

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

Fiscal Year 2007

October 1, 2006 - September 30, 2007



**Cora McCorvey
MPHA Executive Director**

**1001 Washington Avenue North
Minneapolis, Minnesota 55401-1042
www.mphaonline.org
(612) 342-1400**

Equal Housing Opportunity - Equal Employment Opportunity

**MINNEAPOLIS PUBLIC
HOUSING AUTHORITY
MINNEAPOLIS, MINNESOTA**

Year Ended September 30, 2007

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MINNEAPOLIS PUBLIC HOUSING AUTHORITY
MINNEAPOLIS, MINNESOTA

TABLE OF CONTENTS

	<u>Reference</u>	<u>Page</u>
Introductory Section		
Organization		1
Financial Section		
Independent Auditor's Report		2
Management's Discussion and Analysis		4
Financial Statements		
Statement of Net Assets	Exhibit A	14
Statement of Revenues, Expenses, and Changes in Net Assets	Exhibit B	16
Statement of Cash Flows	Exhibit C	17
Notes to the Financial Statements		19
Supplementary Information		
Financial Data Schedule	Schedule 1	32
Schedule of Expenditures of Federal Awards	Schedule 2	52

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INTRODUCTORY SECTION

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**MINNEAPOLIS PUBLIC HOUSING AUTHORITY
MINNEAPOLIS, MINNESOTA**

ORGANIZATION
SEPTEMBER 30, 2007

Board of Commissioners

		<u>Term Expires</u>
Judy Karon	Chair	December 31, 2009
Mark Manbeck	Vice Chair	December 31, 2010
Grace Lee	Secretary	December 31, 2008
Darlene Rogers	Commissioner	December 31, 2008
Westley Wheeler	Commissioner	December 31, 2009
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

STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

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, 2007, as listed in the table of contents. 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, 2007, 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 June 13, 2008, 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

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

June 13, 2008

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, 2007
(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, 2007. 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

- The MPHA has been recognized by the U.S. Department of Housing and Urban Development (HUD) as a "high performer" under HUD's Section Eight Management Assessment Program (SEMAP). SEMAP, which began in 2000, measures the performance of the public housing agencies (PHAs) that administer the Housing Choice Voucher Program in 14 key areas. The 14 indicators of performance show whether PHAs help eligible families to afford decent rental units at a reasonable subsidy cost as intended by federal housing legislation.
- The restricted and unrestricted net assets balance combined totaled \$20.1 million in 2006 and increased to \$25.6 million in 2007. The \$5.5 million increase was created by a \$2.7 million increase in the Low Rent Public Housing Program, a \$2.0 million increase in the Housing Choice Voucher Program, and a \$700,000 increase due to the operation of the central office cost center.

AGENCY OVERVIEW

The MPHA is supported largely by 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.

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 95 percent of the available rent subsidy funding provided by HUD in 2007 and averaged 4,386 housing choice vouchers under lease per month, a 7 percent increase in usage from the 2006 level.

For the first time in its history, the MPHA has been recognized by HUD as a "high performer" under HUD's SEMAP. SEMAP measures the performance of the PHAs that administer the Housing Choice Voucher Program in 14 key areas. The 14 indicators of performance show whether PHAs help eligible families to afford decent rental units at a reasonable subsidy cost as intended by federal housing legislation.

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 739 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 1998, the Congress established a new Operating Fund Program for public housing. Among other changes was the requirement that all PHAs of 250 or more units convert to asset management, "consistent with the norms in the broader multifamily management industry." HUD requires that MPHA implement asset management by 2008. The core elements or building blocks of HUD's asset management include project-based budgeting, accounting, and management.

In 2007, the MPHA was one of the first housing authorities in the country to implement HUD's asset management regulations. As the first step in the conversion to asset management, MPHA established nine asset management projects, or clusters of properties grouped in a manner to promote efficient and effective management. MPHA's asset management projects are based on geographical proximity and housing type (family, high-rise, privately-owned). In subsequent years, the Financial Data Schedule will present the financial results of each asset management project separately.

One of the other major changes under asset management is the requirement that PHAs now charge a reasonable management fee to asset management projects and programs for central office costs rather than allocating these costs to each program. In accordance with HUD regulations, the MPHA established a central office cost center which performs all of the MPHA's general overhead tasks and, for this service, receives fees from HUD programs and projects. The financial results of the central office are combined with agency-wide inter-company transactions in the Other Federal Programs column on the Financial Data Schedule. In subsequent years, the Financial Data Schedule will contain the financial results of the central office separately.

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 2007, the MPHA spent over \$9.9 million in public housing modernization.

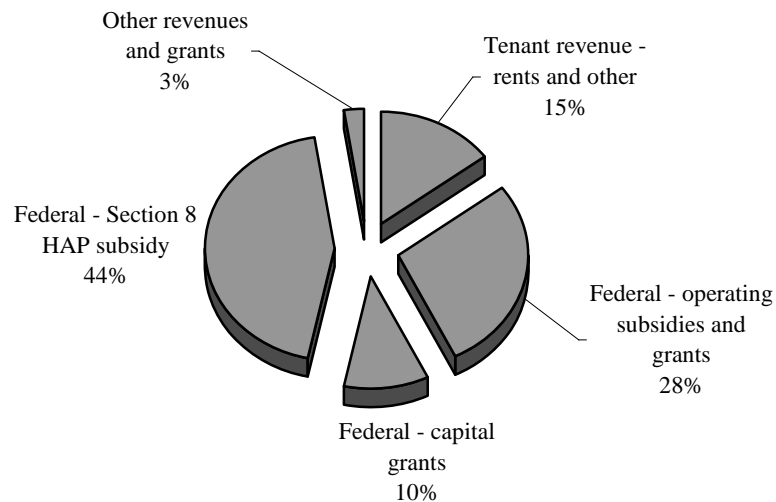
The MPHA’s public housing program continued to show high occupancy levels in 2007, with annual occupancy of nearly 99 percent of all available public housing units. In addition, the MPHA was once again designated as a “high performer” by HUD for the management of the public housing program.

Sources and Uses of Funds

The following charts present a breakdown of the MPHA’s 2007 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.

As in previous years, the MPHA was heavily financed from the federal government. In 2007, federal grants and subsidies made up 82 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. Capital grants were down slightly, and tenant revenue was up slightly from 2006 levels.

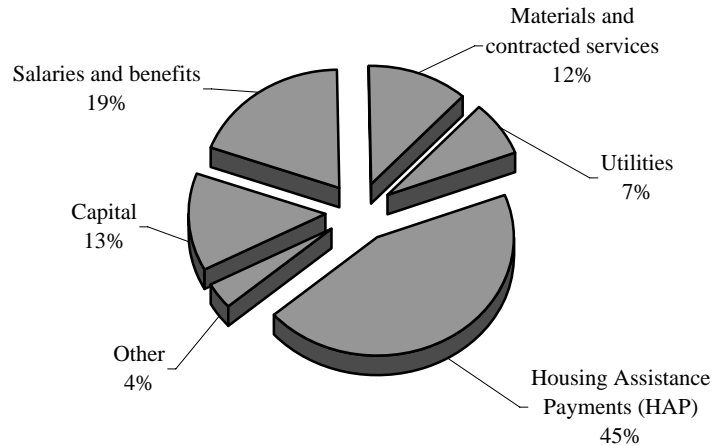
2007 Sources of Funds



Tenant revenue - rents and other	\$ 13,749,239
Federal - operating subsidies and grants	26,640,739
Federal - capital grants	9,944,770
Federal - Section 8 HAP subsidy	41,394,130
Other revenues and grants	<u>3,165,811</u>
 Total Sources	 <u>\$ 94,894,689</u>

The majority of uses of funds were for housing assistance payments to Section 8 landlords. In 2007, the MPHA did not have the new public housing unit construction that it had performed in previous years and, therefore capital uses decreased from 2006 amounts.

2007 Uses of Funds



Salaries and benefits	\$ 17,129,627
Materials and contracted services	10,515,997
Utilities	6,636,794
HAP	39,514,347
Other	3,232,265
Capital	<u>11,959,644</u>
 Total Uses	 <u><u>\$ 88,988,674</u></u>

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, 2006, and September 30, 2007. 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. The amounts in the table are presented net of intrafund receivables/payables between restricted and unrestricted accounts.

Statement of Net Assets			
(in Millions)			
	<u>2007</u>	<u>2006</u>	<u>Variance</u> <u>(%)</u>
Assets			
Current and other assets	\$ 35.7	\$ 32.4	10
Capital assets	<u>165.4</u>	<u>165.5</u>	-
Total Assets	<u>\$ 201.1</u>	<u>\$ 197.9</u>	2
Liabilities			
Current liabilities	\$ 9.8	\$ 10.0	(2)
Long-term liabilities	<u>3.1</u>	<u>4.6</u>	(33)
Total Liabilities	<u>\$ 12.9</u>	<u>\$ 14.6</u>	12
Net Assets			
Invested in capital assets, net of related debt	\$ 162.6	\$ 163.2	-
Restricted net assets	9.4	0.9	944
Unrestricted net assets	<u>16.2</u>	<u>19.2</u>	(16)
Total Net Assets	<u>\$ 188.2</u>	<u>\$ 183.3</u>	3

Current and other assets increased over 2006 levels by \$3.2 million. 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 two significant changes. One of the significant changes was made in 2005 when HUD made a change in policy that permitted PHAs to keep and invest federal funds provided 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. HUD intends to determine and recapture any excess

funds in future years. In years past, HUD, rather than the PHA, held and maintained such a reserve fund. In 2007, the MPHA retained over \$2.3 million in excess cash related to Section 8 assistance.

The other significant change that resulted in increased available cash was MPHA's shift to asset management in the operation of public housing. The MPHA experienced significant savings in maintenance costs and administration from what was anticipated. These savings resulted in more available cash.

There was no increase in capital assets in 2007. The majority of the MPHA's assets (79 percent) are capital assets which consist of 41 high-rise apartment buildings, over 920 single-family or townhome units, and 2 administrative buildings. As presented in the Change in Capital Assets schedule, the capital asset additions of \$17.6 million, due to modernization of existing public housing units, were offset by the demolition of one of the administrative buildings and depreciation on capital assets.

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

Beginning Balance as of FYE 2006, restated	\$ 164.1
Additions	17.6
Retirements, net of accumulated depreciation	(6.7)
Depreciation	<u>(9.6)</u>
 Ending Balance as of FYE 2007	 <u>\$ 165.4</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 2007 by \$1.7 million. Current liabilities accounted for a \$0.2 million decrease, and long-term liabilities accounted for a \$1.5 million decrease. In 1997, the MPHA borrowed \$4.0 million and in 1998 another \$1.4 million to finance energy-related improvements in its high-rise apartment properties. The balance of this debt is due in 2008 and, therefore, no balance exists for this debt in the long-term liabilities section of the Statement of Net Assets as it has since 1997.

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 \$1,142,384 in principal payments on the energy bonds and capital leases in 2007. The MPHA's long-term debt consists of a capital lease (\$1.3 million) entered into in 2006. The other debt related to energy improvements is classified as a current liability (due within one year) and is made up of energy bonds (\$920,000) and capital leases used for energy efficient equipment (\$600,910).

Total net assets increased by 3 percent from 2006. The largest portion of the MPHA's net assets are in capital assets, net of related debt. Capital assets, net of related debt, comprise 86 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 decreased by \$3 million in 2007 due to the reclassification of unspent Housing Choice Voucher Program funding from unrestricted to restricted net assets. The reclassification was done in conformance with clarification regarding HUD's position that unused housing assistance payment funding should be reported as restricted net assets while any unused administrative fee funding should be reported as unrestricted net assets. This change resulted in \$8.1 million, including 2007's unspent funding, being reclassified from unrestricted net assets to restricted net assets.

The restricted and unrestricted net assets balance combined totaled \$20.1 million in 2006 and increased to \$25.6 million in 2007. The \$5.5 million increase was created by a \$2.7 million increase in the Low Rent Public Housing Program, a \$2.0 million increase in the Housing Choice Voucher Program, and a \$700,000 increase due to the operation of the central office cost center.

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 2007 and 2006.

	2007	2006	Variance (%)
Revenues			
Tenant revenue - rents and other	\$ 13.8	\$ 12.3	12
Federal - Section 8 rent subsidy	41.4	42.6	(3)
Federal - other operating subsidies and grants	26.6	27.2	(2)
Other government grants	1.2	2.3	(48)
Investment income and other revenue	1.9	1.7	12
Total Revenue	\$ 84.9	\$ 86.1	(1)

	<u>2007</u>	<u>2006</u>	<u>Variance (%)</u>
Expenses			
Administrative	\$ 13.3	\$ 14.0	(5)
Tenant services	0.9	1.0	(10)
Utilities	7.2	7.4	(3)
Maintenance	10.3	11.6	(11)
Protective services	2.5	2.4	4
General	5.3	4.4	20
HAP	39.5	37.6	5
Depreciation	9.6	9.7	(1)
	<u>\$ 88.6</u>	<u>\$ 88.1</u>	
Total Expenses			1
Net Income (Loss) Before Contributions	\$ (3.7)	\$ (2.0)	85
Federal - capital grants	9.9	12.8	(23)
	<u>\$ 6.2</u>	<u>\$ 10.8</u>	
Change in Net Assets			(43)

Revenues to support operations decreased 1.0 percent from 2006. Revenue increases, due to tenant rental revenues, were offset by decreases in federal operating and Section 8 rent subsidy. Tenant revenues in 2007 were at all time highs. Since tenant rents in public housing are based on family income levels, the MPHA attributes higher tenant rents to a smaller number of families paying the minimum rent amounts, the proliferation of HUD's Enterprise Income Verification system in the leasing process, and the increase in the cost of living adjustment for those tenants receiving social security. The social security cost of living adjustments in 2006 and 2007 averaged 3.7 percent compared to the average increase from 2003 to 2005 of 2.0 percent.

Federal funding for Section 8 rent subsidy, which makes up 49 percent of the MPHA's 2007 revenues, was down by 3 percent from the funding provided in 2006. 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 5 percent increase in Section 8 housing assistance payment expenses from the 2006 levels. The increase in housing assistance payments was the result of increased vouchers under lease. In 2007, MPHA averaged 299 more vouchers under lease each month than what was leased in 2006. The average monthly housing assistance payment paid in 2007 was \$687 per unit, a decrease of 5 percent from the average amount paid in 2006.

Total expenses were \$500,000 more in 2007 compared to 2006 levels. Expense decreases in administrative and maintenance costs were offset by increased expenses for Section 8 housing assistance payments. MPHA's transition to asset-management combined with concerns regarding the amount of federal funding for public housing is credited for these expense decreases.

Federal capital grants decreased by 23 percent from the 2006 amount. The decrease is the result of the completion of construction related to building the Heritage Commons at Pond's Edge apartment complex finished in 2006. MPHA's capital expenditures in 2007 were solely for modernization of existing units.

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 84 percent of the need due to insufficient federal appropriations in 2008. Preliminary budget proposals for 2009 suggest that operating subsidy may likely continue to be funded at a 15 percent to 20 percent discount from what is needed. Funding for the Section 8 Housing Choice Voucher Program is expected to remain consistent with levels provided in 2007.

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, 2007**

Assets

Current assets

Cash and cash equivalents	\$	2,906,269
Investments		23,833,531
Tenant receivables - net		411,698
Interest receivable		41,472
Due from other governmental units		1,516,910
Inventory		45,598
Prepaid items		533,191
Miscellaneous receivable		127,442
Restricted assets		
Cash and cash equivalents		4,328,622
Investments		400,910
Interest receivable		513
Due from other governmental units		1,537,964
Due from unrestricted assets		8,000,335
Prepaid items		14,968

Total current assets **\$ 43,699,423**

Noncurrent assets

Capital assets

Land	\$	32,277,685
Buildings and equipment		263,914,969
Less: accumulated depreciation		(165,226,662)
Construction in progress		34,485,949

Total capital assets - net of accumulated depreciation **\$ 165,451,941**

Total Assets **\$ 209,151,364**

**MINNEAPOLIS PUBLIC HOUSING AUTHORITY
MINNEAPOLIS, MINNESOTA**

**EXHIBIT A
(Continued)**

**STATEMENT OF NET ASSETS
SEPTEMBER 30, 2007**

Liabilities

Current liabilities - payable from current assets

Accounts payable	\$	2,263,787
Salaries/benefits payable		1,860,221
Due to other governmental units		195,378
Due to restricted assets		8,000,335
Deferred revenue		221,434
Accrued claims		562,393
Energy bonds payable		920,000
Capital lease payable		600,910
Accrued interest payable		15,249
		14,639,707

Total current liabilities - payable from current assets

\$ 14,639,707

Current liabilities - payable from restricted assets

Accounts payable	\$	1,530,377
Salaries/benefits payable		48,580
Due to other governmental units		648,304
Deferred revenue		85,961
Tenant security deposits		865,814
		3,179,036

Total current liabilities - payable from restricted assets

\$ 3,179,036

Total current liabilities

\$ 17,818,743

Noncurrent liabilities

Capital lease payable	\$	1,307,987
Other noncurrent liabilities		1,822,671
		3,130,658

Total noncurrent liabilities

\$ 3,130,658

Total Liabilities

\$ 20,949,401

Net Assets

Invested in capital assets - net of related debt	\$	162,623,044
Restricted for		
Debt service		400,910
Other purposes		8,999,394
Unrestricted		16,178,615
		188,201,963

Total Net Assets

\$ 188,201,963

**MINNEAPOLIS PUBLIC HOUSING AUTHORITY
MINNEAPOLIS, MINNESOTA**

EXHIBIT B

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

Operating Revenues	
Tenant rental revenue	\$ 13,749,239
Intergovernmental	69,257,834
Miscellaneous	625,659
	<u>83,632,732</u>
Total Operating Revenues	\$ 83,632,732
Operating Expenses	
Administrative	\$ 13,347,095
Tenant services	917,834
Utilities	7,238,757
Ordinary maintenance and operations	10,288,857
Protective services	2,529,216
General	4,267,253
Housing assistance payments	39,514,347
Depreciation	9,590,564
Casualty losses	52,295
	<u>87,746,218</u>
Total Operating Expenses	\$ 87,746,218
Operating Income (Loss)	\$ (4,113,486)
Nonoperating Revenues (Expenses)	
Investment income	\$ 1,317,187
Gain (loss) on disposal of capital assets	(766,841)
Interest expense	(180,225)
	<u>370,121</u>
Total Nonoperating Revenues (Expenses)	\$ 370,121
Income (Loss) Before Contributions	\$ (3,743,365)
Capital contributions	9,944,770
	<u>9,944,770</u>
Change in Net Assets	\$ 6,201,405
Net Assets - October 1, as restated (Note 1.N.)	182,000,558
	<u>182,000,558</u>
Net Assets - September 30	\$ 188,201,963
	<u>188,201,963</u>

**MINNEAPOLIS PUBLIC HOUSING AUTHORITY
MINNEAPOLIS, MINNESOTA**

EXHIBIT C

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

Cash Flows from Operating Activities	
Receipts from tenants and other customers	\$ 14,392,811
Payments to suppliers	(22,496,697)
Payments to employees	(16,623,406)
	<u>(24,727,292)</u>
Net Cash Provided by (Used in) Operating Activities	\$ (24,727,292)
Cash Flows from Noncapital Financing Activities	
Intergovernmental receipts	\$ 69,221,667
Housing assistance payments	(39,514,347)
Casualty losses	(52,295)
Repayment of GMMHC note	(40,000)
	<u>29,615,025</u>
Net Cash Provided by (Used in) Noncapital Financing Activities	\$ 29,615,025
Cash Flows from Capital and Related Financing Activities	
Capital contributions	\$ 10,431,772
Acquisition of capital assets	(12,001,461)
Principal paid on capital debt	(1,140,796)
Interest paid on capital debt	(189,149)
Proceeds from sales of capital assets	343,250
	<u>(2,556,384)</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities	\$ (2,556,384)
Cash Flows from Investing Activities	
Proceeds from sales and maturities of investments	\$ 43,098,234
Purchase of investments	(50,241,666)
Interest received	1,390,443
	<u>(5,752,989)</u>
Net Cash Provided by (Used in) Investing Activities	\$ (5,752,989)
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (3,421,640)
Cash and Cash Equivalents - Beginning of Year	10,656,531
Cash and Cash Equivalents - End of Year	\$ 7,234,891
Details of Cash and Cash Equivalents	
Cash and cash equivalents	\$ 2,906,269
Restricted cash and cash equivalents	4,328,622
	<u>7,234,891</u>
Total Cash and Cash Equivalents	\$ 7,234,891

**MINNEAPOLIS PUBLIC HOUSING AUTHORITY
MINNEAPOLIS, MINNESOTA**

**EXHIBIT C
(Continued)**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities	
Operating income (loss)	\$ (4,113,486)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Increase (decrease) in allowance for uncollectible accounts	\$ 77,788
Intergovernmental revenues	(69,257,834)
Housing assistance payments	39,514,347
Depreciation	9,590,564
Casualty losses	52,295
Changes in assets and liabilities	
(Increase) decrease in assets	
Tenant receivables	(11,980)
Inventory	(3,785)
Prepaid items	40,947
Miscellaneous receivable	(77,441)
Increase (decrease) in liabilities	
Accounts payable	(612,781)
Salaries/benefits payable	37,225
Due to other governmental units	(20,631)
Tenant security deposits	29,546
Accrued claims	(10,202)
Other/accrued liabilities	38,136
Total adjustments	\$ (20,613,806)
Net Cash Provided by (Used in) Operating Activities	\$ (24,727,292)

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**MINNEAPOLIS PUBLIC HOUSING AUTHORITY
MINNEAPOLIS, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2007**

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.

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.

MINNEAPOLIS PUBLIC HOUSING AUTHORITY
MINNEAPOLIS, MINNESOTA

1. Summary of Significant Accounting Policies (Continued)

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.

F. Tenant Receivables

Tenant receivables have been shown net of an allowance for uncollectible accounts of \$408,635.

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.

MINNEAPOLIS PUBLIC HOUSING AUTHORITY
MINNEAPOLIS, MINNESOTA

1. Summary of Significant Accounting Policies (Continued)

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.

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.

MINNEAPOLIS PUBLIC HOUSING AUTHORITY
MINNEAPOLIS, MINNESOTA

1. Summary of Significant Accounting Policies (Continued)

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, if any) 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.
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.

**MINNEAPOLIS PUBLIC HOUSING AUTHORITY
MINNEAPOLIS, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

N. Restatement

The October 1, 2006, land and net assets balances were decreased by \$1,306,849 to reflect a restatement of costs previously capitalized. A lawsuit settlement from several years earlier called for the demolition and redevelopment of land and housing units by the MPHA and other parties. During the period of demolition and multi-phased redevelopment, there were unknown issues surrounding project completion and ultimate ownership. With those issues now resolved, the restatement adjusts accumulated project costs to reflect the MPHA's assets.

Land - October 1	\$	27,958,448
Prior period adjustment		<u>(1,306,849)</u>
Land - October 1, as restated	\$	<u>26,651,599</u>
Net Assets - October 1	\$	183,307,407
Prior period adjustment		<u>(1,306,849)</u>
Net Assets - October 1, as restated	\$	<u>182,000,558</u>

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	\$	2,906,269
Restricted cash and cash equivalents		<u>4,328,622</u>
Total cash and cash equivalents	\$	<u>7,234,891</u>
Current investments	\$	23,833,531
Restricted investments		<u>400,910</u>
Total investments	\$	<u>24,234,441</u>
Total Cash, Cash Equivalents, and Investments - Exhibit A	\$	<u>31,469,332</u>

**MINNEAPOLIS PUBLIC HOUSING AUTHORITY
MINNEAPOLIS, MINNESOTA**

2. Deposits and Investments (Continued)

Deposits	
Checking and savings	\$ 4,086,820
Petty cash and change funds	4,000
Certificates of deposit	5,700,000
Cash with escrow agent	<u>135,633</u>
Total deposits	\$ 9,926,453
Investments	<u>21,542,879</u>
Total Deposits and Investments	<u>\$ 31,469,332</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 standby 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 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, 2007, deposits in financial institutions, reported as components of cash, cash equivalents, and investments, had a carrying value of \$9,742,767. Bank balances were \$11,123,812, of which \$100,000 was covered by federal depository insurance and \$11,023,812 was covered by collateral.

**MINNEAPOLIS PUBLIC HOUSING AUTHORITY
MINNEAPOLIS, MINNESOTA**

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, 2007, 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**

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, 2007, 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, 2007, 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	\$ 25,800	\$ 25,800	\$ -
U.S. government agency securities			
Federal Home Loan Banks	\$ 4,406,672	\$ 1,403,692	\$ 3,002,980
Federal Home Loan Mortgage Corporation	10,320,476	8,320,116	2,000,360
Federal National Mortgage Association	4,807,293	2,903,788	1,903,505
Federal Farm Credit Banks	500,000	-	500,000
Total U.S. government agency securities	\$ 20,034,441	\$ 12,627,596	\$ 7,406,845
Repurchase agreements	\$ 1,482,638	\$ 1,482,638	\$ -
Total Investments	\$ 21,542,879	\$ 14,136,034	\$ 7,406,845

**MINNEAPOLIS PUBLIC HOUSING AUTHORITY
MINNEAPOLIS, MINNESOTA**

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, 2007, 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 five percent or more of the MPHA's investments are as follows:

<u>Issuer</u>	<u>Percentage (%)</u>
Federal Home Loan Banks	20.48
Federal Home Loan Mortgage Corporation	47.96
Federal National Mortgage Association	22.34
Repurchase agreements with US Bank	6.89

**MINNEAPOLIS PUBLIC HOUSING AUTHORITY
MINNEAPOLIS, MINNESOTA**

3. Capital Assets

Capital assets activity for the MPHA for the fiscal year ended September 30, 2007, was as follows:

	Beginning Balance (as Restated)	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 26,651,599	\$ 5,672,824	\$ 46,738	\$ 32,277,685
Construction in progress	32,005,102	11,367,552	8,886,705	34,485,949
Total capital assets not depreciated	<u>\$ 58,656,701</u>	<u>\$ 17,040,376</u>	<u>\$ 8,933,443</u>	<u>\$ 66,763,634</u>
Capital assets depreciated				
Buildings	\$ 258,855,391	\$ 8,874,232	\$ 14,794,185	\$ 252,935,438
Furniture and equipment	10,669,034	604,080	293,583	10,979,531
Total capital assets depreciated	<u>\$ 269,524,425</u>	<u>\$ 9,478,312</u>	<u>\$ 15,087,768</u>	<u>\$ 263,914,969</u>
Less: accumulated depreciation for				
Buildings	\$ 154,911,387	\$ 8,951,846	\$ 8,144,838	\$ 155,718,395
Furniture and equipment	9,118,604	638,718	249,055	9,508,267
Total accumulated depreciation	<u>\$ 164,029,991</u>	<u>\$ 9,590,564</u>	<u>\$ 8,393,893</u>	<u>\$ 165,226,662</u>
Total capital assets depreciated - net	<u>\$ 105,494,434</u>	<u>\$ (112,252)</u>	<u>\$ 6,693,875</u>	<u>\$ 98,688,307</u>
Capital Assets - Net	<u><u>\$ 164,151,135</u></u>	<u><u>\$ 16,928,124</u></u>	<u><u>\$ 15,627,318</u></u>	<u><u>\$ 165,451,941</u></u>

Depreciation expense for the fiscal year ended September 30, 2007, was \$9,590,564.

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 savings realized from lowered energy costs and special energy allowances from HUD. As

**MINNEAPOLIS PUBLIC HOUSING AUTHORITY
MINNEAPOLIS, MINNESOTA**

4. Long-Term Debt

A. Capital Leases (Continued)

of September 30, 2007, the MPHA had acquired \$3,689,903 in land, structures, and equipment through these capital leases. The future minimum lease obligations as of September 30, 2007, were as follows:

Fiscal Year Ending September 30	Principal	Interest	Total
2008	\$ 600,910	\$ 71,005	\$ 671,915
2009	1,007,840	37,375	1,045,215
2010	300,147	2,143	302,290
Total	<u>\$ 1,908,897</u>	<u>\$ 110,523</u>	<u>\$ 2,019,420</u>

B. Bonds and Notes Payable

The following is a summary of long-term debt transactions for the fiscal year ended September 30, 2007:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Note Payable	\$ 40,000	\$ -	\$ 40,000	\$ -	\$ -
Energy Bonds	1,400,000	-	480,000	920,000	920,000
Total	<u>\$ 1,440,000</u>	<u>\$ -</u>	<u>\$ 520,000</u>	<u>\$ 920,000</u>	<u>\$ 920,000</u>

Notes Payable

\$40,000 Promissory Demand Note with GMMHC. The note was non-interest bearing, and the remaining principal was repaid during the fiscal year ended September 30, 2007.

\$ -

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.

920,000

Total Bonds and Notes Payable

\$ 920,000

**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, 2007, are as follows:

Fiscal Year Ending September 30	Principal	Interest	Total
2008	\$ 920,000	\$ 46,950	\$ 966,950

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, 2007 and 2006, are as follows:

	2007	2006
Unpaid claims - October 1	\$ 572,595	\$ 321,595
Incurred claims (including incurred but not reported claims)	(4,070)	264,670
Claim payments	(6,132)	(13,670)
Unpaid claims - September 30	\$ 562,393	\$ 572,595

**MINNEAPOLIS PUBLIC HOUSING AUTHORITY
MINNEAPOLIS, MINNESOTA**

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 \$563,896 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, 2007**

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Moderate Rehab MN002MR0002
<u>Assets</u>				
Current Assets				
Cash				
111	Cash - unrestricted	2,299	1,087,569	2,735
112	Cash - restricted - modernization and development	478,883	-	-
113	Cash - other restricted	1,508,438	446,174	-
114	Cash - tenant security deposits	865,814	-	-
100	Total cash	2,855,434	1,533,743	2,735
Accounts and notes receivable				
121	Accounts receivable - PHA projects	-	466,893	-
122	Accounts receivable - HUD other projects	-	-	129,562
124	Accounts receivable - other government	587,848	-	-
125	Accounts receivable - miscellaneous	105,138	2,786	-
126	Accounts receivable - tenants - dwelling rents	511,875	-	-
126.1	Allowance for doubtful accounts - dwelling rents	(262,439)	-	-
126.2	Allowance for doubtful accounts - other	-	-	-
127	Notes, loans, and mortgages receivable - current	-	-	-
128	Fraud recovery	362,697	-	-
128.1	Allowance for doubtful accounts - fraud	(181,348)	-	-
129	Accrued interest receivable	40,245	-	-
120	Total receivables, net of allowances for doubtful accounts	1,164,016	469,679	129,562
131	Investments - unrestricted	23,833,531	-	-
132	Investments - restricted	354,765	-	-
142	Prepaid expenses and other assets	495,583	2,217	-
143	Inventories	45,598	-	-
143.1	Allowance for obsolete inventories	-	-	-
144	Interprogram - due from	1,380,960	8,015,914	-
150	Total current assets	30,129,887	10,021,553	132,297
Noncurrent Assets				
Fixed assets				
161	Land	27,685,028	-	-
162	Buildings	247,793,122	-	-
163	Furniture, equipment, and machinery - dwellings	3,443,681	-	-
164	Furniture, equipment, and machinery - administration	3,334,839	274,681	-
165	Leasehold improvements	-	-	-
166	Accumulated depreciation	(159,693,972)	(270,576)	-
167	Construction in progress	2,274,013	-	-
160	Total fixed assets, net of accumulated depreciation	124,836,711	4,105	-
180	Total noncurrent assets	124,836,711	4,105	-
190	Total Assets	154,966,598	10,025,658	132,297

Schedule 1

Moderate Rehab MN002MR0003	Moderate Rehab MN002MR0005	Moderate Rehab MN002MR0006	Section 8 Single Room	Low Rent Development	Capital Fund
5,941	-	-	56,582	-	-
-	-	-	-	773,075	239,902
-	-	-	-	-	290
-	-	-	-	-	-
5,941	-	-	56,582	773,075	240,192
-	-	-	-	-	-
178,856	101,776	67,885	399,217	-	1,071,071
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
178,856	101,776	67,885	399,217	-	1,071,071
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	14,969
-	-	-	-	-	-
-	-	-	-	-	-
184,797	101,776	67,885	455,799	773,075	1,326,232
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	123,326
-	-	-	-	-	400,513
-	-	-	-	-	-
-	-	-	-	-	(194,072)
-	-	-	-	3,610,157	17,503,627
-	-	-	-	3,610,157	17,833,394
-	-	-	-	3,610,157	17,833,394
184,797	101,776	67,885	455,799	4,383,232	19,159,626

**MINNEAPOLIS PUBLIC HOUSING AUTHORITY
MINNEAPOLIS, MINNESOTA**

**FINANCIAL DATA SCHEDULE
YEAR ENDED SEPTEMBER 30, 2007**

Line Item #	Account Description	Revitalization of Severely Distressed Public Housing	Byrne Memorial State and Local Law Enforcement Assist. Discr. Grt.	Volunteers In Service To America
<u>Assets</u>				
Current Assets				
Cash				
111	Cash - unrestricted	-	1,192	3,958
112	Cash - restricted - modernization and development	-	-	-
113	Cash - other restricted	12,272	-	-
114	Cash - tenant security deposits	-	-	-
100	Total cash	12,272	1,192	3,958
Accounts and notes receivable				
121	Accounts receivable - PHA projects	-	-	-
122	Accounts receivable - HUD other projects	-	-	-
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	-	-	-
120	Total receivables, net of allowances for doubtful accounts	-	-	-
131	Investments - unrestricted	-	-	-
132	Investments - restricted	-	-	-
142	Prepaid expenses and other assets	-	-	-
143	Inventories	-	-	-
143.1	Allowance for obsolete inventories	-	-	-
144	Interprogram - due from	-	-	-
150	Total current assets	12,272	1,192	3,958
Noncurrent Assets				
Fixed assets				
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	(23,611)	-	-
167	Construction in progress	11,098,152	-	-
160	Total fixed assets, net of accumulated depreciation	11,155,993	-	-
180	Total noncurrent assets	11,155,993	-	-
190	Total Assets	11,168,265	1,192	3,958

Schedule 1
(Continued)

Other Federal Program 1	State/ Local	Business Activities	Community Development Block Grant	Component Units	Grand Total
1,003,749	377,273	249,063	71,855	44,053	2,906,269
-	-	-	-	-	1,491,860
-	-	3,774	-	-	1,970,948
-	-	-	-	-	865,814
1,003,749	377,273	252,837	71,855	44,053	7,234,891
-	-	-	-	-	466,893
-	-	-	-	-	1,948,367
1,587	-	-	50,179	-	639,614
350	19,087	81	-	-	127,442
-	-	-	-	-	511,875
-	-	-	-	-	(262,439)
-	(19,087)	-	-	-	(19,087)
-	-	-	-	-	-
-	-	-	-	-	362,697
-	-	-	-	-	(181,348)
1,740	-	-	-	-	41,985
3,677	-	81	50,179	-	3,635,999
-	-	-	-	-	23,833,531
46,145	-	-	-	-	400,910
35,390	-	-	-	-	548,159
-	-	-	-	-	45,598
-	-	-	-	-	-
4,618,365	-	2,983,989	-	-	16,999,228
5,707,326	377,273	3,236,907	122,034	44,053	52,698,316
4,592,657	-	-	-	-	32,277,685
5,142,316	-	-	-	-	252,935,438
755	-	-	-	-	3,638,248
3,320,284	-	-	-	-	7,341,283
-	-	-	-	-	-
(5,044,431)	-	-	-	-	(165,226,662)
-	-	-	-	-	34,485,949
8,011,581	-	-	-	-	165,451,941
8,011,581	-	-	-	-	165,451,941
13,718,907	377,273	3,236,907	122,034	44,053	218,150,257

**MINNEAPOLIS PUBLIC HOUSING AUTHORITY
MINNEAPOLIS, MINNESOTA**

**FINANCIAL DATA SCHEDULE
YEAR ENDED SEPTEMBER 30, 2007**

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Moderate Rehab MN002MR0002
<u>Liabilities and Equity/Net Assets</u>				
Liabilities				
Current liabilities				
311	Bank overdraft	-	-	-
312	Accounts payable <= 90 days	1,425,399	64,834	752
313	Accounts payable > 90 days past due	-	-	-
321	Accrued wage/payroll taxes payable	372,416	50,166	582
322	Accrued compensated absences - current portion	857,628	40,527	470
324	Accrued contingency liability	-	-	-
325	Accrued interest payable	13,508	-	-
331	Accounts payable - HUD PHA programs	141,003	3	-
332	Accounts payable - PHA projects	-	471,030	-
333	Accounts payable - other governments	187,654	-	-
341	Tenant security deposits	865,814	-	-
342	Deferred revenue	137,985	15,579	-
343	Current portion of long-term debt - capital projects/mortgage revenue bonds	1,335,716	-	-
344	Current portion of long-term debt - operating borrowings	-	-	-
345	Other current liabilities	-	-	-
346	Accrued liabilities - other	-	-	-
347	Interprogram - due to	16,669,595	-	-
310	Total current liabilities	22,006,718	642,139	1,804
Noncurrent liabilities				
351	Long-term debt, net of current - capital projects/mortgage revenue bonds	1,307,987	-	-
352	Long-term debt, net of current - operating borrowings	-	-	-
353	Noncurrent liabilities - other	1,515,214	299,999	-
354	Accrued compensated absences - noncurrent	-	-	-
350	Total noncurrent liabilities	2,823,201	299,999	-
300	Total Liabilities	24,829,919	942,138	1,804
Equity/Net Assets				
508.1	Invested in capital assets, net of related debt	122,193,008	4,105	-
511.1	Restricted net assets	698,015	8,142,371	-
512.1	Unrestricted net assets	7,245,656	937,044	130,493
513	Total Equity/Net Assets	130,136,679	9,083,520	130,493
600	Total Liabilities and Equity/Net Assets	154,966,598	10,025,658	132,297

Schedule 1
(Continued)

Moderate Rehab MN002MR0003	Moderate Rehab MN002MR0005	Moderate Rehab MN002MR0006	Section 8 Single Room	Low Rent Development	Capital Fund
-	-	-	-	-	-
387	269	234	2,476	-	1,126,332
-	-	-	-	207,454	-
299	208	181	1,916	-	46,467
241	168	147	1,547	-	-
-	-	-	-	-	-
-	-	-	-	36,269	-
-	-	-	-	-	-
-	-	-	-	-	-
-	25,455	-	-	-	64,925
-	-	-	-	-	-
-	-	-	-	-	88,508
-	44,073	44,490	175,748	15,579	-
927	70,173	45,052	181,687	259,302	1,326,232
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
927	70,173	45,052	181,687	259,302	1,326,232
-	-	-	-	3,610,157	17,833,394
-	-	-	-	513,773	-
183,870	31,603	22,833	274,112	-	-
183,870	31,603	22,833	274,112	4,123,930	17,833,394
184,797	101,776	67,885	455,799	4,383,232	19,159,626

**MINNEAPOLIS PUBLIC HOUSING AUTHORITY
MINNEAPOLIS, MINNESOTA**

**FINANCIAL DATA SCHEDULE
YEAR ENDED SEPTEMBER 30, 2007**

Line Item #	Account Description	Revitalization of Severely Distressed Public Housing	Byrne Memorial State and Local Law Enforcement Assist. Discr. Grt.	Volunteers In Service To America
<u>Liabilities and Equity/Net Assets</u>				
Liabilities				
Current liabilities				
311	Bank overdraft	-	-	-
312	Accounts payable <= 90 days	4,702	-	191
313	Accounts payable > 90 days past due	-	-	-
321	Accrued wage/payroll taxes payable	2,113	-	-
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	5,457	-	3,253
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	-	-	-
310	Total current liabilities	12,272	-	3,444
Noncurrent liabilities				
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	-	-	-
350	Total noncurrent liabilities	-	-	-
300	Total Liabilities	12,272	-	3,444
Equity/Net Assets				
508.1	Invested in capital assets, net of related debt	11,155,993	-	-
511.1	Restricted net assets	-	-	-
512.1	Unrestricted net assets	-	1,192	514
513	Total Equity/Net Assets	11,155,993	1,192	514
600	Total Liabilities and Equity/Net Assets	11,168,265	1,192	3,958

Schedule I
(Continued)

Other Federal Program 1	State/ Local	Business Activities	Community Development Block Grant	Component Units	Grand Total
-	-	-	-	-	-
846,455	-	5,023	17,456	2,943	3,497,453
-	-	-	-	-	207,454
139,743	-	217	173	-	614,481
393,592	-	-	-	-	1,294,320
-	-	562,393	-	-	562,393
1,741	-	-	-	-	15,249
734	-	-	-	-	178,009
-	-	-	-	-	471,030
-	6,989	-	-	-	194,643
-	-	-	-	-	865,814
-	-	-	54,741	-	307,395
185,194	-	-	-	-	1,520,910
-	-	-	-	-	-
749	-	-	-	-	89,257
-	-	-	-	-	-
-	-	79	49,664	-	16,999,228
1,568,208	6,989	567,712	122,034	2,943	26,817,636
-	-	-	-	-	1,307,987
-	-	-	-	-	-
3,684	-	3,774	-	-	1,822,671
-	-	-	-	-	-
3,684	-	3,774	-	-	3,130,658
1,571,892	6,989	571,486	122,034	2,943	29,948,294
7,826,387	-	-	-	-	162,623,044
46,145	-	-	-	-	9,400,304
4,274,483	370,284	2,665,421	-	41,110	16,178,615
12,147,015	370,284	2,665,421	-	41,110	188,201,963
13,718,907	377,273	3,236,907	122,034	44,053	218,150,257

**MINNEAPOLIS PUBLIC HOUSING AUTHORITY
MINNEAPOLIS, MINNESOTA**

**FINANCIAL DATA SCHEDULE
YEAR ENDED SEPTEMBER 30, 2007**

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Moderate Rehab MN002MR0002
Revenue				
703	Net tenant rental revenue	13,181,304	-	-
704	Tenant revenue - other	567,935	-	-
705	Total tenant revenue	13,749,239	-	-
706	HUD PHA operating grants	20,405,457	42,275,166	359,326
706.1	Capital grants	45,000	-	-
708	Other government grants	1,212,965	-	-
711	Investment income - unrestricted	672,728	62,916	5,777
714	Fraud recovery	202,810	-	-
715	Other revenue	358,667	2,188	-
716	Gain/loss on the sale of fixed assets	238,051	-	-
720	Investment income - restricted	-	391,243	-
700	Total Revenue	36,884,917	42,731,513	365,103
Expenses				
Administrative				
911	Administrative salaries	3,506,051	1,067,268	12,260
912	Auditing fees	61,662	8,283	96
913	Outside management fees	15,500	-	-
914	Compensated absences	11,338	3,405	151
915	Employee benefit contributions - administrative	1,120,937	347,498	4,028
916	Other operating - administrative	5,425,242	1,452,032	7,986
Tenant services				
921	Tenant services - salaries	-	-	-
922	Relocation costs	2,684	-	-
923	Employee benefit contributions - tenant services	-	-	-
924	Tenant services - other	437,481	-	-
Utilities				
931	Water	2,065,309	-	-
932	Electricity	1,967,300	-	-
933	Gas	2,431,364	-	-
934	Fuel	4,676	-	-
935	Labor	399,959	-	-
937	Employee benefit contributions - utilities	130,701	-	-
938	Other utilities expense	13,846	-	-
Ordinary maintenance and operations				
941	Ordinary maintenance and operations - labor	4,467,245	-	-
942	Ordinary maintenance and operations - materials and other	641,521	-	-
943	Ordinary maintenance and operations - contract costs	2,835,696	-	-
945	Employee benefit contributions - ordinary maintenance	1,449,708	-	-
Protective services				
951	Protective services - labor	-	-	-
952	Protective services - other contract costs	2,370,068	-	-
953	Protective services - other	28,371	-	-
955	Employee benefit contributions - protective services	-	-	-

**MINNEAPOLIS PUBLIC HOUSING AUTHORITY
MINNEAPOLIS, MINNESOTA**

**FINANCIAL DATA SCHEDULE
YEAR ENDED SEPTEMBER 30, 2007**

Line Item #	Account Description	Revitalization of Severely Distressed Public Housing	Byrne Memorial State and Local Law Enforcement Assist. Discr. Grt.	Volunteers In Service To America
Revenue				
703	Net tenant rental revenue	-	-	-
704	Tenant revenue - other	-	-	-
705	Total tenant revenue	-	-	-
706	HUD PHA operating grants	112,936	-	-
706.1	Capital grants	-	-	-
708	Other government grants	-	-	10,000
711	Investment income - unrestricted	-	-	-
714	Fraud recovery	-	-	-
715	Other revenue	-	-	-
716	Gain/loss on the sale of fixed assets	-	-	-
720	Investment income - restricted	-	-	-
700	Total Revenue	112,936	-	10,000
Expenses				
Administrative				
911	Administrative salaries	-	-	-
912	Auditing fees	-	-	-
913	Outside management fees	-	-	-
914	Compensated absences	-	-	-
915	Employee benefit contributions - administrative	-	-	-
916	Other operating - administrative	-	-	-
Tenant services				
921	Tenant services - salaries	53,137	-	-
922	Relocation costs	-	-	-
923	Employee benefit contributions - tenant services	17,944	-	-
924	Tenant services - other	41,855	-	10,000
Utilities				
931	Water	-	-	-
932	Electricity	-	-	-
933	Gas	-	-	-
934	Fuel	-	-	-
935	Labor	-	-	-
937	Employee benefit contributions - utilities	-	-	-
938	Other utilities expense	-	-	-
Ordinary maintenance and operations				
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	-	-	-
Protective services				
951	Protective services - labor	-	-	-
952	Protective services - other contract costs	-	-	-
953	Protective services - other	-	-	-
955	Employee benefit contributions - protective services	-	-	-

Schedule 1
(Continued)

Other Federal Program 1	State/ Local	Business Activities	Community Development Block Grant	Component Units	Grand Total
-	-	-	-	-	13,181,304
-	-	-	-	-	567,935
-	-	-	-	-	13,749,239
-	-	-	492,147	-	68,034,869
-	-	-	-	-	9,944,770
-	-	-	-	-	1,222,965
(4,850)	3,978	163,856	-	-	925,944
-	-	-	-	-	202,810
(138,446)	-	200,440	-	-	422,849
(1,004,892)	-	-	-	-	(766,841)
-	-	-	-	-	391,243
(1,148,188)	3,978	364,296	492,147	-	94,127,848
2,333,823	-	4,955	3,842	-	7,918,270
8,809	-	-	-	-	88,088
-	-	-	-	-	15,500
(1,934)	-	-	-	-	13,628
849,094	-	979	727	-	2,444,146
(4,722,536)	-	60,687	-	2,608	2,867,463
-	-	-	-	-	53,137
-	-	-	-	-	91,634
-	-	-	-	-	17,944
328	-	15,080	108,840	-	755,119
26,770	-	-	-	-	2,092,079
101,278	-	-	-	-	2,068,578
26,243	-	-	-	-	2,457,607
-	-	-	-	-	4,676
55,410	-	-	-	-	455,369
15,893	-	-	-	-	146,594
-	-	-	-	8	13,854
127,125	-	-	-	-	4,594,370
74,107	-	-	-	-	715,628
134,634	-	-	-	1,332	2,971,662
36,462	-	-	-	-	1,486,170
-	-	-	-	-	-
45,851	-	-	-	-	2,487,157
13,688	-	-	-	-	42,059
-	-	-	-	-	-

**MINNEAPOLIS PUBLIC HOUSING AUTHORITY
MINNEAPOLIS, MINNESOTA**

**FINANCIAL DATA SCHEDULE
YEAR ENDED SEPTEMBER 30, 2007**

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Moderate Rehab MN002MR0002
	Expenses (Continued)			
	General expenses			
961	Insurance premiums	814,033	4,411	-
962	Other general expenses	1,313,122	110,370	-
963	Payments in lieu of taxes	294,006	-	-
964	Bad debt - tenant rents	482,592	-	-
965	Bad debt - mortgages	-	-	-
966	Bad debt - other	-	-	-
967	Interest expense	170,758	-	-
968	Severance expense	-	-	-
969	Total Operating Expenses	32,461,170	2,993,267	24,521
970	Excess Operating Revenue Over Operating Expenses	4,423,747	39,738,246	340,582
971	Extraordinary maintenance	142,289	-	-
972	Casualty losses - noncapitalized	52,295	-	-
973	Housing assistance payments	-	37,872,611	323,791
974	Depreciation expense	9,078,934	6,923	-
975	Fraud losses	-	-	-
978	Dwelling units rent expense	-	-	-
900	Total Expenses	41,734,688	40,872,801	348,312
	Other Financing Sources (Uses)			
1001	Operating transfers in	-	-	-
1002	Operating transfers out	-	(961)	-
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	-	-	-
1010	Total Other Financing Sources (Uses)	-	(961)	-
1000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(4,849,771)	1,857,751	16,791

Schedule 1
(Continued)

Moderate Rehab MN002MR0003	Moderate Rehab MN002MR0005	Moderate Rehab MN002MR0006	Section 8 Single Room	Low Rent Development	Capital Fund
-	-	-	-	-	-
-	-	-	-	-	940,916
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
10,546	7,345	6,404	67,619	-	2,913,029
229,969	173,864	110,856	891,744	-	9,899,770
-	-	-	-	-	-
213,875	167,391	105,237	831,442	-	-
-	-	-	-	-	124,704
-	-	-	-	-	-
224,421	174,736	111,641	899,061	-	3,037,733
-	-	-	-	961	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	961	-
16,094	6,473	5,619	60,302	961	9,775,066

**MINNEAPOLIS PUBLIC HOUSING AUTHORITY
MINNEAPOLIS, MINNESOTA**

**FINANCIAL DATA SCHEDULE
YEAR ENDED SEPTEMBER 30, 2007**

Line Item #	Account Description	Revitalization of Severely Distressed Public Housing	Byrne Memorial State and Local Law Enforcement Assist. Discr. Grt.	Volunteers In Service To America
	Expenses (Continued)			
	General expenses			
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	-	-	-
969	Total Operating Expenses	112,936	-	10,000
970	Excess Operating Revenue Over Operating Expenses	-	-	-
971	Extraordinary maintenance	-	-	-
972	Casualty losses - noncapitalized	-	-	-
973	Housing assistance payments	-	-	-
974	Depreciation expense	12,262	-	-
975	Fraud losses	-	-	-
978	Dwelling units rent expense	-	-	-
900	Total Expenses	125,198	-	10,000
	Other Financing Sources (Uses)			
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	-	-	-
1010	Total Other Financing Sources (Uses)	-	-	-
1000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(12,262)	-	-

Schedule 1
(Continued)

Other Federal Program 1	State/ Local	Business Activities	Community Development Block Grant	Component Units	Grand Total
(124,227)	-	-	-	-	694,217
77,407	-	394,909	-	-	2,836,724
(22,550)	-	-	-	-	271,456
-	-	-	-	-	482,592
-	-	-	-	-	-
-	(17,766)	30	-	-	(17,736)
9,302	-	165	-	-	180,225
-	-	-	-	-	-
(935,023)	(17,766)	476,805	113,409	3,948	38,248,210
(213,165)	21,744	(112,509)	378,738	(3,948)	55,879,638
-	-	-	378,738	-	521,027
-	-	-	-	-	52,295
-	-	-	-	-	39,514,347
367,741	-	-	-	-	9,590,564
-	-	-	-	-	-
-	-	-	-	-	-
(567,282)	(17,766)	476,805	492,147	3,948	87,926,443
-	-	-	-	-	961
-	-	-	-	-	(961)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(580,906)	21,744	(112,509)	-	(3,948)	6,201,405

**MINNEAPOLIS PUBLIC HOUSING AUTHORITY
MINNEAPOLIS, MINNESOTA**

**FINANCIAL DATA SCHEDULE
YEAR ENDED SEPTEMBER 30, 2007**

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Moderate Rehab MN002MR0002
Memo account information				
1101	Capital outlays - enterprise funds	-	-	-
1102	Debt principal payments - enterprise funds	-	-	-
1103	Beginning equity	142,793,655	7,130,803	113,702
1104	Prior period adjustments - equity transfers and correction of errors	(7,807,205)	94,966	-
1120	Unit months available	69,324	58,080	612
1121	Number of unit months leased	68,754	52,632	518
1117	Administrative fee equity	-	941,148	-
1118	Housing assistance payments equity	-	8,142,372	-
	Equity Roll-Forward Check	130,136,679	9,083,520	130,493

Schedule 1
(Continued)

Moderate Rehab MN002MR0003	Moderate Rehab MN002MR0005	Moderate Rehab MN002MR0006	Section 8 Single Room	Low Rent Development	Capital Fund
-	-	-	-	-	-
167,776	25,130	17,214	213,810	4,577,402	16,685,841
-	-	-	-	(454,433)	(8,627,513)
312	216	192	2,016	-	-
250	200	162	1,869	-	-
-	-	-	-	-	-
-	-	-	-	-	-
183,870	31,603	22,833	274,112	4,123,930	17,833,394

**MINNEAPOLIS PUBLIC HOUSING AUTHORITY
MINNEAPOLIS, MINNESOTA**

**FINANCIAL DATA SCHEDULE
YEAR ENDED SEPTEMBER 30, 2007**

Line Item #	Account Description	Revitalization of Severely Distressed Public Housing	Byrne Memorial State and Local Law Enforcement Assist. Discr. Grt.	Volunteers In Service To America
Memo account information				
1101	Capital outlays - enterprise funds	-	-	-
1102	Debt principal payments - enterprise funds	-	-	-
1103	Beginning equity	11,168,255	1,192	514
1104	Prior period adjustments - equity transfers and correction of errors	-	-	-
1120	Unit months available	-	-	-
1121	Number of unit months leased	-	-	-
1117	Administrative fee equity	-	-	-
1118	Housing assistance payments equity	-	-	-
	Equity Roll-Forward Check	11,155,993	1,192	514

Schedule 1
(Continued)

Other Federal Program 1	State/ Local	Business Activities	Community Development Block Grant	Component Units	Grand Total
-	-	-	-	-	-
-	62,470	304,585	-	45,058	183,307,407
12,727,921	286,070	2,473,345	-	-	(1,306,849)
-	-	-	-	-	130,752
-	-	-	-	-	124,385
-	-	-	-	-	941,148
-	-	-	-	-	8,142,372
12,147,015	370,284	2,665,421	-	41,110	188,201,963

**MINNEAPOLIS PUBLIC HOUSING AUTHORITY
MINNEAPOLIS, MINNESOTA**

Schedule 2

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Housing and Urban Development		
Direct Funding		
Public and Indian Housing Program		
Operating Subsidy (Low Rent)	14.850	\$ <u>20,405,457</u>
Section 8 Project-Based Programs		
N/C S/R Section 8 Program	14.182	\$ 899,060
Section 8 Moderate Rehabilitation	14.856	<u>859,110</u>
Total Section 8 Project-Based Cluster		\$ 1,758,170
Section 8 Housing Choice Vouchers Program	14.871	<u>\$ 40,873,762</u>
Revitalization of Severely Distressed Public Housing	14.866	<u>\$ 112,936</u>
Public Housing Capital Fund Program		
Replacement Housing Factor FFY 2004	14.872	\$ 131,196
Replacement Housing Factor FFY 2005	14.872	583,829
Replacement Housing Factor FFY 2006	14.872	225,891
Capital Fund FFY 2004	14.872	887,646
Capital Fund FFY 2005	14.872	7,994,022
Capital Fund FFY 2006	14.872	<u>2,990,215</u>
Total CFDA #14.872		\$ 12,812,799
Passed Through the City of Minneapolis		
Community Development Block Grant (CDBG)		
CDBG-Funded Low-Rent Housing Program	14.218	<u>\$ 492,147</u>
Total U.S. Department of Housing and Urban Development		\$ 76,455,271
Corporation for National and Community Service		
Direct Funding		
Volunteers in Service to America	94.013	<u>\$ 10,000</u>
Total Federal Awards		\$ <u>76,465,271</u>

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, 2007, the MPHA did not pass any federal money to a subrecipient.