

AUDIT REPORT
AND
SUPPLEMENTAL DATA FOR
HOUSING AUTHORITY OF THE CITY OF COMMERCE
COMMERCE, OKLAHOMA

JUNE 30, 2017

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HOUSING AUTHORITY OF THE CITY OF COMMERCE
COMMERCE, OKLAHOMA
JUNE 30, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Housing Authority of the City of Commerce
Commerce, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the Housing Authority of the City of Commerce, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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, and in accordance with Oklahoma Statutes. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used, and the reasonableness of significant accounting estimates made, by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Housing Authority of the City of Commerce, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Housing Authority of the City of Commerce's basic financial statements. The accompanying Financial Data Schedule and Other Supplementary Information as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Housing Authority of the City of Commerce.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been

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subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2018, on our consideration of the Housing Authority of the City of Commerce'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 solely 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 effectiveness of the Housing Authority of the City of Commerce's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in compliance with *Government Auditing Standards* in considering Housing Authority of the City of Commerce's internal control over financial reporting and compliance.

Kershaw CPA & Associates, P.C.
Kershaw CPA & Associates, PC

January 16, 2018

Housing Authority of the City of Commerce Commerce, OK

Management's Discussion and Analysis June 30, 2017 (Unaudited)

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

The most significant changes on the 2017 financial highlights were in assets, revenue, and expenses.

Overview of the Financial Statements

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

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

For accounting purposes, the Housing Authority is classified as an enterprise fund. Enterprise funds account for activities like those found in the private business sector where the determination of net position is necessary or useful to sound financial administration. Enterprise funds are reported using the full accrual method of accounting in which assets and liabilities, associated with the operation of these funds, are included on the balance sheet. Their focus is on income measurement which, together with the maintenance of equity, is an important financial indicator. Our discussion and analysis provides an overview of the financial activities and performance for year-end June 30, 2017.

All the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Fund Net Position. This statement measures the ability of management to meet budgets, maintain property (meets HUD specifications and inspections), and determines whether the Housing Authority has successfully recovered costs through its rental fees and other charges. It can also be used to measure profitability and credit worthiness.

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

Housing Authority of the City of Commerce
Management's Discussion and Analysis
June 30, 2017 (Unaudited)

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

The section Supplemental Information Required by HUD contains the Financial Data Schedule (FDS). HUD has established Uniform Financial Reporting Standards that require the Housing Authority to submit financial information electronically to HUD using the FDS format.

Financial Analysis

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

The basic financial statements are the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Fund Net Position. The Statement of Net Position provides a summary of assets and liabilities as of the close of business on June 30, 2017. The Statement of Revenues, Expenses, and Changes in Fund Net Position summarize the revenues, and sources of those revenues, generated and the expenses incurred in operating the Housing Authority for the year-ended June 30, 2017.

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

	Net Position			
	June 30,			
	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>% of Change</u>
Current Assets	\$ 143,509	\$ 149,110	\$ (5,601)	-3.76%
Capital Assets, Net	<u>257,413</u>	<u>290,285</u>	<u>(32,872)</u>	<u>-11.32%</u>
Total Assets	<u>\$ 400,922</u>	<u>\$ 439,395</u>	<u>\$ (38,473)</u>	<u>-8.76%</u>
Current Liabilities	<u>10,854</u>	<u>9,875</u>	<u>979</u>	<u>9.91%</u>
Total Liabilities	<u>\$ 10,854</u>	<u>\$ 9,875</u>	<u>\$ 979</u>	<u>9.91%</u>
Net Position:				
Investment in Capital Assets	257,413	290,285	(32,872)	-11.32%
Unrestricted Net Position	<u>132,655</u>	<u>139,235</u>	<u>(6,580)</u>	<u>-4.73%</u>
Total Net Position	<u>\$ 390,068</u>	<u>\$ 429,520</u>	<u>\$ (39,452)</u>	<u>-9.19%</u>

Housing Authority of the City of Commerce
Management's Discussion and Analysis
June 30, 2017 (Unaudited)

Capital Assets

(Net of Accumulated Depreciation)
June 30,

	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>% of Change</u>
Land	\$ 24,270	\$ 24,270	\$ 0	0.00%
Buildings	1,084,547	1,084,547	0	0.00%
Furniture & Equipment - Dwell	19,709	19,709	0	0.00%
Furniture & Equipment - Admin	25,601	24,301	1,300	5.35%
Leasehold Improvements	357,283	357,283	0	0.00%
Construction in Progress	<u>3,024</u>	<u>0</u>	<u>3,024</u>	<u>100.00%</u>
Subtotal	1,514,434	1,510,110	4,324	0.29%
Accumulated Depreciation	<u>(1,257,021)</u>	<u>(1,219,825)</u>	<u>(37,196)</u>	<u>3.05%</u>
Net Capital Assets	\$ <u>257,413</u>	\$ <u>290,285</u>	\$ <u>(32,872)</u>	<u>-11.32%</u>

Net Position

Total assets decreased because available assets were used to cover part of operating expenses and annual depreciation exceeded capital additions. Total liabilities increased due to tenant security deposits.

The Housing Authority had \$70,385 in Capital Grant revenue to draw down and spend in the future.

Total Net Position

As of June 30, 2017, the Housing Authority had \$390,068 invested in total net position. Of this amount, \$132,655 of unrestricted net position may be used to meet the Authority's future ongoing expenses and obligations. The remainder of \$257,413 represents the investment in capital assets of land, buildings, furnishings, leasehold improvements, equipment, and construction in progress.

Debt

The Authority had no long-term obligations such as notes or bonds payable.

Expendable Fund Balance

	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>% of Change</u>
Expendable Fund Balance	\$ <u>132,655</u>	\$ <u>137,679</u>	\$ <u>(5,024)</u>	<u>-3.65%</u>
Number of Months Expendable Fund	<u>10.35</u>	<u>11.85</u>	<u>(1.50)</u>	<u>-12.66%</u>

Expendable Fund Balance

If current assets, less materials inventory, were converted to cash and all current liabilities were paid, the Authority's cash balance (expendable fund balance) would be \$132,655 which decreased \$5,024.

Number of Months Expendable Fund Balance

The expendable fund balance is divided by average monthly expense (total expenses for the year, less depreciation, divided by twelve (12) in order to determine the number of months expendable fund balance. This factor indicates the number of months the entity could operate without relying on additional funding. As of the fiscal year-end, the Authority could continue operations for 10.35 months.

Changes in Net Position

For the Year Ended June 30

	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>% of Change</u>
Revenue:				
Tenant Revenue	\$ 73,447	\$ 69,979	\$ 3,468	4.96%
Federal Grants & Subsidy	77,265	67,793	9,472	13.97%
Investment	365	359	6	1.67%
Other Income	420	439	(19)	-4.33%
Total Revenue	<u>151,497</u>	<u>138,570</u>	<u>12,927</u>	<u>9.33%</u>
Expenses:				
Administrative	48,945	52,689	(3,744)	-7.11%
Utilities	14,239	12,980	1,259	9.70%
Routine Maintenance	61,890	48,004	13,886	28.93%
Protective Services	1,400	0	1,400	100.00%
General	27,279	25,697	1,582	6.16%
Depreciation	37,196	35,335	1,861	5.27%
Total Operating Expenses	<u>190,949</u>	<u>174,705</u>	<u>16,244</u>	<u>9.30%</u>
Increase (Decrease) in Net Position	<u>\$ (39,452)</u>	<u>\$ (36,135)</u>	<u>\$ (3,317)</u>	<u>9.18%</u>

Changes in Net Position

Total revenue increased due to tenant charges, collection losses, ongoing capital projects, and operating revenues. The change in total liabilities consisted of more general upkeep/maintenance repairs, assets placed in service, and rents deemed to be uncollectible. The net effect was a decrease in changes in net position.

Economic Factors

The Housing Authority is primarily dependent upon HUD for the funding of operations. The entity is affected by both federal budgetary decisions and by local economic conditions.

Contacting the Housing Authority's Financial Management

Our financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Authority's finances and to show accountability for money it receives. If you have questions or need further clarification regarding the financial statements, contact Mr. J. Mark McDowell, Executive Director, Housing Authority of the City of Commerce, 610 D Street, Commerce, OK 74339, telephone number (918)675-4748.

HOUSING AUTHORITY OF THE CITY OF COMMERCE
 COMMERCE, OKLAHOMA
 STATEMENT OF NET POSITION
 JUNE 30, 2017

	2017
<u>ASSETS</u>	
<u>Current Assets:</u>	
Cash - Unrestricted	\$ 81,175
Cash - Tenant Security Deposits	-
Investments - Unrestricted	50,377
Accounts Receivable:	
Tenants, Net of Allowance for Doubtful Accounts	1,084
HUD Other Projects	5,597
Accrued Interest Receivable	59
Prepaid Expenses	5,217
Total Current Assets	143,509
 <u>Noncurrent Assets:</u>	
Capital Assets, Net of Depreciation	257,413
Total Noncurrent Assets	257,413
 TOTAL ASSETS	\$ 400,922
 <u>LIABILITIES & NET POSITION</u>	
<u>Current Liabilities:</u>	
Accounts Payable	\$ 4,973
Tenant Security Deposits	3,906
Prepaid Tenant Rents	60
Accounts Payable - HUD	-
Other Current Liabilities	1,915
Total Current Liabilities	10,854
 <u>Noncurrent Liabilities:</u>	
Accrued Compensated Absences - Long-Term	-
Total Noncurrent Liabilities	-
TOTAL LIABILITIES	10,854
 <u>NET POSITION</u>	
Net investment in capital assets	257,413
Restricted for debt service	-
Unrestricted	132,655
TOTAL NET POSITION	390,068
 TOTAL LIABILITIES AND NET POSITION	\$ 400,922

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

**HOUSING AUTHORITY OF THE CITY OF COMMERCE
COMMERCE, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN TOTAL NET POSITION
FOR THE TWELVE MONTHS ENDED JUNE 30, 2017**

	2017
<u>OPERATING REVENUE:</u>	
Dwelling Rental	\$ 73,447
HUD Operating Subsidies	74,241
Capital Grants	3,024
Other Income	420
Total Operating Revenue	151,132
<u>OPERATING EXPENSES:</u>	
Administration	48,945
Tenant Services	-
Utilities	14,239
Ordinary Maintenance	61,890
Protective Services	1,400
Insurance	17,089
General	10,190
Extraordinary Maintenance	-
Other Expenses	-
Depreciation	37,196
Total Operating Expenses	190,949
NET OPERATING INCOME (LOSS)	(39,817)
<u>NON-OPERATING REVENUES (EXPENSES):</u>	
Interest Income	365
Interest Expense	-
Gain (Loss) on Sale of Assets	-
NET NON-OPERATING REVENUES (EXPENSES)	365
CHANGE IN NET POSITION	(39,452)
TOTAL NET POSITION, BEGINNING OF YEAR	429,520
PRIOR YEAR ADJUSTMENTS	-
TOTAL NET POSITION, END OF YEAR	\$ 390,068

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

HOUSING AUTHORITY OF THE CITY OF COMMERCE
 COMMERCE, OKLAHOMA
 STATEMENT OF CASH FLOWS
 FOR THE TWELVE MONTHS ENDED JUNE 30, 2017

	2017
<u>Cash Flows from Operating Activities:</u>	
Cash From Dwelling Rentals	\$ 66,982
Cash From HUD and Other Sources	77,685
Cash Payments for Laborers and Suppliers	(151,589)
Net Cash Provided (Used) by Operating Activities	(6,922)
<u>Cash Flows from Capital & Related Financing Activities:</u>	
Additions to Capital Assets	(4,324)
Proceeds from sale of Capital Assets	-
Principal Payments on Long-Term Debt	-
Interest Paid On Long-Term Debt	-
Net Cash Provided (Used) by Capital & Related Financing Activities	(4,324)
<u>Cash Flows from Investing Activities:</u>	
(Increase)Decrease in Investments	-
Interest Income	364
Net Cash Provided (Used) by Investing Activities	364
Net Increase (Decrease) in Cash and Cash Equivalents	(10,882)
Cash & Cash Equivalents, Beginning of Year	142,434
Cash & Cash Equivalents, Prior Year Adjustment	-
Cash & Cash Equivalents, End of Year	\$ 131,552
<u>Reconciliation of operating income (loss) to net cash provided</u>	
<u>operating activities:</u>	
Net Operating Income (Loss)	\$ (39,817)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Depreciation	37,196
(Increase)Decrease in Receivables	(6,281)
(Increase)Decrease in Prepaid Expenses	(555)
(Increase)Decrease in Inventory	1,556
Increase(Decrease) in Accounts Payable	(1,776)
Increase(Decrease) in Tenant Security Deposits	1,024
Increase(Decrease) in Prepaid Rents	(184)
Increase(Decrease) in Other Liabilities	1,915
Net Cash Provided (Used) by Operating Activities	\$ (6,922)

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

HOUSING AUTHORITY OF THE CITY OF COMMERCE
COMMERCE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The Housing Authority of the City of Commerce, Oklahoma is a non-profit governmental organization which was organized under the laws of the State of Oklahoma to provide housing for qualified individuals in accordance with the rules and regulations prescribed by HUD.

Reporting Entity - The PHA's financial statements include all of the Housing Authority's operations. The criteria for including organizations as component units within the PHA's reporting entity include whether:

1. The organization is legally separate (can be sued in their own name).
2. The PHA holds the corporate powers of the organization.
3. The PHA appoints a voting majority of the organizations board.
4. The organization has the potential to impose a financial benefit/burden on the PHA.
5. There is fiscal dependency by the organization on the PHA.

Based on these criteria, the PHA has no component units.

Basis of Accounting - The PHA uses fund accounting and all funds are of the proprietary fund type. Proprietary funds use the economic resources measurement focus. The accounting objectives are determination of net income, financial position, and cash flows. All assets and liabilities associated with a proprietary fund's activities are included on the statement of net assets. Proprietary fund net assets are segregated into Invested in Capital Assets, Net of Related Debt, Restricted for Debt Services and Unrestricted.

The financial statements of the Housing Authority are prepared in accordance with generally accepted accounting principles (GAAP). The Housing Authority's reporting entity applies to all relevant *Governmental Accounting Standards Board (GASB)* pronouncements. Proprietary funds and similar component units apply to *Financial Accounting Standards Board (FASB)* pronouncements and *Accounting Principles Board (APB)* opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict *GASB* pronouncements, in which case, *GASB* prevails.

Basis of Presentation - The financial statements of the Housing Authority have been prepared using the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when the liability is incurred. The financial statements of this audit report were prepared using the following fund types:

Proprietary Fund Types:

Enterprise Funds - Enterprise funds are used to account for the acquisition, operation, and maintenance of the Housing Authority,

HOUSING AUTHORITY OF THE CITY OF COMMERCE
COMMERCE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

which are financed primarily by tenant rents. The Housing Authority used an enterprise fund to account for all of its operations.

Cash and Cash Equivalents - The Housing Authority's deposits with financial institutions are fully insured or collateralized by securities held by the Housing Authority or its agent in the Housing Authority's name. For purposes of the statement of cash flows, all investment instruments purchased with a maturity of three months or less are considered to be cash equivalents.

Capital Assets - Capital assets, which include, property, plant and equipment are reported in the financial statements. The Housing Authority capitalizes assets with an initial cost of \$25 and a useful life of more than one year. The assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed and reported as construction in progress. Property, plant, and equipment of the Housing Authority is depreciated using the straight line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	7-15
Equipment and vehicles	5

Risk Management - Significant losses are covered by commercial insurance for all significant Authority operations.

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

NOTE 2 - DEPOSITS AND INVESTMENTS

The Housing Authority's cash balance and investments consist of demand deposits and time deposits maintained at financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). The Housing Authority may invest funds in accordance with HUD guidelines as referenced by the Financial Management Handbook.

For purposes of the Statement of Cash Flows, the Housing Authority considers all highly liquid investments to be cash equivalents. All certificates of deposit, other time deposits and investments are considered cash equivalents.

HOUSING AUTHORITY OF THE CITY OF COMMERCE
COMMERCE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Custodial Credit Risk

At June 30, 2017, the Authority held deposits of approximately \$131,552 at financial institutions. The Authority's cash deposits, including interest-bearing certificates of deposit are covered by Federal Depository Insurance (FDIC) or collateralized with securities held by the Authority or by its agent in the Authority's name.

Investment Interest Rate Risk

The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk

The Authority has no policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers' acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

HOUSING AUTHORITY OF THE CITY OF COMMERCE
 COMMERCE, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017

NOTE 3 - CAPITAL ASSETS

A summary of the capital asset activity is as follows:

	Balance at June 30, 2016	Additions	Deductions	Reclass/ Transfers	Balance at June 30, 2017
Non-depreciable assets:					
Land	\$ 24,270	\$ -	\$ -	\$ -	\$ 24,270
Construction in Progress	-	3,024	-	-	3,024
Total non-depreciable assets	<u>\$ 24,270</u>	<u>\$ 3,024</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,294</u>
Depreciable assets:					
Dwelling Structures	1,372,760	-	-	-	1,372,760
Dwelling Equipment	19,709	-	-	-	19,709
Non-Dwelling Structures	69,070	-	-	-	69,070
Office Equipment	7,901	1,300	-	-	9,201
Maintenance Equipment	16,400	-	-	-	16,400
Total depreciable assets	<u>1,485,840</u>	<u>1,300</u>	<u>-</u>	<u>-</u>	<u>1,487,140</u>
Less: Accum. Depreciation	<u>(1,219,825)</u>	<u>(37,196)</u>	<u>-</u>	<u>-</u>	<u>(1,257,021)</u>
Total depreciable assets, net	266,015	(35,896)	-	-	230,119
Total Capital Assets, Net	<u><u>\$ 290,285</u></u>	<u><u>\$ (32,872)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 257,413</u></u>

NOTE 4 - BUDGET PROCESS

The PHA prepares budgets for all HUD programs. These budgets are approved by the Board of Commissioners and by HUD. Appropriations for operating funds lapse at the end of the fiscal year. Capital fund budgets carry over until the project is completed.

NOTE 5 - ECONOMIC DEPENDENCY

The Housing Authority receives a significant portion of its revenue from funds provided through federal grants. The grant amounts are appropriated each year at the federal level. If significant budget cuts are made at the federal level, the amount of the funds the Housing Authority receives could be reduced significantly, and have an adverse impact on its operations. Management is not aware of any actions that will adversely affect the amount of funds the Housing Authority will receive in the next fiscal year.

NOTE 6 - RETIREMENT PLAN

The Housing Authority does not participate in a retirement plan.

HOUSING AUTHORITY OF THE CITY OF COMMERCE
COMMERCE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7 - INTERPROGRAM ACCOUNTS

Inter-program receivables and payables arise from Inter-program transactions and are recorded by all programs affected in the period in which transactions are executed. These receivables and payables are eliminated for presentation of the financial statements.

NOTE 8 - FEDERAL GRANTS

In the normal course of operations, the PHA receives grant funds from various governmental agencies. These grant programs are subject to audit by agents of the granting agency. The purpose of which is to ensure compliance with the provisions of the granting agency. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

NOTE 9 - MANAGEMENT AGENT

Effective January 1, 2015, the Authority has signed a management agreement with the Housing Authority of the City of Miami, Oklahoma.

NOTE 10- SUBSEQUENT EVENTS

The PHA did not have any subsequent events through the date the financial statements were issued, for events requiring recording or disclosure in the financial statements for the year ending June 30, 2017.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Housing Authority of the City of Commerce
Commerce, Oklahoma

We have audited, in accordance with the 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, and in accordance with Oklahoma Statutes, the financial statements of the Housing Authority of the City of Commerce, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Housing Authority of the City of Commerce's basic financial statements, and have issued our report thereon dated January 16, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Housing Authority of the City of Commerce's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of the City of Commerce's internal control. Accordingly, we do not express an opinion on the effectiveness of Housing Authority of the City of Commerce's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Authority of the City of Commerce's financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kershaw CPA & Associates, P.C.

Kershaw, CPA & Associates, PC

January 16, 2018

**HOUSING AUTHORITY OF THE CITY OF COMMERCE
COMMERCE, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2017**

<u>Federal Grantor/ Program Title</u>	<u>Federal CFDA No.</u>	<u>Agency Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development:			
Direct Programs			
Low Rent Public Housing	14.850	OK063	\$ 74,241
Public Housing Capital Fund Program	14.872	OK063	3,024
Total			<u><u>\$ 77,265</u></u>

**HOUSING AUTHORITY OF THE CITY OF COMMERCE
COMMERCE, OKLAHOMA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2017**

NOTE 1 - GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards of the Housing Authority of the City of Commerce, Oklahoma (the "Housing Authority"). The Housing Authority reporting entity is defined in Note 1 to the Housing Authority's basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the schedule.

NOTE 2 - BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is present using the accrual basis of accounting, which is described in Note 1 to the Housing Authority's basic financial statements.

NOTE 3 - RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Federal awards revenues are reported in the Housing Authority's basic financial statements as follows:

		<u>Federal Sources</u>
General		\$ 77,265
Total		<u><u>\$ 77,265</u></u>

NOTE 4 - RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports except for changes made to reflect amounts in accordance with generally accepted accounting principles.

Housing Authority of the City of Commerce (OK063)
 COMMERCE, OK
 Entity Wide Balance Sheet Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 06/30/2017

	Project Total	Subtotal	Total
111 Cash - Unrestricted	\$81,175	\$81,175	\$81,175
112 Cash - Restricted - Modernization and Development	\$0	\$0	\$0
113 Cash - Other Restricted	\$0	\$0	\$0
114 Cash - Tenant Security Deposits	\$0	\$0	\$0
115 Cash - Restricted for Payment of Current Liabilities	\$0	\$0	\$0
100 Total Cash	\$81,175	\$81,175	\$81,175
121 Accounts Receivable - PHA Projects	\$0	\$0	\$0
122 Accounts Receivable - HUD Other Projects	\$5,597	\$5,597	\$5,597
124 Accounts Receivable - Other Government	\$0	\$0	\$0
125 Accounts Receivable - Miscellaneous	\$0	\$0	\$0
126 Accounts Receivable - Tenants	\$1,204	\$1,204	\$1,204
126.1 Allowance for Doubtful Accounts -Tenants	-\$120	-\$120	-\$120
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0
127 Notes, Loans, & Mortgages Receivable - Current	\$0	\$0	\$0
128 Fraud Recovery	\$0	\$0	\$0
128.1 Allowance for Doubtful Accounts - Fraud	\$0	\$0	\$0
129 Accrued Interest Receivable	\$59	\$59	\$59
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$6,740	\$6,740	\$6,740
131 Investments - Unrestricted	\$50,377	\$50,377	\$50,377
132 Investments - Restricted	\$0	\$0	\$0
135 Investments - Restricted for Payment of Current Liability	\$0	\$0	\$0
142 Prepaid Expenses and Other Assets	\$5,217	\$5,217	\$5,217
143 Inventories	\$0	\$0	\$0
143.1 Allowance for Obsolete Inventories	\$0	\$0	\$0
144 Inter Program Due From	\$0	\$0	\$0
145 Assets Held for Sale	\$0	\$0	\$0
150 Total Current Assets	\$143,509	\$143,509	\$143,509
161 Land	\$24,270	\$24,270	\$24,270
162 Buildings	\$1,084,547	\$1,084,547	\$1,084,547
163 Furniture, Equipment & Machinery - Dwellings	\$19,709	\$19,709	\$19,709
164 Furniture, Equipment & Machinery - Administration	\$25,601	\$25,601	\$25,601
165 Leasehold Improvements	\$357,283	\$357,283	\$357,283
166 Accumulated Depreciation	-\$1,257,021	-\$1,257,021	-\$1,257,021
167 Construction in Progress	\$3,024	\$3,024	\$3,024
168 Infrastructure	\$0	\$0	\$0
160 Total Capital Assets, Net of Accumulated Depreciation	\$257,413	\$257,413	\$257,413
171 Notes, Loans and Mortgages Receivable - Non-Current	\$0	\$0	\$0
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due	\$0	\$0	\$0
173 Grants Receivable - Non Current	\$0	\$0	\$0
174 Other Assets	\$0	\$0	\$0
176 Investments in Joint Ventures	\$0	\$0	\$0
180 Total Non-Current Assets	\$257,413	\$257,413	\$257,413
200 Deferred Outflow of Resources			

Financial Data Schedule

290 Total Assets and Deferred Outflow of Resources	\$400,922	\$400,922	\$400,922
311 Bank Overdraft	\$0	\$0	\$0
312 Accounts Payable <= 90 Days	\$2,204	\$2,204	\$2,204
313 Accounts Payable >90 Days Past Due	\$0	\$0	\$0
321 Accrued Wage/Payroll Taxes Payable	\$0	\$0	\$0
322 Accrued Compensated Absences - Current Portion	\$0	\$0	\$0
324 Accrued Contingency Liability	\$0	\$0	\$0
325 Accrued Interest Payable	\$0	\$0	\$0
331 Accounts Payable - HUD PHA Programs	\$0	\$0	\$0
332 Account Payable - PHA Projects	\$0	\$0	\$0
333 Accounts Payable - Other Government	\$2,769	\$2,769	\$2,769
341 Tenant Security Deposits	\$3,906	\$3,906	\$3,906
342 Unearned Revenue	\$60	\$60	\$60
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	\$0	\$0	\$0
344 Current Portion of Long-term Debt - Operating Borrowings	\$0	\$0	\$0
345 Other Current Liabilities	\$1,915	\$1,915	\$1,915
346 Accrued Liabilities - Other	\$0	\$0	\$0
347 Inter Program - Due To	\$0	\$0	\$0
348 Loan Liability - Current	\$0	\$0	\$0
310 Total Current Liabilities	\$10,854	\$10,854	\$10,854
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$0	\$0	\$0
352 Long-term Debt, Net of Current - Operating Borrowings	\$0	\$0	\$0
353 Non-current Liabilities - Other	\$0	\$0	\$0
354 Accrued Compensated Absences - Non Current	\$0	\$0	\$0
355 Loan Liability - Non Current	\$0	\$0	\$0
356 FASB 5 Liabilities	\$0	\$0	\$0
357 Accrued Pension and OPEB Liabilities	\$0	\$0	\$0
350 Total Non-Current Liabilities	\$0	\$0	\$0
300 Total Liabilities	\$10,854	\$10,854	\$10,854
400 Deferred Inflow of Resources			
508.4 Net Investment in Capital Assets	\$257,413	\$257,413	\$257,413
511.4 Restricted Net Position			
512.4 Unrestricted Net Position	\$132,655	\$132,655	\$132,655
513 Total Equity - Net Assets / Position	\$390,068	\$390,068	\$390,068
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$400,922	\$400,922	\$400,922

Housing Authority of the City of Commerce (OK063)
 COMMERCE, OK

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 06/30/2017

	Project Total	Subtotal	Total
70300 Net Tenant Rental Revenue	\$60,294	\$60,294	\$60,294
70400 Tenant Revenue - Other	\$13,153	\$13,153	\$13,153
70500 Total Tenant Revenue	\$73,447	\$73,447	\$73,447
70600 HUD PHA Operating Grants	\$74,241	\$74,241	\$74,241
70610 Capital Grants	\$3,024	\$3,024	\$3,024
70710 Management Fee			
70720 Asset Management Fee			
70730 Book Keeping Fee			
70740 Front Line Service Fee			
70750 Other Fees			
70700 Total Fee Revenue			
70800 Other Government Grants	\$0	\$0	\$0
71100 Investment Income - Unrestricted	\$365	\$365	\$365
71200 Mortgage Interest Income	\$0	\$0	\$0
71300 Proceeds from Disposition of Assets Held for Sale	\$0	\$0	\$0
71310 Cost of Sale of Assets	\$0	\$0	\$0
71400 Fraud Recovery	\$0	\$0	\$0
71500 Other Revenue	\$420	\$420	\$420
71600 Gain or Loss on Sale of Capital Assets	\$0	\$0	\$0
72000 Investment Income - Restricted	\$0	\$0	\$0
70000 Total Revenue	\$151,497	\$151,497	\$151,497
91100 Administrative Salaries	\$13,425	\$13,425	\$13,425
91200 Auditing Fees	\$3,900	\$3,900	\$3,900
91300 Management Fee	\$0	\$0	\$0
91310 Book-keeping Fee	\$0	\$0	\$0
91400 Advertising and Marketing	\$74	\$74	\$74
91500 Employee Benefit contributions - Administrative	\$1,261	\$1,261	\$1,261
91600 Office Expenses	\$3,651	\$3,651	\$3,651
91700 Legal Expense	\$1,111	\$1,111	\$1,111
91800 Travel	\$0	\$0	\$0
91810 Allocated Overhead	\$0	\$0	\$0
91900 Other	\$25,523	\$25,523	\$25,523
91000 Total Operating - Administrative	\$48,945	\$48,945	\$48,945
92000 Asset Management Fee	\$0	\$0	\$0
92100 Tenant Services - Salaries	\$0	\$0	\$0
92200 Relocation Costs	\$0	\$0	\$0
92300 Employee Benefit Contributions - Tenant Services	\$0	\$0	\$0
92400 Tenant Services - Other	\$0	\$0	\$0
92500 Total Tenant Services	\$0	\$0	\$0

Financial Data Schedule

93100 Water	\$5,026	\$5,026	\$5,026
93200 Electricity	\$2,807	\$2,807	\$2,807
93300 Gas	\$2,299	\$2,299	\$2,299
93400 Fuel	\$0	\$0	\$0
93500 Labor	\$0	\$0	\$0
93600 Sewer	\$4,107	\$4,107	\$4,107
93700 Employee Benefit Contributions - Utilities	\$0	\$0	\$0
93800 Other Utilities Expense	\$0	\$0	\$0
93000 Total Utilities	\$14,239	\$14,239	\$14,239
94100 Ordinary Maintenance and Operations - Labor	\$20,006	\$20,006	\$20,006
94200 Ordinary Maintenance and Operations - Materials and Other	\$19,425	\$19,425	\$19,425
94300 Ordinary Maintenance and Operations Contracts	\$20,761	\$20,761	\$20,761
94500 Employee Benefit Contributions - Ordinary Maintenance	\$1,698	\$1,698	\$1,698
94000 Total Maintenance	\$61,890	\$61,890	\$61,890
95100 Protective Services - Labor	\$0	\$0	\$0
95200 Protective Services - Other Contract Costs	\$1,400	\$1,400	\$1,400
95300 Protective Services - Other	\$0	\$0	\$0
95500 Employee Benefit Contributions - Protective Services	\$0	\$0	\$0
95000 Total Protective Services	\$1,400	\$1,400	\$1,400
96110 Property Insurance	\$13,677	\$13,677	\$13,677
96120 Liability Insurance	\$1,122	\$1,122	\$1,122
96130 Workmen's Compensation	\$1,191	\$1,191	\$1,191
96140 All Other Insurance	\$1,099	\$1,099	\$1,099
96100 Total insurance Premiums	\$17,089	\$17,089	\$17,089
96200 Other General Expenses	\$0	\$0	\$0
96210 Compensated Absences	\$0	\$0	\$0
96300 Payments in Lieu of Taxes	\$2,769	\$2,769	\$2,769
96400 Bad debt - Tenant Rents	\$7,421	\$7,421	\$7,421
96500 Bad debt - Mortgages	\$0	\$0	\$0
96600 Bad debt - Other	\$0	\$0	\$0
96800 Severance Expense	\$0	\$0	\$0
96000 Total Other General Expenses	\$10,190	\$10,190	\$10,190
96710 Interest of Mortgage (or Bonds) Payable	\$0	\$0	\$0
96720 Interest on Notes Payable (Short and Long Term)	\$0	\$0	\$0
96730 Amortization of Bond Issue Costs	\$0	\$0	\$0
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0
96900 Total Operating Expenses	\$153,753	\$153,753	\$153,753
97000 Excess of Operating Revenue over Operating Expenses	-\$2,256	-\$2,256	-\$2,256
97100 Extraordinary Maintenance	\$0	\$0	\$0
97200 Casualty Losses - Non-capitalized	\$0	\$0	\$0
97300 Housing Assistance Payments	\$0	\$0	\$0
97350 HAP Portability-In	\$0	\$0	\$0
97400 Depreciation Expense	\$37,196	\$37,196	\$37,196
97500 Fraud Losses	\$0	\$0	\$0
97600 Capital Outlays - Governmental Funds			
97700 Debt Principal Payment - Governmental Funds			
97800 Dwelling Units Rent Expense	\$0	\$0	\$0
90000 Total Expenses	\$190,949	\$190,949	\$190,949

Financial Data Schedule

10010 Operating Transfer In	\$3,600	\$3,600	\$3,600
10020 Operating transfer Out	-\$3,600	-\$3,600	-\$3,600
10030 Operating Transfers from/to Primary Government	\$0	\$0	\$0
10040 Operating Transfers from/to Component Unit	\$0	\$0	\$0
10050 Proceeds from Notes, Loans and Bonds			
10060 Proceeds from Property Sales			
10070 Extraordinary Items, Net Gain/Loss	\$0	\$0	\$0
10080 Special Items (Net Gain/Loss)	\$0	\$0	\$0
10091 Inter Project Excess Cash Transfer In	\$0	\$0	\$0
10092 Inter Project Excess Cash Transfer Out	\$0	\$0	\$0
10093 Transfers between Program and Project - In	\$0	\$0	\$0
10094 Transfers between Project and Program - Out	\$0	\$0	\$0
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$39,452	-\$39,452	-\$39,452
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0
11030 Beginning Equity	\$429,520	\$429,520	\$429,520
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	\$0	\$0
11050 Changes in Compensated Absence Balance			
11060 Changes in Contingent Liability Balance			
11070 Changes in Unrecognized Pension Transition Liability			
11080 Changes in Special Term/Severance Benefits Liability			
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents			
11100 Changes in Allowance for Doubtful Accounts - Other			
11170 Administrative Fee Equity			
11180 Housing Assistance Payments Equity			
11190 Unit Months Available	348	348	348
11210 Number of Unit Months Leased	342	342	342
11270 Excess Cash	\$114,626	\$114,626	\$114,626
11610 Land Purchases	\$0	\$0	\$0
11620 Building Purchases	\$3,024	\$3,024	\$3,024
11630 Furniture & Equipment - Dwelling Purchases	\$0	\$0	\$0
11640 Furniture & Equipment - Administrative Purchases	\$1,300	\$1,300	\$1,300
11650 Leasehold Improvements Purchases	\$0	\$0	\$0
11660 Infrastructure Purchases	\$0	\$0	\$0
13510 CFFP Debt Service Payments	\$0	\$0	\$0
13901 Replacement Housing Factor Funds	\$0	\$0	\$0