

**ABSENTEE SHAWNEE HOUSING AUTHORITY**  
**Shawnee, Oklahoma**

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**REPORT ON AUDIT OF BASIC FINANCIAL STATEMENTS,  
SUPPLEMENTAL INFORMATION AND SINGLE AUDIT SECTION**

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**FOR THE YEAR ENDED DECEMBER 31, 2019**

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**INDEPENDENT AUDITOR'S REPORT**

Board of Commissioners  
Absentee Shawnee Housing Authority  
Shawnee, Oklahoma

U.S. Dept of HUD  
Region # 6 SPONAP  
301 NW 6<sup>th</sup> Street, Suite 200  
Oklahoma City, Oklahoma 73102

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Absentee Shawnee Housing Authority ("the Authority") which include the statement of net position as of December 31, 2019, and the related statements of revenues, expenses and changes in net position, cash flows for the year then ended, and the related notes to the financial statements which collectively comprise the Authority's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these basic 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 basic 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 basic 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 basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic 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 basic 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 basic financial statements.

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 basic financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2019, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## Other Matters

### ***Required Supplementary Information***

Accounting Principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages i-vi 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.

### **Other Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the Authority's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) and the other supplemental 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. 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information referred to above is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by Governmental Auditing Standards**

In accordance with *Governmental Auditing Standards*, we have also issued our report dated September 29, 2020 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

  
Malcolm Johnson & Company, P.A.  
Certified Public Accountants

DeBary, Florida  
September 29, 2020

**ABSENTEE SHAWNEE HOUSING AUTHORITY**  
**Shawnee, Oklahoma**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2019**

**Using This Annual Report**

The Absentee Shawnee Housing Authority's ("the Authority") basic financial statements are presented in the GASB 34 format. The following graphic outline is this format for your review:

**MD&A**

~Management's Discussion and Analysis

**Basic Financial Statements**

~ Authority-wide Financial Statements

~ Cash Flows

~ Notes to Basic Financial Statements

**Supplemental Information**

~ Supplemental Information

The primary focus of the Authority's basic financial statements is on both the Authority as a whole (Authority-wide) and the major individual programs. Both perspectives (authority-wide and major program) allow the user to address relevant questions, broaden a basis for comparison (year to year or Authority) and enhance the Authority's accountability.

**Authority-Wide Basic Financial Statements**

The Authority-wide basic financial statements are designed to be corporate-like in that all business type activities are consolidated into columns that add to total for the Authority.

These Statements include a **Statement of Net Position**, which is similar to a Balance Sheet. The Statement of Net Position reports all financial and capital resources of the Authority. The Statement is presented in the format where assets, minus liabilities, equal "Net Position", formerly known as equity. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Noncurrent".

The focus of the Statement of Net Position (the "Unrestricted Net Position") is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net Position (formerly equity) is reported in three broad categories:

**Net Investment in Capital Assets:** This component of Net Position consists of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of these assets.

**Restricted Net Position:** This component of Net Position consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

**Unrestricted Net Position:** Consists of Net Position that does not meet the definition of "Net Investment in Capital Assets", or "Restricted Net Position."

**ABSENTEE SHAWNEE HOUSING AUTHORITY**  
**Shawnee, Oklahoma**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2019**  
**(Continued)**

**Authority-Wide Basic Financial Statements (Continued)**

The Authority-wide basic financial statements also include a **Statement of Revenues, Expenses and Changes in Net Position** (similar to an Income Statement). This Statement includes Operating Revenues, such as rental income, Operating Expenses, such as administrative, utilities, and maintenance, and depreciation, and Non-operating Revenue and Expenses, such as grant revenue, investment income and interest expense.

The focus of the Statement of Revenues, Expenses, and Changes in Net Position is the "Change in Net Position", which is similar to Net Income or Loss.

Finally, a **Statement of Cash Flows** is included, which discloses net cash provided by, or used for operating activities, non-capital financing activities, and from capital and related financing activities.

**Basic Financial Statements**

Traditional users of governmental financial statements will find the Basic Financial Statements presentation more familiar. The Authority consists of exclusively Enterprise Funds. Enterprise funds utilize the full accrual basis of accounting. The Enterprise method of accounting is similar to accounting utilized by the private sector accounting.

Many of the programs maintained by the Authority are required by the Department of Housing and Urban Development. Others are segregated to enhance accountability and control.

**The Authority's Programs**

**Business Type Programs**

**Indian Housing Block Grant** – Under the IHBG Program, the Authority provides units that it owns for rent or homeownership to low-income households. The Housing Program is operated under a Contract with HUD, and HUD provides an Operating Grant funding to enable the Authority to provide the housing at a rent that is based upon an amount up to 30% of household income. The IHBG Program also includes monies for Capital Funds, which is the primary funding source for physical and management improvements to the Authority's properties and new construction activities.

**Mutual Help Program** – Provides homeownership for families. Charges are based upon up to 15% of adjusted monthly income, with a maximum payment of the debt amortization of the unit.

**Low Rent Program/Elderly Rental Program** – Provides rental units for families/elderly persons. Charges are based upon up to 30% of adjusted monthly income.

**Affordable Housing Program** – Provides homeownership for families. Charges are based upon 30% of adjusted monthly income, with a maximum payment of the debt amortization of the unit. Amortization is over 30 years at 5% interest.

**ABSENTEE SHAWNEE HOUSING AUTHORITY**  
**Shawnee, Oklahoma**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2019**  
**(Continued)**

**Authority-Wide Statement**

**Statement of Net Position** - The following table reflects the condensed Statement of Net Position compared to prior year. The Authority is engaged only in Business-Type Activities.

**Table 1 – Statement of Net Position**

|                            | <b>December 31,</b>  |                      |                     |
|----------------------------|----------------------|----------------------|---------------------|
|                            | <b>2019</b>          | <b>2018</b>          | <b>Variances</b>    |
| <b>Assets</b>              |                      |                      |                     |
| Current assets             | \$ 12,866,837        | \$ 13,244,605        | \$ (377,768)        |
| Noncurrent assets          | 23,815,047           | 24,400,590           | (585,543)           |
| <b>Total assets</b>        | <b>36,681,884</b>    | <b>37,645,195</b>    | <b>(963,311)</b>    |
| <b>Liabilities</b>         |                      |                      |                     |
| Current liabilities        | 570,270              | 3,093,767            | (2,523,497)         |
| Noncurrent liabilities     | 5,369,658            | 3,045,173            | 2,324,485           |
| <b>Total liabilities</b>   | <b>5,939,928</b>     | <b>6,138,940</b>     | <b>(199,012)</b>    |
| <b>Total Net Position</b>  | <b>\$ 30,741,956</b> | <b>\$ 31,506,255</b> | <b>\$ (764,299)</b> |
| <b>Net position</b>        |                      |                      |                     |
| Invested in capital assets | \$ 10,266,307        | \$ 10,114,128        | \$ 152,179          |
| Restricted                 | 11,097,354           | 11,483,324           | (385,970)           |
| Unrestricted               | 9,378,295            | 9,908,803            | (530,508)           |
| <b>Total net position</b>  | <b>\$ 30,741,956</b> | <b>\$ 31,506,255</b> | <b>\$ (764,299)</b> |

**Major Factors Affecting the Statement of Net Position**

Current assets decreased by \$377,768 due to a decrease in cash and equivalents and noncurrent assets decreased by \$585,543 due to a decrease in assets held for conveyance. Current liabilities decreased by \$2,523,497 and noncurrent liabilities increased by \$2,324,485 due to notes and bonds payable being treated as noncurrent liabilities in 2019. Net Position decreased by \$764,299 as a result of homes conveyed to homebuyers and lower cash and cash equivalents. Investment in capital assets also changed, increasing from \$10,114,128 to \$10,266,307 mainly because of an increase in non-depreciable construction in progress.

**ABSENTEE SHAWNEE HOUSING AUTHORITY**  
Shawnee, Oklahoma

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2019**  
(Continued)

**Authority-Wide Statement (Continued)**

**Table 2 – Change of Net Position**

|  |                      |
|--|----------------------|
| <b>Net Position at December 31, 2018</b> | <b>\$ 31,506,257</b> |
| Results of operations                    | (383,928)            |
| Interest revenue/expense                 | 32,206               |
| Gain/Loss on conveyance of Assets        | 540,941              |
| Depreciation                             | (953,520)            |
| <b>Net Position at December 31, 2019</b> | <b>\$ 30,741,956</b> |

While the results of operations are a significant measure of the Authority's activities, the analysis of the changes in Unrestricted Net Position provides a clearer change in financial wellbeing.

**Table 3 – Statement of Revenues, Expenses and Changes in Net Position**

The following schedule compares the revenues and expenses for the current and previous fiscal year. The Authority is engaged only in Business-Type Activities.

|   | <b>For the year ended December 31,</b> |                      |                     |
|---|--|----------------------|---------------------|
|   | <b>2019</b>                            | <b>2018</b>          | <b>Variances</b>    |
| <b>Operating revenue &amp; expense</b>    |  |                      |                     |
| Operating revenue                         | \$ 3,927,681                           | \$ 4,079,988         | \$ (152,307)        |
| Operating expenses                        | (4,311,609)                            | (4,017,901)          | (293,708)           |
| Depreciation expense                      | (953,520)                              | (782,440)            | (171,080)           |
| <b>Operating income and expense</b>       | <b>(1,337,448)</b>                     | <b>(720,353)</b>     | <b>(617,095)</b>    |
| <b>Nonoperating revenues and expenses</b> |  |                      |                     |
| Gain (loss) on conveyance of assets       | 540,941                                | (643,974)            | 1,184,915           |
| Interest revenue/expense                  | 32,206                                 | -                    | 32,206              |
| Capital contributions                     | -                                      | 554,111              | (554,111)           |
| <b>Nonoperating revenues and expenses</b> | <b>573,147</b>                         | <b>(89,863)</b>      | <b>663,010</b>      |
| <b>Change in net position</b>             | <b>(764,301)</b>                       | <b>(810,216)</b>     | <b>45,915</b>       |
| <b>Transfer from (to) other entities</b>  | <b>-</b>                               | <b>1,981,514</b>     | <b>(1,981,514)</b>  |
| <b>Net position, beginning of year</b>    | <b>31,506,257</b>                      | <b>30,334,957</b>    | <b>1,171,300</b>    |
| <b>Net position, end of year</b>          | <b>\$ 30,741,956</b>                   | <b>\$ 31,506,255</b> | <b>\$ (764,299)</b> |



**ABSENTEE SHAWNEE HOUSING AUTHORITY**  
**Shawnee, Oklahoma**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2019**  
**(Continued)**

**Major Factors Affecting the Statement of Revenues, Expenses and Changes in Net Position**

Operating expenses decreased slightly, and operating expenses increased due to an increase in general expenses. Amortization of the Homebuyer homes decreased slightly because some homes were conveyed to the Homeowners during the year, while depreciation on assets increased. Gains reported on disposal of assets, including the conveyance of Homebuyer homes, had a significant increase in 2019.

**Capital Assets and Debt Administration**

**Capital Assets**

As of the current year end, the Authority had \$12,717,693 invested in a variety of capital assets as reflected in the following schedule. At December 31, 2018, the aggregate amount of these properties reflected on the balance sheet was \$12,892,252. The Authority also has acquired properties for sale to qualified individuals.

**Table 4 – Capital Assets at Year End (Net of Depreciation)**

|                            | For the year ended December 31, |                      | Variances           |
|----------------------------|---------------------------------|----------------------|---------------------|
|                            | 2019                            | 2018                 |                     |
| Equipment                  | \$ 2,146,774                    | \$ 2,131,935         | \$ 14,839           |
| Buildings & Improvements   | 23,675,428                      | 23,810,070           | (134,642)           |
| Accumulated depreciation   | (14,906,231)                    | (13,969,013)         | (937,218)           |
| Land                       | 711,802                         | 735,242              | (23,440)            |
| Construction in progress   | 1,089,919                       | 184,018              | 905,901             |
| <b>Capital assets, net</b> | <b>\$ 12,717,692</b>            | <b>\$ 12,892,252</b> | <b>\$ (174,560)</b> |

**ABSENTEE SHAWNEE HOUSING AUTHORITY**  
**Shawnee, Oklahoma**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2019**  
**(Continued)**

**Capital Assets and Debt Administration (Continued)**

The following reconciliation summarizes the change in Capital Assets, which is presented in detail in the Financial Statements and in the Notes to Basic Financial Statements.

**Table 5 – Change in Capital Assets**

|   | <u><b>HA Type<br/>Activities</b></u> |
|---|--------------------------------------|
| <b>Beginning balance at December 31, 2018</b> | <b>\$ 12,892,252</b>                 |
| Construction in progress transfers            | 905,901                              |
| Land additions (deletions)                    | (23,440)                             |
| Equipment and building additions (deletions)  | (119,802)                            |
| Depreciation                                  | <u>(937,218)</u>                     |
| <b>Ending Balance at December 31, 2019</b>    | <b><u>\$ 12,717,693</u></b>          |

**Debt Outstanding**

As of year-end, the Authority had \$2,199,523 in notes and bonds payable related to the construction in progress addition.

**Economic Factors**

Significant economic factors affecting the Authority are as follows:

- Federal funding of the Department of Housing and Urban Development
- Local labor supply and demand, which can affect salary and wage rates
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental and lease/purchase income
- Inflationary pressure on utility rates, supplies and other costs

**Financial Contact**

The individual to be contacted regarding this report is Sherry Drywater, Executive Director of the Absentee Shawnee Housing Authority, P.O. Box 425, 107 North Kimberly, Shawnee, Oklahoma, 74802-0425, telephone number (405) 273-1050.

**ABSENTEE SHAWNEE HOUSING AUTHORITY**  
**Shawnee, Oklahoma**

**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2019**

**ASSETS**

**Current assets**

|   |                   |
|---|-------------------|
| Cash and cash equivalents, unrestricted | \$ 12,018,831     |
| Cash and cash equivalents, restricted   | 40,776            |
| Investments, restricted                 | 155,918           |
| Accounts receivable, net of allowance   | 13,050            |
| Due from other governments              | 415,909           |
| Prepaid expense                         | 222,353           |
| <b>Total current assets</b>             | <b>12,866,837</b> |

**Noncurrent assets**

**Capital assets**

|                                  |                   |
|----------------------------------|-------------------|
| Not being depreciated            | 1,801,721         |
| Depreciable, net                 | 10,915,972        |
| <b>Total capital assets, net</b> | <b>12,717,693</b> |

**Other noncurrent assets**

|  |                   |
|--|-------------------|
| Assets held for conveyance, net of<br>accumulated amortization | 11,097,354        |
| <b>Total other noncurrent assets</b>                           | <b>11,097,354</b> |
| <b>Total noncurrent assets</b>                                 | <b>23,815,047</b> |

**Total assets**

**Deferred Outflow of Resources**

|   |                   |
|---|-------------------|
| <b>Total Assets and Deferred Outflow of Resources</b> | <b>36,681,884</b> |
|---|-------------------|

**LIABILITIES**

**Current liabilities**

|                                  |                |
|----------------------------------|----------------|
| Vendors and contractors payable  | 158,025        |
| Accrued wages/taxes payable      | 27,501         |
| Accrued compensated absences     | 29,931         |
| Accrued interest payable         | 16,036         |
| Unearned revenue - prepaid rents | 21,783         |
| Notes and bonds payable          | 251,863        |
| Other accrued liabilities        | 24,354         |
| Resident security deposits       | 40,777         |
| <b>Total current liabilities</b> | <b>570,270</b> |

**Noncurrent liabilities**

|                                     |                  |
|-------------------------------------|------------------|
| Notes and bonds payable             | 2,199,523        |
| Accrued compensated absences        | 44,903           |
| Other accrued liabilities           | 3,125,232        |
| <b>Total noncurrent liabilities</b> | <b>5,369,658</b> |

**Total liabilities**

**Deferred Inflow of Resources**

|   |                  |
|---|------------------|
| <b>Total Liabilities and Deferred Inflow of Resources</b> | <b>5,939,928</b> |
|---|------------------|

**NET POSITION**

|                                  |                      |
|----------------------------------|----------------------|
| Net investment in capital assets | 10,266,307           |
| Restricted                       | 11,097,354           |
| Unrestricted                     | 9,378,295            |
| <b>Total net position</b>        | <b>\$ 30,741,956</b> |

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

**ABSENTEE SHAWNEE HOUSING AUTHORITY**  
**Shawnee, Oklahoma**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

|  |                      |
|--|----------------------|
| <b>Operating revenues</b>                    |                      |
| Rental revenue                               | \$ 745,838           |
| HUD grants                                   | 3,076,599            |
| Other revenue                                | 105,244              |
| <b>Total operating revenues</b>              | <b>3,927,681</b>     |
| <b>Operating expenses</b>                    |                      |
| Administrative                               | 450,206              |
| Tenant services                              | 1,292,916            |
| Utilities                                    | 25,066               |
| Ordinary maintenance & operation             | 75,000               |
| Protective services                          | 391,799              |
| Insurance                                    | 841,613              |
| General expenses                             | 482,394              |
| Amortization                                 | 752,615              |
| Depreciation                                 | 953,520              |
| <b>Total operating expenses</b>              | <b>5,265,129</b>     |
| <b>Operating income (loss)</b>               | <b>(1,337,448)</b>   |
| <b>Nonoperating revenues (expenses)</b>      |                      |
| Interest revenue, unrestricted               | 199,101              |
| Interest expense                             | (166,895)            |
| Gain on disposition of assets                | 381,890              |
| Gain/(loss) on disposition of capital assets | 159,051              |
| <b>Total nonoperating revenues</b>           | <b>573,147</b>       |
| <b>Increase (decrease) in net position</b>   | <b>(764,301)</b>     |
| <b>Net position, beginning of year</b>       | <b>31,506,257</b>    |
| <b>Net position, end of year</b>             | <b>\$ 30,741,956</b> |

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

**ABSENTEE SHAWNEE HOUSING AUTHORITY**  
**Shawnee, Oklahoma**

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**Cash Flows From Operating Activities**

|   |                         |
|---|-------------------------|
| Receipts from dwelling rentals                          | \$ 739,021              |
| Operating grants  | 2,908,707               |
| Other receipts  | (647,371)               |
| Payments to employees and suppliers                     | (2,091,029)             |
| Payments to landlords and residents                     | (1,292,916)             |
| <b>Net cash provided (used) by operating activities</b> | <b><u>(383,588)</u></b> |

**Cash Flows From Noncapital Financing Activities**

|  |                        |
|--|------------------------|
| Interest paid on operating debt                                    | (21,246)               |
| <b>Net cash provided (used) by noncapital financing activities</b> | <b><u>(21,246)</u></b> |

**Cash Flows From Capital and Related Financing Activities**

|   |                         |
|---|-------------------------|
| Purchases of capital assets   | (984,938)               |
| Gain or loss on disposition of capital assets                               | 746,918                 |
| Proceeds from (payment on) capital debt                                     | (326,738)               |
| Interest paid on capital debt   | (166,895)               |
| <b>Net cash provided (used) by capital and related financing activities</b> | <b><u>(731,653)</u></b> |

**Cash Flows From Investing Activities**

|   |                       |
|---|-----------------------|
| Purchase of investments                                 | (1,998)               |
| Proceeds from homebuyer note activity - net             | 385,970               |
| Interest  | 199,103               |
| <b>Net cash provided (used) by investing activities</b> | <b><u>583,075</u></b> |

|   |                  |
|---|------------------|
| <b>Net increase (decrease) in cash and cash equivalents</b> | <b>(553,412)</b> |
|---|------------------|

|  |                          |
|--|--------------------------|
| <b>Balance - beginning of the year</b> | <b><u>12,613,019</u></b> |
|--|--------------------------|

|                                  |                                    |
|----------------------------------|------------------------------------|
| <b>Balance - end of the year</b> | <b><u><u>\$ 12,059,607</u></u></b> |
|----------------------------------|------------------------------------|

**Reconciliation of Cash Flows to Statement of Net Position**

|   |                                    |
|---|------------------------------------|
| Cash and cash equivalents, unrestricted | \$ 12,018,831                      |
| Cash and cash equivalents, restricted   | 40,776                             |
|   | <b><u><u>\$ 12,059,607</u></u></b> |

There are no non-cash transactions.

**ABSENTEE SHAWNEE HOUSING AUTHORITY**  
**Shawnee, Oklahoma**

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
**(Continued)**

**Reconciliation of Net Operating Income (Loss) to**  
**Net Cash Provided (Used) By Operating Activities**

|  |                                   |
|--|-----------------------------------|
| <b>Operating income/(loss)</b>   | <b>\$ (1,337,448)</b>             |
| Adjustments to reconcile net operating income (loss) to<br>net cash provided (used) by operating activities: |                                   |
| Depreciation elimination   | 953,520                           |
| Increase in accounts receivable  | (4,240)                           |
| Increase in due to/from other governments  | (167,892)                         |
| Increase in prepaid expenses   | (1,514)                           |
| Decrease in other assets   | 25,014                            |
| Increase in security deposits  | 875                               |
| Decrease in accounts payable   | (5,924)                           |
| Increase in accrued wages  | 6,437                             |
| Increase in accrued compensated absences   | 1,720                             |
| Increase in unearned revenue   | (3,452)                           |
| Decrease in accrued liabilities  | 149,316                           |
|  | <u><u><b>\$ (383,588)</b></u></u> |

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

**ABSENTEE SHAWNEE HOUSING AUTHORITY**  
**Shawnee, Oklahoma**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**A - Summary of Significant Accounting Policies and Organization:**

1. **Organization:** Absentee Shawnee Housing Authority ("the Authority") is a public body corporate and politic pursuant to the Laws of the State of Oklahoma which was organized to provide low rent housing for qualified individuals in accordance with the rules and regulations prescribed by the U.S. Department of Housing and Urban Development (HUD) and other federal agencies.
2. **Reporting Entity:** In determining how to define the reporting entity, management has considered all potential component units. The decision to include a component unit in the reporting entity was made by applying the criteria set forth in Section 2100 and 2600 of the *Codification of Governmental Accounting and Financial Reporting Standards and Statement No. 14, (amended) of the Governmental Accounting Standards Board: The Financial Reporting Entity*. These criteria include manifestation of oversight responsibility including financial accountability, appointment of a voting majority, imposition of will, financial benefit to or burden on a primary organization, financial accountability as a result of fiscal dependency, potential for dual inclusion, and organizations included in the reporting entity although the primary organization is not financially accountable. Based upon the application of these criteria, the reporting entity has component units.

The basic financial statements of the Housing Authority include Low Rent and Homeownership Indian Housing and NAHASDA funding in support of these housing programs through affordable housing

3. **Summary of NAHASDA and Other Authority Programs:** The accompanying basic financial statements consist of the activities of the housing programs subsidized by HUD and Authority owned entities. A summary of each of these programs is provided below.
4. **Basis of Presentation and Accounting:** In accordance with uniform financial reporting standards for HUD housing programs, the basic financial statements are prepared in accordance with U. S. generally accepted accounting principles (GAAP).

Based upon compelling reasons offered by HUD, the Authority reports its basic financial statements as a special purpose government engaged solely in business-type activities, which is similar to the governmental proprietary fund type (Enterprise Fund), which uses the accrual basis of accounting and the flow of economic resources measurement focus. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred.

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

**Net Investment in Capital Assets** – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

**Restricted** - Net position whose use by the Authority is subject to externally imposed stipulations that can be fulfilled by actions of the Authority pursuant to those stipulations or they expire by the passage of time. Such assets include assets restricted for capital acquisitions and debt service.

**ABSENTEE SHAWNEE HOUSING AUTHORITY**  
**Shawnee, Oklahoma**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**  
**(Continued)**

**A - Summary of Significant Accounting Policies and Organization: (Continued)**

**4. Basis of Presentation and Accounting (Continued)**

**Unrestricted** – Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Authority Board or may otherwise be limited by contractual agreements with outside parties.

- 5. Budgets:** Budgets are prepared on an annual basis for each major operating program and are used as a management tool throughout the accounting cycle. The Capital Fund budgets are adopted on a “project length” basis. Budgets are not, however, legally adopted nor legally required for basic financial statement presentation.
- 6. Cash and Cash Equivalents:** For purposes of the Statement of Cash Flows, the Authority considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased and non-negotiable Certificates of Deposit to be cash equivalents. There were no noncash investing, capital and financing activities during the year.
- 7. Interprogram Receivables and Payables:** Interprogram receivables/payables, when present, are all current, and are the result of the use of the Public Housing Program as the common paymaster for shared costs of the Authority. Cash settlements are made periodically, and all interprogram balances net zero. Offsetting due to/due from balances are eliminated for the basic financial statement presentation.
- 8. Investments:** Investments, when present, are recorded at fair value. Investment instruments consist only of items specifically approved for public housing agencies by HUD. Investments are either insured or collateralized using the dedicated method. Under the dedicated method of collateralization, all deposits and investments over the federal depository insurance coverage are collateralized with securities held by the Authority’s agent in the Authority’s name. It is the Authority’s policy that all funds on deposit are collateralized in accordance with both HUD requirements and requirements of the State of Oklahoma.
- 9. Inventories:** The Authority maintains no inventory of expendable items. All supplies are expensed when purchased. Supplies on hand are minimal. The Authority’s administration believes that the benefits of maintaining an inventory would be less in value than the cost of maintaining such a system.
- 10. Prepaid Items:** Payments made to vendors for goods or services that will benefit periods beyond the fiscal year end are recorded as prepaid items.



**ABSENTEE SHAWNEE HOUSING AUTHORITY**  
**Shawnee, Oklahoma**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**  
**(Continued)**

**A - Summary of Significant Accounting Policies and Organization: (Continued)**

**11. Inventory Held for Conveyance:** Inventory held for conveyance consists of units constructed or purchased by the participants. The HUD Mutual Help Ownership Program (Mutual Help) and Affordable Housing Program requires the Authority to amortize the value of the inventory over 25 years and to apply the amortization to the contracted purchase price. The terms of the lease are governed by the Mutual Help Occupancy Agreement (MHOA) between the homebuyer and the Authority. The inventory is considered a noncurrent asset because the units are not available to help finance the Authority's operations in the short-term and cannot be mortgaged, sold, or disposed of, in any manner that would violate the terms of the MHOA.

**12. Use of Estimates:** The preparation of basic financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the basic financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**13. Fair Value of Financial Instruments:** The carrying amount of the Authority's financial instruments at December 31, 2019 including cash, investments, accounts receivable, and accounts payable closely approximates fair value.

**14. Capital Assets:**

- a. Book Value:** All purchased fixed assets are valued at cost when historical records are available. When no historical records are available, fixed assets are valued at estimated historical cost.

Land values were derived from development closeout documentation.

Donated fixed assets are recorded at their fair value at the time they are received.

Donor imposed restrictions are deemed to expire as the asset depreciates.

All normal expenditures of preparing an asset for use are capitalized when they meet or exceed the capitalization threshold.

- b. Depreciation:** The cost of buildings and equipment is depreciated over the estimated useful lives of the related assets on a composite basis using the straight-line method.

Depreciation commences on modernization and development additions in the year following completion.

**ABSENTEE SHAWNEE HOUSING AUTHORITY**  
**Shawnee, Oklahoma**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**  
**(Continued)**

**A - Summary of Significant Accounting Policies and Organization: (Continued)**

**14. Capital Assets: (Continued)**

**b. Depreciation: (Continued)**

The useful lives of buildings and equipment for purposes of computing depreciation are as follows:

|                                  |             |
|----------------------------------|-------------|
| Buildings/Building modernization | 30/15 years |
| Furniture/Equipment/Vehicles     | 5-7 years   |

- c. Maintenance and Repairs Expenditures:** Maintenance and repairs expenditures are charged to operations when incurred. Betterments in excess of \$5,000 are capitalized. When buildings and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

- d. Impairment of Long-Lived Assets:** The Authority has been and is currently involved in various activities in conjunction with its modernization programs. In accordance with *Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets"*, Under the provisions of the statement, long-lived assets are to be reviewed for impairment. Application for measurement of long-lived assets should be at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or discontinued operations. The Authority has reviewed and determined there was no impairment of long-lived assets during year ending December 31, 2019.

- 15. Homebuyer Program Deferred Monthly Equity Payments:** Payments in excess of the administrative fees received from participants in the Mutual Help program are recorded as deferred monthly equity payments. When the participants' deferred payments equal the net cost (amortized inventory balance) of the home, ownership is conveyed to the homebuyer. No gain or loss is recorded upon conveyance.

- 16. Compensated Absences:** Compensated absences are those absences for which employees will be paid, such as vacation and sick leave computed in accordance with *GASB Statement No. 16*. A liability for compensated absences that is attributable to services already rendered and that are not contingent on a specific event that is outside the control of the Authority and its employees, is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the Authority and its employees are accounted for in the period in which such services are rendered or in which such events take place.

- 17. Litigation Losses:** The Authority recognizes estimated losses related to litigation in the period in which the occasion giving rise to the loss occurred, the loss is probable, and the loss is reasonably estimable.

**ABSENTEE SHAWNEE HOUSING AUTHORITY**  
**Shawnee, Oklahoma**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**  
**(Continued)**

**A - Summary of Significant Accounting Policies and Organization: (Continued)**

**18. Federal Contribution Contracts:** NAHASDA Contribution contracts provide that HUD shall have the authority to audit and examine the records of public housing authorities. Accordingly, final determination of the Authority's financing and contribution status for the NAHASDA Contribution Contracts is the responsibility of HUD based upon financial reports submitted by the Authority.

**19. Risk Management:** The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial insurance for all risks of loss, including workers' compensation and employee health and accident insurance, general liability, fire and extended coverage, fidelity bond, automobile, and Director and Officers liability. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. Additionally, there have been no significant reductions in insurance coverage from the prior year.

The Authority also participates in public entity risk pool (Amerind Risk Retention Company) for all risks of loss, including general liability, fire and extended coverage, fidelity bond, automobile, and Director and Officers liability. Settled claims resulting from these risks have not exceeded risk pool coverage in any of the past three fiscal years. Rights and responsibilities of the Authority and the pool are contained within the pool agreement and the scope of coverage documents.

**20. Use of Restricted Assets:** It is the Authority's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

**21. Operating Revenues and Expenses:** The principal operating revenues of the Authority's Enterprise Fund are charges to customers for rents and services. Operating expenses for the Authority's Enterprise Fund include the cost of providing housing and services, administrative expenses and depreciation on capital assets. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**B - Deposits and Investments:** For purposes of the Statement of Cash Flows, the Authority considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased and non-negotiable Certificates of Deposit to be cash equivalents.

**1. HUD Deposit and Investment Restrictions**

HUD requires authorities to invest excess HUD program funds in obligations of the United States, certificates of deposit or any other federally insured instruments.

HUD also requires that deposits of HUD program funds be fully insured or collateralized at all times. Acceptable security includes FDIC/FSLIC insurance and the market value of securities purchased and pledged to the political subdivision. Pursuant to HUD restrictions, obligations of the United States are allowed as security for deposits. Obligations furnished as security must be held by the Authority or with an unaffiliated bank or trust company for the account of the Authority.

**ABSENTEE SHAWNEE HOUSING AUTHORITY**  
**Shawnee, Oklahoma**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**  
**(Continued)**

**B - Deposits and Investments: (Continued)**

**2. Risk Disclosures**

- a. Interest Rate Risk:** As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy limits the Authority's investment portfolio to maturities not to exceed two years at time of purchase.

At December 31, 2019, the Authority's deposits and investments were not limited and all of which are either available on demand or have maturities of less than two years.

- b. Credit Risk:** This is risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The Authority's investment policy is that none of its total portfolio may be invested in securities of any single issuer, other than the US Government, its agencies and instrumentalities.

- c. Custodial Credit Risk:** This is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are held by the counterparty. All of the Authority's investments in securities are held in the name of the Authority. The Authority's custodial agreement policy prohibits counterparties holding securities not in the Authority's name.

The carrying amounts of the Authority's cash deposits were \$12,059,607 at December 31, 2019. Bank balances before reconciling items were \$12,063,742 at that date, the total amount of which was collateralized or insured with securities held by an unaffiliated banking institution in the Authority's name. The Authority's investments consist of Certificates of Deposit with original maturities greater than three (3) months of \$155,919.

**C - Accounts Receivable:**

|  |                         |
|--|-------------------------|
| Dwelling rents (net of allowance for doubtful accounts of \$804) | <u><b>\$ 13,050</b></u> |
|--|-------------------------|

**D - Due From Other Governments:**

|  |                          |
|--|--------------------------|
| U.S. Department of Housing and Urban Development (HUD) | <u><b>\$ 415,909</b></u> |
|--|--------------------------|

**ABSENTEE SHAWNEE HOUSING AUTHORITY**  
**Shawnee, Oklahoma**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**  
**(Continued)**

- E - Assets Held for Conveyance - Mutual Help Homeownership Program:** The Homeownership programs allow and assist qualified low-income Native Americans to achieve homeownership. In the Mutual Help program, at the beginning of the program's term, a Mutual Help and Occupancy Agreement ("MHOA") is executed between the homebuyer and the Authority. These agreements govern the relationship between the parties for the term of usually 12-25 years. The MHOA dictates that the title to the home will reside with the Authority until the home is paid off. The homebuyer's monthly payment is the monthly administration fee plus a Monthly Equity Payment Account (MEPA) portion that includes the debt service (principal plus interest equal to the Minimum Loan Interest Rate for the Project) and that is reserved. Amounts paid for administration fees are current income to the Authority and the MEPA amount reduces the balance due from the homebuyer and the mutual help unit. MEPA Fund contributions are not income to the Authority. They are held in the general fund as a liability (unearned revenue) earning interest, and not subject to use by the homeowner for capital improvements and maintenance in accordance with the Absentee Shawnee Housing Authority policies. When the homebuyer completes the MEPA liability agreement or purchases the home early, the MEPA Fund will be disposed of in accordance with the MHOA. The accounting treatment mandated by the MHOA has been continued in these financial statements. Assets held for conveyance balance at December 31, 2019 was \$5,992,823.
- F - Assets Held for Conveyance - Lease Purchase Home Program -** The Lease Purchase Receivable Program assists the eligible enrolled Comanche members, who have the minimum annual income of \$32,500 but below the HUD income limits, to purchase a new home constructed by the Authority, or an existing home that meets criteria established by the Authority. The Lease Purchase Receivable as of December 31, 2019 was \$4,697,576.
- G - Assets Held for Conveyance - Non-Program Loan:** The Mortgage Loans Receivable Program assists the first-time home buyers to acquire their primary residency within the serving area boundaries. All expenses associated with the purchase and loan closing are financed by the Authority. The home buyers repay the loan principal with an interest rate at 3/10 of a point below the local market average in a term of 30 years. The net valuation of the mortgage loan receivable is \$406,955 as of December 31, 2019.

**ABSENTEE SHAWNEE HOUSING AUTHORITY**  
**Shawnee, Oklahoma**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**  
**(Continued)**

**H - Land, Buildings and Equipment:**

|   | Balance<br>December 31,<br>2018 | Additions        | Deletions           | Balance<br>December 31,<br>2019 |
|---|---------------------------------|------------------|---------------------|---------------------------------|
| <b>Not being depreciated:</b>           |                                 |                  |                     |                                 |
| Land                                    | \$ 735,242                      | \$ -             | \$ (23,440)         | \$ 711,802                      |
| Construction in progress                | 184,018                         | 905,901          | -                   | 1,089,919                       |
| <b>Total not being depreciated</b>      | <b>919,260</b>                  | <b>905,901</b>   | <b>(23,440)</b>     | <b>1,801,721</b>                |
| <b>Depreciable:</b>                     |                                 |                  |                     |                                 |
| Buildings & improvements                | 23,810,070                      | 64,197           | (198,839)           | 23,675,428                      |
| Accumulated depreciation                | (12,228,396)                    | (840,741)        | 16,302              | (13,052,835)                    |
| <b>Net buildings &amp; improvements</b> | <b>11,581,674</b>               | <b>(776,544)</b> | <b>(182,537)</b>    | <b>10,622,593</b>               |
| Equipment                               | 2,131,935                       | 14,840           | -                   | 2,146,775                       |
| Accumulated depreciation                | (1,740,617)                     | (112,779)        | -                   | (1,853,396)                     |
| <b>Net equipment</b>                    | <b>391,318</b>                  | <b>(97,939)</b>  | <b>-</b>            | <b>293,379</b>                  |
| <b>Net depreciable assets</b>           | <b>11,972,992</b>               | <b>(874,483)</b> | <b>(182,537)</b>    | <b>10,915,972</b>               |
| <b>TOTAL</b>                            | <b>\$ 12,892,252</b>            | <b>\$ 31,418</b> | <b>\$ (205,977)</b> | <b>\$ 12,717,693</b>            |

**I - Long-Term Debt:**

**Title VI Federal Loan Guarantee Note**

Mortgage note payable through a Lending Institution of \$2,451,386 at December 31, 2019 consist of a mortgage note issued in the amount of \$3,000,000 during the audit period. There is a construction period of thirty-six months starting May 24, 2016, with interest at the Wall Street Journal Rate. Permanent repayment period is 18½ years after the above thirty-six-month construction period with the amortized annual principal and interest payments. The permanent interest rate will be 4.75%. HUD has issued a Firm Commitment Letter for Cash Number TVI-405-000144 bearing a date of May 24, 2016 to guarantee the Lender's loan.

This loan will mature on May 24, 2028. The total balance outstanding at December 31, 2019 is \$2,451,386. Of the total outstanding, \$251,863 is considered current.

**ABSENTEE SHAWNEE HOUSING AUTHORITY**  
Shawnee, Oklahoma

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**  
**(Continued)**

**I - Long-Term Debt: (Continued)**

| <u>December 31,</u> | <u>Total Payment</u>       | <u>Principal</u>           | <u>Interest</u>            |
|---------------------|----------------------------|----------------------------|----------------------------|
| 2020                | \$ 385,117                 | \$ 251,863                 | \$ 133,254                 |
| 2021                | 385,117                    | 264,357                    | 120,760                    |
| 2022                | 385,117                    | 277,088                    | 108,029                    |
| 2023                | 385,117                    | 290,432                    | 94,685                     |
| 2024                | 385,117                    | 304,198                    | 80,919                     |
| 2025-2028           | 1,540,468                  | 1,063,448                  | 477,020                    |
|                     | <u><u>\$ 3,466,053</u></u> | <u><u>\$ 2,451,386</u></u> | <u><u>\$ 1,014,667</u></u> |

- J - Other Accrued Liabilities-Escrowed Trust Liabilities(Homebuyers):** The Authority has entered into Monthly Equity Payment Agreements (MEPA) with Homeownership Participants as part of the Mutual Help Homeownership Opportunity Program whereby eligible participants via rent payments can accumulate an amount that can be used to either purchase the homes that they occupy, for eligible repairs, in accordance with certain provisions of the Mutual Help and Occupancy Agreement (MHO). A homebuyer account in the MEPA is credited with the amount by which each required monthly payment exceeds the administrative charge. At December 31, 2019, the balances in the accounts aggregated \$3,125,232.

**K - Schedule of Changes in Noncurrent Liabilities:**

|                                 | <u>Balance at</u><br><u>December 31, 2018</u> |                                  | <u>Year Ended</u><br><u>December 31, 2019</u> |                            | <u>Balance at</u><br><u>December 31, 2019</u> |                                     |
|---------------------------------|---|----------------------------------|---|----------------------------|---|-------------------------------------|
|                                 | <u>Noncurrent</u><br><u>Portion</u>           | <u>Current</u><br><u>Portion</u> | <u>Additions</u>                              | <u>Payments</u>            | <u>Current</u><br><u>Portion</u>              | <u>Noncurrent</u><br><u>Portion</u> |
| Notes payable                   | \$ -  | \$ 2,778,124                     | \$ -  | \$ (326,738)               | \$ 251,863                                    | \$ 2,199,523                        |
| Accrued compensated<br>absences | 35,778  | 28,211                           | 10,845  | -                          | 29,931  | 44,903                              |
| Other Long Term Liabilities     | 3,009,395                                     | -                                | 115,837                                       | -                          | -   | 3,125,232                           |
|                                 | <u><u>\$ 3,045,173</u></u>                    | <u><u>\$ 2,806,335</u></u>       | <u><u>\$ 126,682</u></u>                      | <u><u>\$ (326,738)</u></u> | <u><u>\$ 281,794</u></u>                      | <u><u>\$ 5,369,658</u></u>          |

- L - Conduit Type Debt:** Debt related to the original acquisition and early modernization of the public housing developments is funded, guaranteed and serviced by HUD. There is no debt or pledge of faith and credit on part of the Authority. Accordingly, this debt has not been recorded in the basic financial statements of the Authority. Additionally, HUD no longer provides debt service information to the Authority.

- M - Commitments:** The Authority is engaged in a modernization program funded by HUD. In this regard, the Authority has entered into force account and construction-type contracts with approximately \$257,366 open as of December 31, 2019.

**ABSENTEE SHAWNEE HOUSING AUTHORITY**  
**Shawnee, Oklahoma**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**  
**(Continued)**

- N - Defined Contribution Pension Plan:** The Authority provides pension benefits for all its full-time employees through a defined contribution plan entitled "Guaranteed Benefit Group Retirement". The plan is administered by American United Life Insurance Company. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Board of Commissioners for the Authority is authorized to establish and amend plan benefits. Employees are eligible to participate from the date of employment. The Authority contributes 8% of the employee's base salary each month, while the employee contributes 5%. The Authority's contributions for each employee (and interest allocated to the employee's account) are fully vested after 5 years of continuous service, or until age 65, whichever is first. Authority contributions for, and interest forfeited by, employees who leave employment before vesting are used to reduce the Authority's current-period contribution requirement.

The Authority's total payroll in fiscal year 2019 was \$973,639. The Authority's and employee's contributions were calculated using \$699,076. The Authority and the employees made the required contributions amounting to \$58,757 and \$36,723 respectively.

- O - Economic Dependency:** The Authority receives approximately 80% of its revenues from HUD. If the amount of revenues received from HUD falls below critical levels, the Authority's reserves could be adversely affected.

**P - Contingencies:**

1. The Authority is subject to possible examinations made by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Authority in the current and prior years. There were no such examinations for the year ended December 31, 2019.
2. The Authority is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the Authority (and the Authority's attorney) that resolution of these matters will not have a material adverse effect on the financial condition of the Authority.

- Q - Leasing Activities (as Lessor):** The Authority is the lessor of dwelling units mainly to low-income residents. The rents under the leases are determined generally by the resident's income as adjusted for eligible deductions regulated by HUD, although the resident may opt for a flat rent. Leases may be cancelled by the lessee at any time. The Authority may cancel the lease only for cause.

Revenues associated with these leases are recorded in the basic financial statements and schedules as "Rental Revenue". Rental Revenue per dwelling unit generally remains consistent from year to year but is affected by general economic conditions which impact personal income and local job availability.

- R - Other Post-Employment Benefits (OPEB):** In relation to its employee benefit programs, the Authority does not provide any Other Post-Employment Benefits, as outlined under GASB 45, 68 and 75.



**ABSENTEE SHAWNEE HOUSING AUTHORITY**  
**Shawnee, Oklahoma**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**  
**(Continued)**

- S - Decrease in Net Position:** The decrease in net position is expected to be absorbed through operations in subsequent fiscal years, assisted by transfers from various programs. No fund deficit is expected as a result of the current year loss.
- T - Subsequent Events:** Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Authority through Opinion Date and concluded that no subsequent events have occurred that would require recognition in the Financial Statements or disclosure in the Notes to the Financial Statements.

## **SUPPLEMENTAL INFORMATION**

**ABSENTEE SHAWNEE HOUSING AUTHORITY**  
Shawnee, Oklahoma

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**Federal Grantor:**

| CFDA Number | Program Title                                    | Pass Through Entity | Federal Expenditures |
|-------------|--|---------------------|----------------------|
|             | U.S. Department of Housing and Urban Development |                     |                      |
|             | Indian Housing Block Grant Cluster               |                     |                      |
| 14.867      | NAHASDA  | NA                  | \$ 3,076,599         |
|             | Total U.S. Department of HUD                     |                     | <u>3,076,599</u>     |
|             | Total Federal Awards Expenditures                |                     | <u>\$ 3,076,599</u>  |

**Notes to the Schedule of Expenditures of Federal Awards**

**A. Basis of Accounting**

This schedule is prepared on the accrual basis of accounting.

**B. Basis of Presentation**

The accompanying Schedule of Federal Awards (the Schedule) includes the federal grant activity of the Authority under programs of the federal government for the year ended December 31, 2019. The information in this schedule is presented in accordance with the requirements of OMB Uniform Guidance, Title 2 CFR, Part 200, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards". Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position or cash flows of the Authority.

**C. Other Matters - Indirect Costs**

The Authority has not elected to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

**D. Subrecipients:**

The Authority awarded NAHASDA Program Funds to the following subrecipient:

| Subrecipient   | Program Title | CFDA # | Amount    |
|--|---------------|--------|-----------|
| The Absantee-Shawnee Tribe of Oklahoma (Protective Services) | IHBG          | 14.867 | \$ 49,418 |

**E. Schedule of NAHASDA Cumulative Expenditures:**

|                                     | Total Grant Funds Available at Beginning of Year | NAHASDA Block Grant Awarded | Program Income Received | Actual Total Sources of Funding | Total Grant Recognized | Current Period Federal Awards Expended | Program Income Expended | Total Grant Funds Remaining at End of Year |
|-------------------------------------|--|-----------------------------|-------------------------|---------------------------------|------------------------|--|-------------------------|--|
| Grant # 55 IH4024200 Plan Year 2018 | \$ 1,566,650                                     | \$ 924,936                  | \$ -                    | \$ 2,491,586                    | \$ 2,491,586           | \$ 1,105,895                           | \$ -                    | \$ 1,385,691                               |
| IHBG Program Income                 | 94,365   | -                           | 105,308                 | 199,733                         | 199,733                | -                                      | -                       | -  |
|                                     | <u>\$ 1,661,015</u>                              | <u>\$ 924,936</u>           | <u>\$ 105,308</u>       | <u>\$ 2,691,319</u>             | <u>\$ 2,691,319</u>    | <u>\$ 1,105,895</u>                    | <u>\$ -</u>             | <u>\$ 1,385,691</u>                        |

**D. Reconciliation of Federal Financial Report (Form 425) Cash Basis to Annual Performance Report (APR) Current Period Federal Awards Expended Accrual Basis:**

|  |                     |
|--|---------------------|
| Cash Receipts Recorded on Federal Financial Report (Form 425) for the year ended December 31, 2019 | \$ 1,043,649        |
| Less Accrual of deficiency in Federal Funds recorded in year ended December 31, 2018               | (167,106)           |
| Add Accrual of deficiency in Federal Funds for current year ended December 31, 2019                | 229,351             |
| Current Period Federal Awards Accrual Basis Expended for the year ended December 31, 2019          | <u>\$ 1,105,894</u> |

## **SINGLE AUDIT SECTION**

MALCOLM JOHNSON & COMPANY, P.A.  
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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 BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Board of Commissioners  
Absentee Shawnee Housing Authority  
Shawnee, Oklahoma

U.S. Dept of HUD  
Region # 6 SPONAP  
301 NW 6<sup>th</sup> Street, Suite 200  
Oklahoma City, Oklahoma 73102

We have audited, 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, the basic financial statements of Absentee Shawnee Housing Authority ("the Authority"), which include the statement of net position as of December 31, 2019, and the related statements of revenue, expenses and changes in net position, cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon September 29, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the basic financial statements, we considered the Authority'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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 Authority'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.

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

We noted certain matters that we reported to management of the Authority in a separate letter dated September 29, 2020.

**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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Malcolm Johnson & Company, P.A.**  
Certified Public Accountants

DeBary, Florida  
September 29, 2020

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL  
CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**

Board of Commissioners  
Absentee Shawnee Housing Authority  
Shawnee, Oklahoma

U.S. Dept of HUD  
Region # 6 SPONAP  
301 NW 6<sup>th</sup> Street, Suite 200  
Oklahoma City, Oklahoma 73102

**Report on Compliance for Each Major Program**

We have audited Absentee Shawnee Housing Authority's ("the Authority") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2019. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Title 2 U.S. *Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major program. However, our audit does not provide a legal determination of the Authority's compliance.

**Opinion on Each Major Program**

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended December 31, 2019.

### **Report on Internal Control Over Compliance**

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of our testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



**Malcolm Johnson & Company, P.A.**  
Certified Public Accountants

DeBary, Florida  
September 29, 2020



**ABSENTEE SHAWNEE HOUSING AUTHORITY**  
**Shawnee, Oklahoma**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

**Basic Financial Statements**

|   |               |
|---|---------------|
| Type of auditors' report issued:  | Unmodified    |
| Internal control over financial reporting:  |               |
| ~ Material weakness(es) identified?   | No            |
| ~ Significant deficiency(s) identified that are not considered to be material weaknesses? | None Reported |
| Noncompliance material to basic financial statements noted?                               | No            |

**Federal Awards**

|   |               |
|---|---------------|
| Internal control over major programs:   |               |
| ~ Material weakness(es) identified?   | No            |
| ~ Significant deficiency(s) identified that are not considered to be material weakness(es)?                 | None reported |
| Type of auditors' report issued on compliance for major programs:   | Unmodified    |
| Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516 (a)? | No            |
| Identification of major programs:   |               |

**CFDA Number**  
14.867

**Name of Federal Program**  
NAHASDA Program

|  |           |
|--|-----------|
| Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| Auditee qualified as low-risk auditee?                                   | Yes       |

**ABSENTEE SHAWNEE HOUSING AUTHORITY  
Shawnee, Oklahoma**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(Continued)**

**SECTION II – BASIC FINANCIAL STATEMENT FINDINGS**

There were no Basic Financial Statement Findings.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were no Federal Award Findings and Questioned Costs.

**ABSENTEE SHAWNEE HOUSING AUTHORITY**  
**Shawnee, Oklahoma**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

There were no Prior Audit Findings.