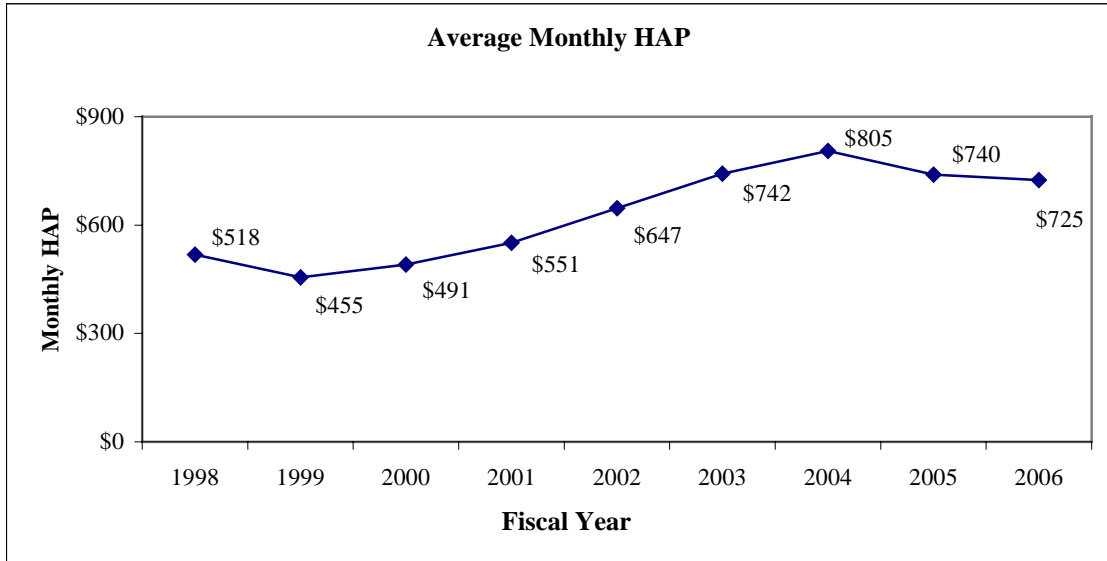
The MPHA receives its operating revenues to support its operating expenditures from rental charges, federal government subsidies and grants provided through HUD, and the City of Minneapolis. The MPHA also receives funding from HUD for capital improvement expenditures and the development of public housing units. The following table summarizes and compares the changes related to the MPHA's operating and capital transactions between fiscal years 2006 and 2005.

**Statement of Revenues and Expenses**  
**(In Millions)**

	<u>2006</u>	<u>2005</u>	<u>Variance</u> <u>(%)</u>
<b>Revenues</b>			
Tenant revenue - rents and other	\$ 12.3	\$ 13.0	(6)
Federal - Section 8 rent subsidy	42.6	43.0	(1)
Federal - other operating subsidies and grants	27.2	29.0	(7)
Other government grants	2.3	1.4	64
Investment income and other revenue	<u>1.7</u>	<u>1.8</u>	(4)
 Total Revenue	 <u>\$ 86.1</u>	 <u>\$ 88.2</u>	 (3)
<b>Expenses</b>			
Administrative	\$ 14.0	\$ 12.9	8
Tenant services	1.0	1.1	(9)
Utilities	7.4	6.9	9
Maintenance	11.6	11.9	(3)
Protective services	2.4	2.6	(8)
General	4.4	8.8	(50)
HAP	37.6	42.5	(12)
Depreciation	<u>9.7</u>	<u>9.0</u>	8
 Total Expenses	 <u>\$ 88.1</u>	 <u>\$ 95.7</u>	 (8)
 Net Income (Loss) Before Contributions	 <u>\$ (2.0)</u>	 <u>\$ (7.5)</u>	 (72)
 Federal - capital grants	 <u>12.8</u>	 <u>19.7</u>	 (35)
 Change in Net Assets	 <u>\$ 10.8</u>	 <u>\$ 12.2</u>	 (13)

Revenues to support operations decreased 3 percent from 2005. Other federal subsidies and grants decreased by 7 percent from 2005 continuing a series of federal funding reductions in this line item. The 2005 amount was 17 percent less than 2004, and the 2004 amount was 20 percent less than 2003. This funding is used to pay for the costs associated with operating the Public Housing Program, administering the Section 8 vouchers, and the pass-through of funding provided to private developers for constructing replacement public housing units. The reduction was the result of decreased construction activity in Hollman public housing replacement units from the activity in 2005. This decrease was expected as replacement housing is nearing completion. A corresponding decrease in this activity is also reflected in the general expense category as this funding is passed through to private owners for constructing replacement units.

Federal funding for Section 8 Rent Subsidy remained similar to that provided in 2005. This funding is used to pay private landlords for the difference between the rent and the amount the Section 8 family pays. However, there was a 12 percent reduction in Section 8 housing assistance payment expenses from the 2005 levels. The decrease in housing assistance payments was discussed in the Housing Choice Voucher Program section of the Agency Overview. The average monthly housing assistance payment paid in 2006 was \$725 per unit, a decrease of 2 percent from the average amount paid in 2005. The following graph illustrates the change in the average monthly housing assistance payment per unit since 1998.



The decrease in the HAP and the decrease in construction activity for units not owned by the MPHA were the primary reasons for the eight percent reduction in total expenses. Total expenses decreased by \$7.6 million in 2006.

Federal capital grants decreased by 35 percent from the 2005 amount. The decrease is the result of decreased construction expenditures for the Heritage Commons at Pond's Edge apartment complex and the Linden Hills Townhomes. The majority of the construction expenses for these developments were incurred in 2005.

The MPHA does not anticipate that funding for public housing will increase in the near future. The operating subsidy needed to manage public housing units is being funded at only 82 percent of the need due to insufficient federal appropriations in 2007. Preliminary budget proposals for 2008 suggest that operating subsidy may be funded at only 80 percent of the need. Additionally, HUD has issued new regulations concerning public housing operating subsidy and the method of operation for public housing. HUD expects that the new regulations will result in less operating subsidy for the MPHA because of the change to a new subsidy formula. Funding for the Section 8 Housing Choice Voucher Program is expected to decrease slightly in 2007 due to the amount of housing assistance expenditures in 2006.

## **CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

The financial report is designed to provide a general overview of the MPHA's finances and to demonstrate the MPHA's accountability for the appropriations and grants that it receives. If you have any questions about this report or need additional financial information, contact the Minneapolis Public Housing Authority, ATTN: Finance Department, 1001 Washington Avenue North, Minneapolis, Minnesota 55401.

## **FINANCIAL STATEMENTS**

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**MINNEAPOLIS PUBLIC HOUSING AUTHORITY  
MINNEAPOLIS, MINNESOTA**

**EXHIBIT A**

**STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2006**

**Assets**

**Current assets**

Cash and cash equivalents	\$ 7,576,055
Investments	15,148,527
Tenant receivables - net	477,506
Interest receivable	239,756
Due from other governmental units	2,106,532
Inventory	41,813
Prepaid items	589,106
Miscellaneous receivable	50,001
Restricted assets	
Cash and cash equivalents	3,080,476
Investments	1,802,357
Interest receivable	15,610
Due from other governmental units	1,335,123

**Total current assets** **\$ 32,462,862**

**Noncurrent assets**

**Capital assets**

Land	\$ 27,958,448
Buildings and equipment	269,524,425
Less: accumulated depreciation	(164,029,991)
Construction in progress	32,005,102

**Total capital assets - net of accumulated depreciation** **\$ 165,457,984**

**Total Assets** **\$ 197,920,846**

**MINNEAPOLIS PUBLIC HOUSING AUTHORITY  
MINNEAPOLIS, MINNESOTA**

**EXHIBIT A  
(Continued)**

**STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2006**

**Liabilities**

**Current liabilities - payable from current assets**

Accounts payable	\$	2,426,506
Salaries/benefits payable		1,820,375
Due to other governmental units		828,044
Deferred revenue		243,341
Accrued claims		572,595
Energy bonds payable		480,000
Capital lease payable		662,384
Accrued interest payable		24,173
		24,173

**Total current liabilities - payable from current assets** **\$ 7,057,418**

**Current liabilities - payable from restricted assets**

Accounts payable	\$	1,980,439
Salaries/benefits payable		51,201
Due to other governmental units		36,269
Tenant security deposits		836,268
		836,268

**Total current liabilities - payable from restricted assets** **\$ 2,904,177**

**Total current liabilities** **\$ 9,961,595**

**Noncurrent liabilities**

Energy bonds payable	\$	920,000
Capital lease payable		1,907,309
Notes payable		40,000
Other noncurrent liabilities		1,784,535
		1,784,535

**Total noncurrent liabilities** **\$ 4,651,844**

**Total Liabilities** **\$ 14,613,439**

**Net Assets**

Invested in capital assets (net of related debt)	\$	163,165,563
Restricted for		
Debt service		412,880
Other purposes		513,773
Unrestricted		19,215,191
		19,215,191

**Total Net Assets** **\$ 183,307,407**

**MINNEAPOLIS PUBLIC HOUSING AUTHORITY  
MINNEAPOLIS, MINNESOTA**

**EXHIBIT B**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

<b>Operating Revenues</b>	
Tenant rental revenue	\$ 12,290,794
Intergovernmental	72,084,338
Miscellaneous	945,949
	<hr/>
<b>Total Operating Revenues</b>	<b>\$ 85,321,081</b>
<b>Operating Expenses</b>	
Administrative	\$ 13,963,041
Tenant services	952,174
Utilities	7,391,015
Ordinary maintenance and operations	11,597,228
Protective services	2,425,370
General	4,295,611
Housing assistance payments	37,566,840
Depreciation	9,736,547
Casualty losses	60,537
	<hr/>
<b>Total Operating Expenses</b>	<b>\$ 87,988,363</b>
<b>Operating Income (Loss)</b>	<b>\$ (2,667,282)</b>
<b>Nonoperating Revenues (Expenses)</b>	
Investment income	\$ 796,452
Gain (loss) on disposal of capital assets	49,500
Interest expense	(129,237)
	<hr/>
<b>Total Nonoperating Revenues (Expenses)</b>	<b>\$ 716,715</b>
<b>Income (Loss) Before Contributions</b>	<b>\$ (1,950,567)</b>
Capital contributions	12,794,576
	<hr/>
<b>Change in Net Assets</b>	<b>\$ 10,844,009</b>
<b>Net Assets - October 1</b>	<b>172,463,398</b>
	<hr/>
<b>Net Assets - September 30</b>	<b>\$ 183,307,407</b>

**MINNEAPOLIS PUBLIC HOUSING AUTHORITY  
MINNEAPOLIS, MINNESOTA**

**EXHIBIT C**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

<b>Cash Flows from Operating Activities</b>	
Receipts from tenants and other customers	\$ 13,225,228
Payments to suppliers	(25,114,145)
Payments to employees	(17,161,284)
	<u>\$ (29,050,201)</u>
<b>Cash Flows from Noncapital Financing Activities</b>	
Intergovernmental receipts	\$ 72,530,039
Housing assistance payments	(37,566,840)
Casualty losses	(60,537)
Repayment of GMMHC note	(100,835)
	<u>\$ 34,801,827</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Capital contributions	\$ 16,266,484
Acquisition of capital assets	(14,836,311)
Proceeds of capital lease	2,333,881
Principal paid on capital debt	(673,826)
Interest paid on capital debt	(137,388)
Proceeds from sales of capital assets	43,446
	<u>\$ 2,996,286</u>
<b>Cash Flows from Investing Activities</b>	
Proceeds from sales and maturities of investments	\$ 21,834,260
Purchase of investments	(25,680,167)
Interest received	619,126
	<u>\$ (3,226,781)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$ 5,521,131</b>
<b>Cash and Cash Equivalents - Beginning of Year</b>	<b><u>5,135,400</u></b>
<b>Cash and Cash Equivalents - End of Year</b>	<b><u>\$ 10,656,531</u></b>
<b>Details of Cash and Cash Equivalents</b>	
Cash and cash equivalents	\$ 7,576,055
Restricted cash and cash equivalents	3,080,476
	<u>\$ 10,656,531</u>

**MINNEAPOLIS PUBLIC HOUSING AUTHORITY  
MINNEAPOLIS, MINNESOTA**

**EXHIBIT C  
(Continued)**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>	
Operating income (loss)	<u>\$ (2,667,282)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Increase (decrease) in allowance for uncollectible accounts	\$ (28,964)
Intergovernmental revenues	(72,084,338)
Housing assistance payments	37,566,840
Depreciation	9,736,547
Casualty losses	60,537
Changes in assets and liabilities	
(Increase) decrease in assets	
Tenant receivables	(59,169)
Inventory	390,113
Prepaid items	(35,568)
Miscellaneous receivable	28,909
Increase (decrease) in liabilities	
Accounts payable	(2,090,562)
Salaries/benefits payable	58,400
Due to other governmental units	(25,333)
Tenant security deposits	47,709
Accrued claims	251,000
Other/accrued liabilities	<u>(199,040)</u>
<b>Total adjustments</b>	<u>\$ (26,382,919)</u>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>\$ (29,050,201)</u>
<b>Noncash Investing, Capital and Financing Activities</b>	
Acquisition of capital assets in satisfaction of loan receivable from component unit	<u>\$ 255,000</u>

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**MINNEAPOLIS PUBLIC HOUSING AUTHORITY  
MINNEAPOLIS, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2006**

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1. Summary of Significant Accounting Policies

A. Reporting Entity

The Minneapolis Public Housing Authority (MPHA) is a public nonprofit corporation created by resolution of the City of Minneapolis under the Minnesota Housing and Redevelopment Act of 1947. On June 1, 1986, the City of Minneapolis, by way of Ordinance Chapter 420, created the MPHA. The MPHA existed from that point as a separate entity but with an administrative contract with the Minneapolis Community Development Agency (MCDA), which provided administrative services to operate the MPHA. This relationship continued until August 10, 1990, when the Minneapolis City Council adopted final guidelines to make possible a complete separation of the two entities. On April 7, 1991, the MPHA separated from the MCDA and has since operated as an independent agency. The MPHA's primary operations are the development, comprehensive improvement, and operation of Low-Rent Public Housing and the administration of Housing Assistance Payment (Section 8) programs for low-income persons. These programs are financed by the U.S. Department of Housing and Urban Development (HUD).

The MPHA is governed by a nine-member Board of Commissioners appointed by the Mayor and City Council of Minneapolis. The Board is organized with a chair, vice chair, and secretary.

Blended Component Unit

Community Housing Resources was incorporated in Minnesota and began operation in 2001. This nonprofit corporation's purpose is to support the MPHA in the development and operation of affordable housing. The nonprofit corporation is governed by a ten-member Board of Directors; the Directors are identical to the MPHA's Board of Commissioners, with the addition of the MPHA's Executive Director. Although legally separate, Community Housing Resources is, in substance, part of the MPHA's operations. Community Housing Resources has a December 31 year-end. Separate financial statements for Community Housing Resources can be obtained from Community Housing Resources, Inc., ATTN: Finance Department, 1001 Washington Avenue North, Minneapolis, Minnesota 55401.

**MINNEAPOLIS PUBLIC HOUSING AUTHORITY**  
**MINNEAPOLIS, MINNESOTA**

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1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation

The MPHA's accounts are organized as an enterprise fund. The operations are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenses. Enterprise funds are used to account for operations that provide a service to the public financed by charges to users of that service and activities where the periodic measurement of net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

C. Basis of Accounting and Measurement Focus

The MPHA's enterprise fund is accounted for on the flow of economic resources measurement focus. Accounting records are maintained on the accrual basis of accounting, under which revenues are recorded when they are earned and expenses are recorded when the corresponding liabilities are incurred.

Property taxes are imposed nonexchange transactions. Revenues from property taxes collected for the MPHA by the City of Minneapolis are recognized in the period for which the taxes were levied.

The MPHA applies all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as all applicable Financial Accounting Standards Board pronouncements issued on or before November 30, 1989.

D. Cash and Cash Equivalents

The MPHA's cash and cash equivalents (including restricted assets) are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

E. Investments

Investments are stated at fair value as required by GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The fair value of investments is based on quoted market prices. Short-term investments are valued at cost, which approximates fair value.

**MINNEAPOLIS PUBLIC HOUSING AUTHORITY**  
**MINNEAPOLIS, MINNESOTA**

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1. Summary of Significant Accounting Policies (Continued)

F. Tenant Receivables

Tenant receivables have been shown net of an allowance for uncollectible accounts of \$385,086.

G. Due From/To Other Governmental Units

Amounts represent receivables and payables related to grants from other federal, state, and local governments for program administration.

H. Inventory

Inventories are valued at cost, and the MPHA uses the first-in, first-out flow assumption in determining cost. The MPHA uses the consumption method to record inventory expenses.

I. Restricted Assets

Restricted assets are those whose use is restricted, generally for capital purposes, either legally or by grant agreement. Corresponding obligations are shown as current liabilities payable from restricted assets. Restricted amounts are related to development and improvement grant programs and to resources related to energy bond funds. Tenant security deposits reflect amounts which may eventually be returned to tenants and are reported as an equal and offsetting restricted asset and liability.

J. Capital Assets

Land, buildings and structures, and equipment are recorded as capital assets on the statement of net assets. The MPHA defines capital assets as assets with an initial, individual cost of more than \$500 and an estimated useful life of at least three years. Purchased capital assets are stated at historical cost. Donated capital assets are recorded as estimated fair value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed and are added to the cost basis of the asset improved.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized.

**MINNEAPOLIS PUBLIC HOUSING AUTHORITY**  
**MINNEAPOLIS, MINNESOTA**

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1. Summary of Significant Accounting Policies

J. Capital Assets (Continued)

Depreciation on capital assets is charged as an expense over the following periods using the straight-line method.

<u>Assets</u>	<u>Years</u>
Buildings	39
Building improvements	20
Furniture and equipment	3 - 7

Accumulated depreciation is offset against the original cost of the capital assets on the statement of net assets.

K. Compensated Absences

Vacation leave is expensed when earned, and a vacation benefit payable is recorded as a current liability. In addition, certain employees qualify for a sick leave severance benefit paid at termination. Sick leave severance is expensed when vested. For all compensated absences, the liability is valued using pay rates in effect at the end of the MPHA's fiscal year.

L. Equity Classifications

Equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt - Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings (net of unspent related debt proceeds) attributable to the acquisition, construction, or improvements of those assets.
2. Restricted net assets - Consists of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

**MINNEAPOLIS PUBLIC HOUSING AUTHORITY**  
**MINNEAPOLIS, MINNESOTA**

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1. Summary of Significant Accounting Policies

L. Equity Classifications (Continued)

3. Unrestricted net assets - All other net assets that do not meet the definition of “restricted” or “invested in capital asset, net of related debt.”

When both restricted and unrestricted resources are available for use, it is the MPHA’s policy to use restricted resources first and then unrestricted resources as needed.

M. Operating and Nonoperating Revenues and Expenses

The MPHA distinguishes operating revenues and expenses from nonoperating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary activity’s principal ongoing operations. Operating revenues include tenant rental revenue and intergovernmental operating grants since they constitute the MPHA’s ongoing operations. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

2. Deposits and Investments

Reconciliation of the MPHA’s total deposits, cash on hand, and investments to Exhibit A follows:

Current cash and cash equivalents	\$ 7,576,055
Restricted cash and cash equivalents	<u>3,080,476</u>
Total cash and cash equivalents	<u>\$ 10,656,531</u>
Current investments	\$ 15,148,527
Restricted investments	<u>1,802,357</u>
Total investments	<u>\$ 16,950,884</u>
Total Cash, Cash Equivalents, and Investments - Exhibit A	<u><u>\$ 27,607,415</u></u>

**MINNEAPOLIS PUBLIC HOUSING AUTHORITY**  
**MINNEAPOLIS, MINNESOTA**

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2. Deposits and Investments (Continued)

Deposits	
Checking and savings	\$ 4,896,844
Petty cash and change funds	2,800
Certificates of deposit	8,300,000
Cash with escrow agent	1,677,273
Community Housing Resources cash balance at December 31, 2005	<u>45,213</u>
 Total deposits	 \$ 14,922,130
 Investments	 <u>12,685,285</u>
 Total Deposits and Investments	 <u>\$ 27,607,415</u>

Deposits

Minn. Stat. §§ 118A.02 and 118A.04 authorize the MPHA to designate a depository for public funds and to invest in certificates of deposit. Minn. Stat. § 118A.03 requires that all MPHA deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit plus accrued interest at the close of the financial institution's banking day, not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better, revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk for Deposits

Custodial credit risk for deposits is the risk that in the event of a financial institution failure, the MPHA's deposits may not be returned to it. As of September 30, 2006, deposits in financial institutions, reported as components of cash, cash equivalents, and investments, had a carrying value of \$13,196,844. Bank balances were \$13,851,283, of which \$100,000 was covered by federal depository insurance and \$13,751,283 was covered by collateral.

**MINNEAPOLIS PUBLIC HOUSING AUTHORITY  
MINNEAPOLIS, MINNESOTA**

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2. Deposits and Investments

Custodial Credit Risk for Deposits (Continued)

The MPHA's policy for custodial credit risk for deposits is to maintain compliance with Minnesota statutes that require the MPHA's deposits be protected by insurance, surety bond, or pledged collateral. As of September 30, 2006, the MPHA's deposits were not exposed to custodial credit risk.

Investments

Minn. Stat. §§ 118A.04 and 118A.05 generally authorize the following types of investments as available to the MPHA:

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers' acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

**MINNEAPOLIS PUBLIC HOUSING AUTHORITY  
MINNEAPOLIS, MINNESOTA**

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2. Deposits and Investments

Investments (Continued)

Custodial Credit Risk for Investments

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the MPHA will not be able to recover the value of investment or collateral securities in the possession of an outside party. The MPHA does not have a policy on custodial credit risk for investments. At September 30, 2006, all investments, evidenced by individual securities, are registered in the name of the MPHA.

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The MPHA has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The MPHA minimizes its exposure to interest rate risk by investing in both short-term and long-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

The following table presents the MPHA's investment balances at September 30, 2006, and information relating to interest rate risk:

	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1 - 5
Investments			
Uninvested cash held by fiscal agents	\$ 34,401	\$ 34,401	\$ -
U.S. government agency securities			
Federal Home Loan Banks	4,814,310	1,314,930	3,499,380
Federal Home Loan Mortgage Corporation	2,807,815	2,807,815	-
Federal National Mortgage Association	4,955,983	3,363,673	1,592,310
Federal Farm Credit Banks	64,817	64,817	-
U.S. Treasury securities			
Treasury notes	7,959	7,959	-
	\$ 12,685,285	\$ 7,593,595	\$ 5,091,690

**MINNEAPOLIS PUBLIC HOUSING AUTHORITY  
MINNEAPOLIS, MINNESOTA**

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2. Deposits and Investments

Investments (Continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. HUD and the MPHA investment policies, along with state law, limit the MPHA's investment choices. State law limits investments to securities that are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. § 118A.04, subd. 6. As of September 30, 2006, the investments in U.S. government securities were guaranteed by the United States and were not considered to be "high risk" as defined by state statute.

All U.S. government agency securities were rated Aaa by Moody's Investors Service.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the MPHA's investment in a single issuer. The MPHA places no limit on the amount it may invest in any one approved issuer. Investments in any one issuer that represent 5 percent or more of the MPHA's investments are as follows:

<u>Issuer</u>	<u>Percentage (%)</u>
Federal Home Loan Banks	38.06
Federal Home Loan Mortgage Corporation	22.19
Federal National Mortgage Association	39.17

**MINNEAPOLIS PUBLIC HOUSING AUTHORITY  
MINNEAPOLIS, MINNESOTA**

3. Capital Assets

Capital assets activity for the MPHA for the fiscal year ended September 30, 2006, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 28,008,448	\$ -	\$ 50,000	\$ 27,958,448
Construction in progress	38,453,524	14,445,870	20,894,292	32,005,102
Total capital assets not depreciated	\$ 66,461,972	\$ 14,445,870	\$ 20,944,292	\$ 59,963,550
Capital assets depreciated				
Buildings	\$ 238,171,629	\$ 20,890,394	\$ 206,632	\$ 258,855,391
Furniture and equipment	10,571,139	649,339	551,444	10,669,034
Total capital assets depreciated	\$ 248,742,768	\$ 21,539,733	\$ 758,076	\$ 269,524,425
Less: accumulated depreciation for				
Buildings	\$ 145,936,173	\$ 8,991,733	\$ 16,519	\$ 154,911,387
Furniture and equipment	8,916,400	744,814	542,610	9,118,604
Total accumulated depreciation	\$ 154,852,573	\$ 9,736,547	\$ 559,129	\$ 164,029,991
Total capital assets depreciated - net	\$ 93,890,195	\$ 11,803,186	\$ 198,947	\$ 105,494,434
Capital Assets - Net	\$ 160,352,167	\$ 26,249,056	\$ 21,143,239	\$ 165,457,984

Depreciation expense for the fiscal year ended September 30, 2006, was \$9,736,547.

4. Long-Term Debt

A. Capital Leases

During the fiscal year ended September 30, 2006, the MPHA entered into a 40-month capital lease to acquire certain energy-efficient assets and make improvements to existing MPHA assets designed to improve energy efficiency. During 1998, a similar 10-year lease was entered into by the MPHA. Capital lease repayments are financed as a result of

**MINNEAPOLIS PUBLIC HOUSING AUTHORITY  
MINNEAPOLIS, MINNESOTA**

4. Long-Term Debt

A. Capital Leases (Continued)

savings realized from lowered energy costs and special energy allowances from HUD. As of September 30, 2006, the MPHA had acquired \$2,072,496 in land, structures, and equipment through these capital leases. The future minimum lease obligations as of September 30, 2006, were as follows:

Fiscal Year Ending September 30	Principal	Interest	Total
2007	\$ 662,384	\$ 99,400	\$ 761,784
2008	600,911	71,004	671,915
2009	1,006,252	38,963	1,045,215
2010	300,146	2,144	302,290
Total	<u>\$ 2,569,693</u>	<u>\$ 211,511</u>	<u>\$ 2,781,204</u>

B. Bonds and Notes Payable

The following is a summary of long-term debt transactions for the fiscal year ended September 30, 2006:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Note Payable	\$ 140,835	\$ -	\$ 100,835	\$ 40,000	\$ -
Energy Bonds	1,835,000	-	435,000	1,400,000	480,000
Total	<u>\$ 1,975,835</u>	<u>\$ -</u>	<u>\$ 535,835</u>	<u>\$ 1,440,000</u>	<u>\$ 480,000</u>

Notes Payable

\$40,000 Promissory Demand Note with GMMHC. The note is non-interest bearing, and principal payment terms are to be determined in the future. \$ 40,000

Energy Bonds

\$4,050,000 General Credit Energy Savings Bonds, Series 1997, consisting of term bonds of \$4,050,000. The term bonds mature from 1999 through 2008 with semi-annual payments; interest from 5.875 to 6.0 percent. Funding for the retirement of the bonds is provided as a result of savings realized from lowered energy costs and special energy subsidy allowances from HUD. 1,400,000

Total Bonds and Notes Payable \$ 1,440,000

**MINNEAPOLIS PUBLIC HOUSING AUTHORITY  
MINNEAPOLIS, MINNESOTA**

4. Long-Term Debt

B. Bonds and Notes Payable (Continued)

The annual requirements to amortize the energy bonds outstanding as of September 30, 2006, are as follows:

Fiscal Year Ending September 30	Principal	Interest	Total
2007	\$ 480,000	\$ 76,950	\$ 556,950
2008	920,000	46,950	966,950
Total	<u>\$ 1,400,000</u>	<u>\$ 123,900</u>	<u>\$ 1,523,900</u>

5. Risk Management

The MPHA is exposed to various risks of loss related to theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The MPHA manages its risk of these types of losses through the purchase of commercial insurance and by self-insuring for risks associated with general liability. There were no significant reductions in insurance coverage from the previous year, nor have there been settlements in excess of insurance coverage for any of the past three fiscal years.

Self-insurance liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claims liabilities are calculated considering the effects of inflation; recent claims settlement trends, including frequency and amount of payouts; and other economic and social factors. A trend factor rate related to these considerations of 3.5 percent has been applied. Changes in the balances of claims liabilities during the fiscal years ended September 30, 2006 and 2005, are as follows:

	2006	2005
Unpaid claims - October 1	\$ 321,595	\$ 629,722
Incurred claims (including incurred but not reported claims)	264,670	(196,239)
Claim payments	<u>(13,670)</u>	<u>(111,888)</u>
Unpaid claims - September 30	<u>\$ 572,595</u>	<u>\$ 321,595</u>

**MINNEAPOLIS PUBLIC HOUSING AUTHORITY  
MINNEAPOLIS, MINNESOTA**

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6. Pension Plan

The MPHA provides pension benefits for all full-time employees through a single employer defined contribution pension plan administered by Wells Fargo Bank of Minnesota, N.A. The plan is a 401A money purchase plan. Any full-time employee is eligible to participate in the plan on April 1 or October 1, following the completion of his or her probationary period and after reaching age 20½. Participants are vested at a rate of 20 percent per year for the employer's share of contributions and 100 percent vested for individual contributions immediately.

Contribution rates were five percent each for both the MPHA and participants. The required contributions, which matched those actually made, were \$581,646 each by the MPHA and employees.

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**SUPPLEMENTARY INFORMATION**

**MINNEAPOLIS PUBLIC HOUSING AUTHORITY  
MINNEAPOLIS, MINNESOTA**

**FINANCIAL DATA SCHEDULE  
YEAR ENDED SEPTEMBER 30, 2006**

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Moderate Rehab MN002MR0002
<u>Assets</u>				
<b>Current Assets</b>				
<b>Cash</b>				
111	Cash - unrestricted	931,233	5,630,829	57,903
112	Cash - restricted - modernization and development	1,677,273	-	-
113	Cash - other restricted	34,401	-	-
114	Cash - tenant security deposits	836,268	-	-
<b>100</b>	<b>Total cash</b>	<b>3,479,175</b>	<b>5,630,829</b>	<b>57,903</b>
<b>Accounts and notes receivable</b>				
121	Accounts receivable - PHA projects	-	641,869	-
122	Accounts receivable - HUD other projects	-	-	59,062
124	Accounts receivable - other government	560,825	-	-
125	Accounts receivable - miscellaneous	12,256	-	-
126	Accounts receivable - tenants - dwelling rents	367,516	-	-
126.1	Allowance for doubtful accounts - dwelling rents	(100,695)	-	-
126.2	Allowance for doubtful accounts - other	-	-	-
127	Notes, loans, and mortgages receivable - current	-	-	-
128	Fraud recovery	495,076	-	-
128.1	Allowance for doubtful accounts - fraud	(247,538)	-	-
129	Accrued interest receivable	255,366	-	-
<b>120</b>	<b>Total receivables, net of allowances for doubtful accounts</b>	<b>1,342,806</b>	<b>641,869</b>	<b>59,062</b>
131	Investments - unrestricted	15,148,527	-	-
132	Investments - restricted	1,802,357	-	-
142	Prepaid expenses and other assets	589,106	-	-
143	Inventories	41,813	-	-
143.1	Allowance for obsolete inventories	-	-	-
144	Interprogram - due from	17,737	2,016,540	-
<b>150</b>	<b>Total current assets</b>	<b>22,421,521</b>	<b>8,289,238</b>	<b>116,965</b>
<b>Noncurrent Assets</b>				
<b>Fixed assets</b>				
161	Land	27,958,448	-	-
162	Buildings	258,855,391	-	-
163	Furniture, equipment, and machinery - dwellings	3,543,949	-	-
164	Furniture, equipment, and machinery - administration	6,179,514	-	-
165	Leasehold improvements	-	-	-
166	Accumulated depreciation	(163,653,651)	-	-
167	Construction in progress	656,608	-	-
<b>160</b>	<b>Total fixed assets, net of accumulated depreciation</b>	<b>133,540,259</b>	<b>-</b>	<b>-</b>
<b>180</b>	<b>Total noncurrent assets</b>	<b>133,540,259</b>	<b>-</b>	<b>-</b>
<b>190</b>	<b>Total Assets</b>	<b>155,961,780</b>	<b>8,289,238</b>	<b>116,965</b>

Schedule 1

Moderate Rehab MN002MR0003	Moderate Rehab MN002MR0005	Moderate Rehab MN002MR0006	Section 8 Single Room	Low Rent Development	Capital Fund
149,229	82,179	33,570	205,290	-	-
-	-	-	-	529,855	-
-	-	-	-	-	-
<b>149,229</b>	<b>82,179</b>	<b>33,570</b>	<b>205,290</b>	<b>529,855</b>	-
-	-	-	-	-	-
20,221	-	-	25,346	-	1,928,336
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<b>20,221</b>	-	-	<b>25,346</b>	-	<b>1,928,336</b>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	406,278	-
<b>169,450</b>	<b>82,179</b>	<b>33,570</b>	<b>230,636</b>	<b>936,133</b>	<b>1,928,336</b>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	66,527
-	-	-	-	-	797,592
-	-	-	-	-	-
-	-	-	-	-	(364,991)
-	-	-	-	4,063,629	16,186,713
-	-	-	-	<b>4,063,629</b>	<b>16,685,841</b>
-	-	-	-	<b>4,063,629</b>	<b>16,685,841</b>
<b>169,450</b>	<b>82,179</b>	<b>33,570</b>	<b>230,636</b>	<b>4,999,762</b>	<b>18,614,177</b>

**MINNEAPOLIS PUBLIC HOUSING AUTHORITY  
MINNEAPOLIS, MINNESOTA**

**FINANCIAL DATA SCHEDULE  
YEAR ENDED SEPTEMBER 30, 2006**

Line Item #	Account Description	Revitalization of Severely Distressed Public Housing	Byrne Memorial State and Local Law Enforcement Assist. Discr. Grt.
<u>Assets</u>			
<b>Current Assets</b>			
<b>Cash</b>			
111	Cash - unrestricted	-	1,192
112	Cash - restricted - modernization and development	-	-
113	Cash - other restricted	-	-
114	Cash - tenant security deposits	-	-
<b>100</b>	<b>Total cash</b>	<b>-</b>	<b>1,192</b>
<b>Accounts and notes receivable</b>			
121	Accounts receivable - PHA projects	-	-
122	Accounts receivable - HUD other projects	140,032	-
124	Accounts receivable - other government	-	-
125	Accounts receivable - miscellaneous	-	-
126	Accounts receivable - tenants - dwelling rents	-	-
126.1	Allowance for doubtful accounts - dwelling rents	-	-
126.2	Allowance for doubtful accounts - other	-	-
127	Notes, loans, and mortgages receivable - current	-	-
128	Fraud recovery	-	-
128.1	Allowance for doubtful accounts - fraud	-	-
129	Accrued interest receivable	-	-
<b>120</b>	<b>Total receivables, net of allowances for doubtful accounts</b>	<b>140,032</b>	<b>-</b>
131	Investments - unrestricted	-	-
132	Investments - restricted	-	-
142	Prepaid expenses and other assets	-	-
143	Inventories	-	-
143.1	Allowance for obsolete inventories	-	-
144	Interprogram - due from	-	-
<b>150</b>	<b>Total current assets</b>	<b>140,032</b>	<b>1,192</b>
<b>Noncurrent Assets</b>			
<b>Fixed assets</b>			
161	Land	-	-
162	Buildings	-	-
163	Furniture, equipment, and machinery - dwellings	70,486	-
164	Furniture, equipment, and machinery - administration	10,966	-
165	Leasehold improvements	-	-
166	Accumulated depreciation	(11,349)	-
167	Construction in progress	11,098,152	-
<b>160</b>	<b>Total fixed assets, net of accumulated depreciation</b>	<b>11,168,255</b>	<b>-</b>
<b>180</b>	<b>Total noncurrent assets</b>	<b>11,168,255</b>	<b>-</b>
<b>190</b>	<b>Total Assets</b>	<b>11,308,287</b>	<b>1,192</b>

**Schedule I**  
**(Continued)**

<b>Volunteers In Service to America</b>	<b>State/ Local</b>	<b>Business Activities</b>	<b>Community Development Block Grant</b>	<b>Component Units</b>	<b>Grand Total</b>
619	69,459	344,339	25,000	45,213	7,576,055
-	-	-	-	-	2,207,128
-	-	2,679	-	-	37,080
-	-	-	-	-	836,268
<b>619</b>	<b>69,459</b>	<b>347,018</b>	<b>25,000</b>	<b>45,213</b>	<b>10,656,531</b>
-	-	-	-	-	641,869
-	-	-	-	-	2,172,997
-	-	-	65,964	-	626,789
-	36,853	-	-	-	49,109
-	-	-	-	-	367,516
-	-	-	-	-	(100,695)
-	(36,853)	-	-	-	(36,853)
-	-	892	-	-	892
-	-	-	-	-	495,076
-	-	-	-	-	(247,538)
-	-	-	-	-	255,366
-	-	892	65,964	-	<b>4,224,528</b>
-	-	-	-	-	15,148,527
-	-	-	-	-	1,802,357
-	-	-	-	-	589,106
-	-	-	-	-	41,813
-	-	-	-	-	-
-	-	-	-	-	2,440,555
<b>619</b>	<b>69,459</b>	<b>347,910</b>	<b>90,964</b>	<b>45,213</b>	<b>34,903,417</b>
-	-	-	-	-	27,958,448
-	-	-	-	-	258,855,391
-	-	-	-	-	3,680,962
-	-	-	-	-	6,988,072
-	-	-	-	-	-
-	-	-	-	-	(164,029,991)
-	-	-	-	-	32,005,102
-	-	-	-	-	<b>165,457,984</b>
-	-	-	-	-	<b>165,457,984</b>
<b>619</b>	<b>69,459</b>	<b>347,910</b>	<b>90,964</b>	<b>45,213</b>	<b>200,361,401</b>

**MINNEAPOLIS PUBLIC HOUSING AUTHORITY  
MINNEAPOLIS, MINNESOTA**

**FINANCIAL DATA SCHEDULE  
YEAR ENDED SEPTEMBER 30, 2006**

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Moderate Rehab MN002MR0002
<b><u>Liabilities and Equity/Net Assets</u></b>				
<b>Liabilities</b>				
<b>Current liabilities</b>				
311	Bank overdraft	-	-	-
312	Accounts payable <= 90 days	2,278,719	67,014	838
313	Accounts payable > 90 days past due	-	-	-
321	Accrued wage/payroll taxes payable	462,812	71,113	889
322	Accrued compensated absences - current portion	1,149,825	122,860	1,536
324	Accrued contingency liability	572,595	-	-
325	Accrued interest payable	24,173	-	-
331	Accounts payable - HUD PHA programs	141,737	-	-
332	Accounts payable - PHA projects	-	544,548	-
333	Accounts payable - other governments	134,770	-	-
341	Tenant security deposits	836,268	-	-
342	Deferred revenue	149,479	16,543	-
343	Current portion of long-term debt - capital projects/mortgage revenue bonds	1,142,384	-	-
344	Current portion of long-term debt - operating borrowings	-	-	-
345	Other current liabilities	2,555	-	-
346	Accrued liabilities - other	-	-	-
347	Interprogram - due to	2,000,000	-	-
<b>310</b>	<b>Total current liabilities</b>	<b>8,895,317</b>	<b>822,078</b>	<b>3,263</b>
<b>Noncurrent liabilities</b>				
351	Long-term debt, net of current - capital projects/mortgage revenue bonds	2,827,309	-	-
352	Long-term debt, net of current - operating borrowings	-	-	-
353	Noncurrent liabilities - other	1,445,499	336,357	-
354	Accrued compensated absences - noncurrent	-	-	-
<b>350</b>	<b>Total noncurrent liabilities</b>	<b>4,272,808</b>	<b>336,357</b>	<b>-</b>
<b>300</b>	<b>Total Liabilities</b>	<b>13,168,125</b>	<b>1,158,435</b>	<b>3,263</b>
<b>Equity/Net Assets</b>				
508.1	Invested in capital assets, net of related debt	131,247,838	-	-
511.1	Restricted net assets	412,880	-	-
512.1	Unrestricted net assets	11,132,937	7,130,803	113,702
<b>513</b>	<b>Total Equity/Net Assets</b>	<b>142,793,655</b>	<b>7,130,803</b>	<b>113,702</b>
<b>600</b>	<b>Total Liabilities and Equity/Net Assets</b>	<b>155,961,780</b>	<b>8,289,238</b>	<b>116,965</b>

***Schedule 1***  
***(Continued)***

<b>Moderate Rehab MN002MR0003</b>	<b>Moderate Rehab MN002MR0005</b>	<b>Moderate Rehab MN002MR0006</b>	<b>Section 8 Single Room</b>	<b>Low Rent Development</b>	<b>Capital Fund</b>
-	-	-	-	-	-
430	294	265	2,757	162,097	1,545,573
-	-	-	-	207,454	-
456	312	281	2,925	-	48,583
788	538	486	5,054	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	36,269	-
-	-	-	-	-	-
-	-	-	-	-	-
-	55,905	15,324	6,090	-	-
-	-	-	-	-	-
-	-	-	-	-	58,753
-	-	-	-	-	-
-	-	-	-	16,540	275,427
<b>1,674</b>	<b>57,049</b>	<b>16,356</b>	<b>16,826</b>	<b>422,360</b>	<b>1,928,336</b>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<b>1,674</b>	<b>57,049</b>	<b>16,356</b>	<b>16,826</b>	<b>422,360</b>	<b>1,928,336</b>
-	-	-	-	4,063,629	16,685,841
-	-	-	-	513,773	-
167,776	25,130	17,214	213,810	-	-
<b>167,776</b>	<b>25,130</b>	<b>17,214</b>	<b>213,810</b>	<b>4,577,402</b>	<b>16,685,841</b>
<b>169,450</b>	<b>82,179</b>	<b>33,570</b>	<b>230,636</b>	<b>4,999,762</b>	<b>18,614,177</b>

**MINNEAPOLIS PUBLIC HOUSING AUTHORITY  
MINNEAPOLIS, MINNESOTA**

**FINANCIAL DATA SCHEDULE  
YEAR ENDED SEPTEMBER 30, 2006**

Line Item #	Account Description	Revitalization of Severely Distressed Public Housing	Byrne Memorial State and Local Law Enforcement Assist. Discr. Grt.
<b><u>Liabilities and Equity/Net Assets</u></b>			
<b>Liabilities</b>			
<b>Current liabilities</b>			
311	Bank overdraft	-	-
312	Accounts payable <= 90 days	6,562	-
313	Accounts payable > 90 days past due	-	-
321	Accrued wage/payroll taxes payable	2,618	-
322	Accrued compensated absences - current portion	-	-
324	Accrued contingency liability	-	-
325	Accrued interest payable	-	-
331	Accounts payable - HUD PHA programs	-	-
332	Accounts payable - PHA projects	-	-
333	Accounts payable - other governments	-	-
341	Tenant security deposits	-	-
342	Deferred revenue	-	-
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	Interprogram - due to	130,852	-
<b>310</b>	<b>Total current liabilities</b>	<b>140,032</b>	<b>-</b>
<b>Noncurrent liabilities</b>			
351	Long-term debt, net of current - capital projects/mortgage revenue bonds	-	-
352	Long-term debt, net of current - operating borrowings	-	-
353	Noncurrent liabilities - other	-	-
354	Accrued compensated absences - noncurrent	-	-
<b>350</b>	<b>Total noncurrent liabilities</b>	<b>-</b>	<b>-</b>
<b>300</b>	<b>Total Liabilities</b>	<b>140,032</b>	<b>-</b>
<b>Equity/Net Assets</b>			
508.1	Invested in capital assets, net of related debt	11,168,255	-
511.1	Restricted net assets	-	-
512.1	Unrestricted net assets	-	1,192
<b>513</b>	<b>Total Equity/Net Assets</b>	<b>11,168,255</b>	<b>1,192</b>
<b>600</b>	<b>Total Liabilities and Equity/Net Assets</b>	<b>11,308,287</b>	<b>1,192</b>

**Schedule I**  
**(Continued)**

<b>Volunteers In Service to America</b>	<b>State/ Local</b>	<b>Business Activities</b>	<b>Community Development Block Grant</b>	<b>Component Units</b>	<b>Grand Total</b>
-	-	-	-	-	-
105	-	479	72,895	155	4,138,183
-	-	-	-	-	207,454
-	-	167	333	-	590,489
-	-	-	-	-	1,281,087
-	-	-	-	-	572,595
-	-	-	-	-	24,173
-	-	-	-	-	178,006
-	-	-	-	-	544,548
-	6,989	-	-	-	141,759
-	-	-	-	-	836,268
-	-	-	-	-	243,341
-	-	-	-	-	1,142,384
-	-	-	-	-	-
-	-	-	-	-	61,308
-	-	-	17,736	-	-
-	-	-	-	-	2,440,555
<b>105</b>	<b>6,989</b>	<b>646</b>	<b>90,964</b>	<b>155</b>	<b>12,402,150</b>
-	-	-	-	-	2,827,309
-	-	40,000	-	-	40,000
-	-	2,679	-	-	1,784,535
-	-	-	-	-	-
-	-	42,679	-	-	4,651,844
<b>105</b>	<b>6,989</b>	<b>43,325</b>	<b>90,964</b>	<b>155</b>	<b>17,053,994</b>
-	-	-	-	-	163,165,563
-	-	-	-	-	926,653
514	62,470	304,585	-	45,058	19,215,191
<b>514</b>	<b>62,470</b>	<b>304,585</b>	<b>-</b>	<b>45,058</b>	<b>183,307,407</b>
<b>619</b>	<b>69,459</b>	<b>347,910</b>	<b>90,964</b>	<b>45,213</b>	<b>200,361,401</b>

**MINNEAPOLIS PUBLIC HOUSING AUTHORITY  
MINNEAPOLIS, MINNESOTA**

**FINANCIAL DATA SCHEDULE  
YEAR ENDED SEPTEMBER 30, 2006**

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Moderate Rehab MN002MR0002
<b>Revenue</b>				
703	Net tenant rental revenue	11,810,629	-	-
704	Tenant revenue - other	466,361	-	-
<b>705</b>	<b>Total tenant revenue</b>	<b>12,276,990</b>	<b>-</b>	<b>-</b>
706	HUD PHA operating grants	18,477,536	44,780,183	246,038
706.1	Capital grants	-	-	-
708	Other government grants	1,133,064	-	-
711	Investment income - unrestricted	682,854	69,763	5,755
714	Fraud recovery	550,900	-	-
715	Other revenue	240,201	153,702	-
716	Gain/loss on the sale of fixed assets	3,140	-	-
720	Investment income - restricted	-	-	-
<b>700</b>	<b>Total Revenue</b>	<b>33,364,685</b>	<b>45,003,648</b>	<b>251,793</b>
<b>Expenses</b>				
<b>Administrative</b>				
911	Administrative salaries	5,046,193	1,681,321	20,464
912	Auditing fees	70,002	12,314	154
913	Outside management fees	17,062	-	-
914	Compensated absences	77,092	(2,123)	100
915	Employee benefit contributions - administrative	1,584,872	499,549	6,116
916	Other operating - administrative	1,600,708	351,925	19,331
<b>Tenant services</b>				
921	Tenant services - salaries	60,545	-	-
922	Relocation costs	-	-	-
923	Employee benefit contributions - tenant services	19,015	-	-
924	Tenant services - other	407,733	-	-
<b>Utilities</b>				
931	Water	2,158,707	-	-
932	Electricity	1,624,478	-	-
933	Gas	2,651,641	-	-
934	Fuel	330,584	-	-
935	Labor	465,469	-	-
937	Employee benefit contributions - utilities	146,191	-	-
938	Other utilities expense	13,191	-	-
<b>Ordinary maintenance and operations</b>				
941	Ordinary maintenance and operations - labor	4,973,949	-	-
942	Ordinary maintenance and operations - materials and other	1,180,716	-	-
943	Ordinary maintenance and operations - contract costs	3,490,156	-	-
945	Employee benefit contributions - ordinary maintenance	1,562,182	-	-
<b>Protective services</b>				
951	Protective services - labor	-	-	-
952	Protective services - other contract costs	2,322,445	-	-
953	Protective services - other	25,426	-	-
955	Employee benefit contributions - protective services	-	-	-



**MINNEAPOLIS PUBLIC HOUSING AUTHORITY  
MINNEAPOLIS, MINNESOTA**

**FINANCIAL DATA SCHEDULE  
YEAR ENDED SEPTEMBER 30, 2006**

Line Item #	Account Description	Revitalization of Severely Distressed Public Housing	Byrne Memorial State and Local Law Enforcement Assist. Discr. Grt.
<b>Revenue</b>			
703	Net tenant rental revenue	-	-
704	Tenant revenue - other	-	-
<b>705</b>	<b>Total tenant revenue</b>	<b>-</b>	<b>-</b>
706	HUD PHA operating grants	123,290	-
706.1	Capital grants	3,718,421	-
708	Other government grants	-	79,499
711	Investment income - unrestricted	-	-
714	Fraud recovery	-	-
715	Other revenue	-	-
716	Gain/loss on the sale of fixed assets	-	-
720	Investment income - restricted	-	-
<b>700</b>	<b>Total Revenue</b>	<b>3,841,711</b>	<b>79,499</b>
<b>Expenses</b>			
<b>Administrative</b>			
911	Administrative salaries	-	612
912	Auditing fees	-	-
913	Outside management fees	-	-
914	Compensated absences	-	-
915	Employee benefit contributions - administrative	-	196
916	Other operating - administrative	-	-
<b>Tenant services</b>			
921	Tenant services - salaries	60,570	-
922	Relocation costs	-	-
923	Employee benefit contributions - tenant services	12,299	-
924	Tenant services - other	50,421	-
<b>Utilities</b>			
931	Water	-	-
932	Electricity	-	-
933	Gas	-	-
934	Fuel	-	-
935	Labor	-	-
937	Employee benefit contributions - utilities	-	-
938	Other utilities expense	-	-
<b>Ordinary maintenance and operations</b>			
941	Ordinary maintenance and operations - labor	-	-
942	Ordinary maintenance and operations - materials and other	-	-
943	Ordinary maintenance and operations - contract costs	-	-
945	Employee benefit contributions - ordinary maintenance	-	-
<b>Protective services</b>			
951	Protective services - labor	-	-
952	Protective services - other contract costs	-	77,499
953	Protective services - other	-	-
955	Employee benefit contributions - protective services	-	-

***Schedule I***  
***(Continued)***

<b>Volunteers In Service to America</b>	<b>State/ Local</b>	<b>Business Activities</b>	<b>Community Development Block Grant</b>	<b>Component Units</b>	<b>Grand Total</b>
-	-	-	-	13,804	11,824,433
-	-	-	-	-	466,361
-	-	-	-	<b>13,804</b>	<b>12,290,794</b>
-	-	-	451,277	-	69,784,084
-	-	-	-	-	12,794,576
2,500	-	100,835	-	-	2,300,254
-	2,427	18,007	-	-	796,544
-	-	-	-	-	550,900
-	-	1,146	-	-	395,049
-	-	-	-	46,360	49,500
-	-	-	-	-	(92)
<b>2,500</b>	<b>2,427</b>	<b>119,988</b>	<b>451,277</b>	<b>60,164</b>	<b>98,961,609</b>
-	-	3,539	7,699	-	7,868,108
-	-	-	-	6,265	100,831
-	-	-	-	-	17,062
-	-	-	-	-	75,434
-	-	823	1,854	-	2,417,218
-	-	4,816	-	2,043	3,484,388
-	-	-	-	-	190,840
-	-	-	-	-	7,600
-	-	-	-	-	61,196
2,677	-	26,300	76,555	-	692,538
-	-	-	-	441	2,159,148
-	-	-	-	-	1,624,478
-	-	-	-	-	2,651,641
-	-	-	-	-	330,584
-	-	-	-	-	465,469
-	-	-	-	-	146,191
-	-	-	-	313	13,504
-	-	-	-	-	4,973,949
-	-	-	-	-	1,180,716
-	-	-	-	15,700	3,505,856
-	-	-	-	-	1,562,182
-	-	-	-	-	-
-	-	-	-	-	2,399,944
-	-	-	-	-	25,426
-	-	-	-	-	-

**MINNEAPOLIS PUBLIC HOUSING AUTHORITY  
MINNEAPOLIS, MINNESOTA**

**FINANCIAL DATA SCHEDULE  
YEAR ENDED SEPTEMBER 30, 2006**

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Moderate Rehab MN002MR0002
	<b>Expenses (Continued)</b>			
	<b>General expenses</b>			
961	Insurance premiums	737,137	10,073	-
962	Other general expenses	1,590,832	186,217	-
963	Payments in lieu of taxes	281,739	-	-
964	Bad debt - tenant rents	411,016	718	-
965	Bad debt - mortgages	-	-	-
966	Bad debt - other	-	-	-
967	Interest expense	129,104	-	-
968	Severance expense	-	-	-
<b>969</b>	<b>Total Operating Expenses</b>	<b>32,978,185</b>	<b>2,739,994</b>	<b>46,165</b>
<b>970</b>	<b>Excess Operating Revenue Over Operating Expenses</b>	<b>386,500</b>	<b>42,263,654</b>	<b>205,628</b>
971	Extraordinary maintenance	9,356	-	-
972	Casualty losses - noncapitalized	60,537	-	-
973	Housing assistance payments	-	36,336,801	213,520
974	Depreciation expense	9,496,771	-	-
975	Fraud losses	-	-	-
978	Dwelling units rent expense	-	-	-
<b>900</b>	<b>Total Expenses</b>	<b>42,544,849</b>	<b>39,076,795</b>	<b>259,685</b>
	<b>Other Financing Sources (Uses)</b>			
1001	Operating transfers in	850,000	267,955	-
1002	Operating transfers out	-	(651,578)	(10,000)
1003	Operating transfers from/to primary government	-	-	-
1004	Operating transfers from/to component unit	-	-	-
1005	Proceeds from notes, loans, and bonds	-	-	-
1006	Proceeds from property sales	-	-	-
<b>1010</b>	<b>Total Other Financing Sources (Uses)</b>	<b>850,000</b>	<b>(383,623)</b>	<b>(10,000)</b>
<b>1000</b>	<b>Excess (Deficiency) of Total Revenue Over (Under) Total Expenses</b>	<b>(8,330,164)</b>	<b>5,543,230</b>	<b>(17,892)</b>

***Schedule 1***  
***(Continued)***

Moderate Rehab MN002MR0003	Moderate Rehab MN002MR0005	Moderate Rehab MN002MR0006	Section 8 Single Room	Low Rent Development	Capital Fund
-	-	-	-	-	-
-	-	-	-	1,075,449	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<b>16,043</b>	<b>11,379</b>	<b>9,890</b>	<b>102,946</b>	<b>1,075,449</b>	<b>3,045,915</b>
<b>188,592</b>	<b>78,952</b>	<b>70,351</b>	<b>701,476</b>	<b>59,248</b>	<b>10,423,676</b>
-	-	-	-	-	-
180,975	77,794	69,325	688,425	-	-
-	-	-	-	-	225,301
-	-	-	-	-	-
<b>197,018</b>	<b>89,173</b>	<b>79,215</b>	<b>791,371</b>	<b>1,075,449</b>	<b>3,271,216</b>
-	-	-	-	1,476,364	-
-	-	-	-	-	(1,678,786)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	1,476,364	(1,678,786)
<b>7,617</b>	<b>1,158</b>	<b>1,026</b>	<b>13,051</b>	<b>1,535,612</b>	<b>8,519,589</b>

**MINNEAPOLIS PUBLIC HOUSING AUTHORITY  
MINNEAPOLIS, MINNESOTA**

**FINANCIAL DATA SCHEDULE  
YEAR ENDED SEPTEMBER 30, 2006**

Line Item #	Account Description	Revitalization of Severely Distressed Public Housing	Byrne Memorial State and Local Law Enforcement Assist. Discr. Grt.
	<b>Expenses (Continued)</b>		
	<b>General expenses</b>		
961	Insurance premiums	-	-
962	Other general expenses	-	-
963	Payments in lieu of taxes	-	-
964	Bad debt - tenant rents	-	-
965	Bad debt - mortgages	-	-
966	Bad debt - other	-	-
967	Interest expense	-	-
968	Severance expense	-	-
<b>969</b>	<b>Total Operating Expenses</b>	<b>123,290</b>	<b>78,307</b>
<b>970</b>	<b>Excess Operating Revenue Over Operating Expenses</b>	<b>3,718,421</b>	<b>1,192</b>
971	Extraordinary maintenance	-	-
972	Casualty losses - noncapitalized	-	-
973	Housing assistance payments	-	-
974	Depreciation expense	11,349	-
975	Fraud losses	-	-
978	Dwelling units rent expense	-	-
<b>900</b>	<b>Total Expenses</b>	<b>134,639</b>	<b>78,307</b>
	<b>Other Financing Sources (Uses)</b>		
1001	Operating transfers in	-	-
1002	Operating transfers out	-	-
1003	Operating transfers from/to primary government	-	-
1004	Operating transfers from/to component unit	-	-
1005	Proceeds from notes, loans, and bonds	-	-
1006	Proceeds from property sales	-	-
<b>1010</b>	<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>
<b>1000</b>	<b>Excess (Deficiency) of Total Revenue Over (Under) Total Expenses</b>	<b>3,707,072</b>	<b>1,192</b>

**Schedule I**  
**(Continued)**

<b>Volunteers In Service to America</b>	<b>State/ Local</b>	<b>Business Activities</b>	<b>Community Development Block Grant</b>	<b>Component Units</b>	<b>Grand Total</b>
-	-	-	-	632	747,842
-	2,675	-	-	-	2,855,173
-	-	-	-	1,790	283,529
-	-	-	-	-	411,734
-	-	-	-	-	-
-	(1,527)	(1,140)	-	-	(2,667)
-	-	86	-	47	129,237
-	-	-	-	-	-
<b>2,677</b>	<b>1,148</b>	<b>34,424</b>	<b>86,108</b>	<b>27,231</b>	<b>40,379,151</b>
<b>(177)</b>	<b>1,279</b>	<b>85,564</b>	<b>365,169</b>	<b>32,933</b>	<b>58,582,458</b>
-	-	-	365,169	-	374,525
-	-	-	-	-	60,537
-	-	-	-	-	37,566,840
-	-	-	-	3,126	9,736,547
-	-	-	-	-	-
-	-	-	-	-	-
<b>2,677</b>	<b>1,148</b>	<b>34,424</b>	<b>451,277</b>	<b>30,357</b>	<b>88,117,600</b>
-	6,675	10,000	-	-	2,610,994
-	-	(270,630)	-	-	(2,610,994)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	6,675	(260,630)	-	-	-
<b>(177)</b>	<b>7,954</b>	<b>(175,066)</b>	<b>-</b>	<b>29,807</b>	<b>10,844,009</b>

**MINNEAPOLIS PUBLIC HOUSING AUTHORITY  
MINNEAPOLIS, MINNESOTA**

**FINANCIAL DATA SCHEDULE  
YEAR ENDED SEPTEMBER 30, 2006**

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Moderate Rehab MN002MR0002
<b>Memo account information</b>				
1101	Capital outlays - enterprise funds	-	-	-
1102	Debt principal payments - enterprise funds	-	-	-
1103	Beginning equity	129,798,577	1,587,573	131,594
1104	Prior period adjustments - equity transfers and correction of errors	21,325,242	-	-
1105	Changes in compensated absence liability	-	-	-
1106	Changes in contingent liability balance	-	-	-
1107	Changes in unrecognized pension transition liability	-	-	-
1108	Changes in special terms/severance benefits liability	-	-	-
1109	Changes in allowance for doubtful accounts - dwelling rents	-	-	-
1110	Changes in allowance for doubtful accounts - other	-	-	-
1112	Depreciation "add-back"	-	-	-
1113	Maximum annual contributions commitment (per ACC)	-	43,949,508	222,685
1114	Prorata maximum annual contributions applicable to a period of less than 12 months	-	-	-
1115	Contingency reserve, ACC program reserve	-	-	-
1116	Total annual contributions available	-	43,949,508	222,685
1120	Unit months available	72,554	58,080	612
1121	Number of unit months leased	71,315	48,952	413
1117	Administrative fee equity	-	1,444,776	-
1118	Housing assistance payments equity	-	5,686,027	-
	<b>Equity Roll-Forward Check</b>	<b>142,793,655</b>	<b>7,130,803</b>	<b>113,702</b>

***Schedule 1***  
***(Continued)***

<b>Moderate Rehab MN002MR0003</b>	<b>Moderate Rehab MN002MR0005</b>	<b>Moderate Rehab MN002MR0006</b>	<b>Section 8 Single Room</b>	<b>Low Rent Development</b>	<b>Capital Fund</b>
-	-	-	-	-	-
160,159	23,972	16,188	200,759	3,041,790	29,491,494
-	-	-	-	-	(21,325,242)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
177,332	99,593	101,376	759,941	-	-
-	-	-	-	-	-
177,332	2,680,060	14,102	897,771	-	-
312	2,779,653	115,478	1,657,712	-	-
297	216	192	2,016	-	-
-	110	162	1,899	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<b>167,776</b>	<b>25,130</b>	<b>17,214</b>	<b>213,810</b>	<b>4,577,402</b>	<b>16,685,841</b>

**MINNEAPOLIS PUBLIC HOUSING AUTHORITY  
MINNEAPOLIS, MINNESOTA**

**FINANCIAL DATA SCHEDULE  
YEAR ENDED SEPTEMBER 30, 2006**

<b>Line Item #</b>	<b>Account Description</b>	<b>Revitalization of Severely Distressed Public Housing</b>	<b>Byrne Memorial State and Local Law Enforcement Assist. Discr. Grt.</b>
<b>Memo account information</b>			
1101	Capital outlays - enterprise funds	-	-
1102	Debt principal payments - enterprise funds	-	-
1103	Beginning equity	7,461,183	-
1104	Prior period adjustments - equity transfers and correction of errors	-	-
1105	Changes in compensated absence liability	-	-
1106	Changes in contingent liability balance	-	-
1107	Changes in unrecognized pension transition liability	-	-
1108	Changes in special terms/severance benefits liability	-	-
1109	Changes in allowance for doubtful accounts - dwelling rents	-	-
1110	Changes in allowance for doubtful accounts - other	-	-
1112	Depreciation "add-back"	-	-
1113	Maximum annual contributions commitment (per ACC)	-	-
1114	Prorata maximum annual contributions applicable to a period of less than 12 months	-	-
1115	Contingency reserve, ACC program reserve	-	-
1116	Total annual contributions available	-	-
1120	Unit months available	-	-
1121	Number of unit months leased	-	-
1117	Administrative fee equity	-	-
1118	Housing assistance payments equity	-	-
	<b>Equity Roll-Forward Check</b>	<b>11,168,255</b>	<b>1,192</b>

***Schedule I***  
***(Continued)***

<b>Volunteers In Service to America</b>	<b>State/ Local</b>	<b>Business Activities</b>	<b>Community Development Block Grant</b>	<b>Component Units</b>	<b>Grand Total</b>
-	-	-	-	-	-
691	54,516	494,902	-	-	172,463,398
-	-	(15,251)	-	15,251	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	45,310,435
-	-	-	-	-	-
-	-	-	-	-	3,591,933
-	-	-	-	-	48,902,368
-	-	-	-	14	133,996
-	-	-	-	14	123,162
-	-	-	-	-	1,444,776
-	-	-	-	-	5,686,027
<b>514</b>	<b>62,470</b>	<b>304,585</b>	<b>-</b>	<b>45,058</b>	<b>183,307,407</b>

**MINNEAPOLIS PUBLIC HOUSING AUTHORITY  
MINNEAPOLIS, MINNESOTA**

*Schedule 2*

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Housing and Urban Development</b>		
Direct Funding		
Public and Indian Housing Program		
Operating Subsidy (Low Rent)	14.850	\$ 18,477,536
Development Projects	14.850	150,433
<b>Total CFDA #14.850</b>		<b>\$ 18,627,969</b>
Section 8 Project-Based Programs		
N/C S/R Section 8 Program	14.182	\$ 791,371
Section 8 Moderate Rehabilitation	14.856	620,477
<b>Total Section 8 Project-Based Cluster</b>		<b>\$ 1,411,848</b>
Section 8 Housing Choice Vouchers Program	14.871	<b>\$ 39,728,373</b>
Revitalization of Severely Distressed Public Housing	14.866	<b>\$ 3,841,711</b>
Public Housing Capital Fund Program		
Replacement Housing Factor FFY 2002	14.872	\$ 497,522
Replacement Housing Factor FFY 2003	14.872	41,937
Capital Fund FFY 2003	14.872	2,381,583
Capital Fund FFY 2004	14.872	7,164,946
Capital Fund FFY 2005	14.872	3,383,603
<b>Total CFDA #14.872</b>		<b>\$ 13,469,591</b>
Passed Through the City of Minneapolis		
Community Development Block Grant (CDBG)		
CDBG-Funded Low-Rent Housing Program	14.218	<b>\$ 451,277</b>
<b>Total U.S. Department of Housing and Urban Development</b>		<b>\$ 77,530,769</b>
<b>U.S. Department of Justice</b>		
Passed Through Minnesota Department of Public Safety		
Byrne Formula Grant Program	16.579	<b>\$ 78,307</b>
<b>Corporation for National and Community Service</b>		
Direct Funding		
Volunteers in Service to America	94.013	<b>\$ 2,677</b>
<b>Total Federal Awards</b>		<b>\$ 77,611,753</b>

**MINNEAPOLIS PUBLIC HOUSING AUTHORITY  
MINNEAPOLIS, MINNESOTA**

***Schedule 2***  
***(Continued)***

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

Notes to Schedule of Expenditures of Federal Awards

1. The Schedule of Expenditures of Federal Awards presents the activity of federal award programs expended by the Minneapolis Public Housing Authority (MPHA). The MPHA's reporting entity is defined in Note 1 to the financial statements.
2. The expenditures on this schedule are on the accrual basis of accounting.
3. For the year ended September 30, 2006, CFDA No. 16.579 was passed through to a subrecipient.