

**HOUSING AUTHORITY OF THE CITY OF LAWTON  
LAWTON, OKLAHOMA**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS  
AND  
SUPPLEMENTAL DATA FOR THE  
TWELVE MONTHS ENDED JUNE 30, 2013**

**CYNTHIA L WARREN CPA, P.C.**

**Eufaula, Oklahoma 74432**

**HOUSING AUTHORITY OF THE CITY OF LAWTON  
LAWTON, OKLAHOMA  
JUNE 30, 2013**

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CYNTHIA L WARREN CPA, P.C.

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**INDEPENDENT AUDITOR'S REPORT**

Board of Commissioners  
Housing Authority of the City of Lawton  
Lawton, Oklahoma

**Report on the Financial Statements**

I have audited the accompanying basic financial statements of the Housing Authority of the City of Lawton as of June 30, 2013, and for the year then ended, 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 I 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 Organizations' preparation and fair presentation of the financial statements in order to design audit procedures that appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of the City of Lawton as of June 30, 2013, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**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 5 through 11 be presented to supplement the basic financial statements. Such information, although not a required 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 operations, economic, or historical context. I have applied certain limited procedures on 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 method of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide sufficient evidence to express an opinion or provide any assurance.

**Other Information**

My audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental information, the Financial Data Schedule and Schedule of Actual Modernization Cost, is presented for purposes of additional analysis as required by the by the U.S. Department of Housing and Urban Development, and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Government, and Non-Profit Organizations* and is not a required part of the 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 financial statements. The information has been 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 to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

**Report Issued in Accordance with *Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued a report dated March 15, 2014 on my consideration of the Housing Authority of the City of Lawton's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the internal control over financial reporting and compliance.

Cynthia L Warren CPA, P.C.  
Eufaula, Oklahoma  
March 15, 2014

**LAWTON HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2013

**Introduction**

This Management's Discussion and Analysis (MD&A) of the Lawton Housing Authority (Authority) provides an introduction and overview to the financial statements of the Lawton Housing Authority for the fiscal year ended June 30, 2013. The Lawton Housing Authority presents this discussion and analysis of its financial performance during the fiscal year ended June 30, 2013, to assist the reader in focusing on significant financial issues.

All of the funds of the Authority are reported as proprietary funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other enterprises operated by state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and that these funds are used for their intended purposes. This information contained herein this MD&A should be considered in conjunction with the Authority's financial statements and related notes to the financial statements.

The Authority has four significant programs. These are the Low Rent Public Housing Program, Public Housing Capital Fund Program, Section 8 Housing Choice Voucher Program, and a 501(3) (c) non-profit corporation, Lawton Support Services that is presented discretely as a component unit.

The Low Rent Program consists of 298 units. Funding is provided based on the dwelling rents paid by the tenants and operating fund payments received by the Department of Housing and Urban Development (HUD) based on a formula. The Capital Fund Program receives funding from HUD based on a formula. The purpose of this program is to provide funding for low rent housing programs to allow them to make purchases and capital improvements for the current dwelling structures and assist in their operations.

The Section 8 Housing Choice Voucher Program consists of 50 Family Unification and 38 Housing Choice vouchers. Funding for this program is based on the lease-up rate during the previous fiscal year.

Lawton Support Services is a discretely presented component unit that provides a variety of management services to the Lawton Housing Authority.

# MANAGEMENT'S DISCUSSION AND ANALYSIS-Cont.

## Overview of the Financial Statements

This overview of the financial statement is intended to inform and introduce the reader to the Authority's financial statements. The financial statements are comprised of three individual statements. These statements include:

- The Statement of Net Position
- The Statement of Revenues, Expense, and Changes in Net Position
- The Statement of Cash Flows

**The Statement of Net Position** presents information on the assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the differences between them being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial situation of the Authority is improving or deteriorating. To the extent applicable, Net position is comprised of three individual components:

- *Net Investment in Capital Assets* consists of capital asset balances net of accumulated depreciation less any outstanding balances of related debt associated with the acquisition of these assets
- *Restricted* component of net position consists of resources available that are restricted by limitations placed on these resources by an external source or imposed by law through constitutional provisions.
- *Unrestricted* component of net position represents the remaining resources available that do not meet the definition of the above categories. The unrestricted component of net position is basically the amount of resources available for future year appropriations.

**The Statement of Revenues, Expenses, and Changes in Net Position** reports the operating revenues, operating expenses, non-operating revenues, and non-operating expenses of the Authority for the fiscal year ended June 30, 2013, to determine the change in net position for the fiscal year.

**The Statement of Cash Flows** report cash activities for the fiscal year resulting from operating activities, investing activities, non-capital financing activities, and capital and related financing activities. The net result of these activities represents the increase or decrease of the cash equivalent account balance for the year ended June 30, 2013.

**Supplemental Information** contains Schedule of Expenditures of Federal Awards and the HUD required Financial Data Schedule (FDS) and Schedule of Actual Modernization Cost. HUD has established Uniform Financial Reporting Standards that require the Housing Authority to submit financial information electronically to HUD using the FDS format. This financial information has been electronically transmitted to the Real Estate Assessment Center (REAC) for the year ended June 30, 2013.

## MANAGEMENT'S DISCUSSION AND ANALYSIS-Cont.

### **Financial Highlights**

#### Primary Government:

- The net position of the Primary Government decreased from \$5,662,338 to \$5,329,184, a decrease of \$333,154, or 6%. Total assets also decreased by \$373,655, or 5%.
- The Primary Government's revenue increased from \$2,399,880 to \$2,516,455, an increase of \$116,575, or 5%.
- The Primary Government's expenses increased from \$2,653,533 to \$2,794,394, an increase of \$140,861, or 5%.

#### Component Unit:

- The net position of the Component Unit decreased from \$154,565 to \$147,464, a decrease of \$7,101, or 5%. Total assets also decreased by \$65,278, or 28%.
- The Component Unit's revenue decreased from \$613,579 to \$187,520, a decrease of \$426,059, or 69%.
- The Component Unit's expenses decreased from \$606,026 to \$249,836, a decrease of \$356,190, or 59%.

## MANAGEMENT'S DISCUSSION AND ANALYSIS-Cont.

### Housing Authority Activities & Highlights

The Authority's overall financial position and operations for the past two years are summarized below based on the information in the current and prior financial statements. The table below lists the asset and liability comparisons for the year ended June 30, 2013 and June 30, 2012.

#### **Primary Government Statement of Net Assets**

<b>Category</b>	<b>FYE 2013</b>	<b>FYE 2012</b>	<b>Change \$</b>	<b>Change %</b>
Current Assets	\$ 1,606,672	\$ 1,970,655	\$ (363,983)	-18%
Noncurrent Assets	\$ 4,754,570	\$ 4,783,111	\$ (28,541)	-1%
Other NonCurrent Assets	\$ 279,838	\$ 260,969	\$ 18,869	7%
Total Assets	\$ 6,641,080	\$ 7,014,735	\$ (373,655)	-5%
Current Liabilities	\$ 226,557	\$ 210,660	\$ 15,897	8%
Noncurrent Liabilities	\$ 1,085,339	\$ 1,141,737	\$ (56,398)	-5%
Total Liabilities	\$ 1,311,896	\$ 1,352,397	\$ (40,501)	-3%
Unrestricted	\$ 1,580,265	\$ 1,926,713	\$ (346,448)	-18%
Investment in Capital Assets	\$ 3,638,344	\$ 3,600,526	\$ 37,818	1%
Restricted	\$ 110,575	\$ 135,099	\$ (24,524)	0%
Total Net Position	\$ 5,329,184	\$ 5,662,338	\$ (333,154)	-6%

#### *Current Assets*

Current assets decreased by \$363,983 from the previous year.

Cash and investments decreased by \$64,283 from June 30, 2012 to June 30, 2013. This is primarily due to the excess of operating expenses over operating revenues for the current fiscal year and the decrease in operating subsidy due to HUD proration of the 2012 Operating Subsidy for agencies maintaining high operating reserves.

Receivables decreased by \$49,584, and assets held for sale decreased by \$170,165.

#### *Current Liabilities*

Current liabilities increased by \$15,897 from the prior year primarily due to an increase in accounts payable vendors of \$3,148, wages/taxes payable of \$3,834, current portion of accrued leave of \$532, tenant security deposits of \$949, and accrued liabilities other of \$10,087.

#### *Long Term Liabilities*

Long term liabilities decreased by \$56,398 from the previous year primarily due to the agency making payments on the Energy Performance Contract.



## MANAGEMENT'S DISCUSSION AND ANALYSIS-Cont.

### *Unrestricted*

The Authority's total net position decreased, by \$333,154, from the prior year.

The Authority's unrestricted component of net position decreased from \$1,926,713 to \$1,580,265, a decrease of \$346,448, or 18% for the current year. This decrease is primarily due to the reporting of excess of operating expenses over operating revenues during the current fiscal year. The Low Rent Housing Program reported a loss (excess operating expenses over operating revenues) of \$436,286. The Housing Choice Voucher Program reported a loss of \$14,483. The unrestricted component of net position is the amount available for future appropriations. This balance is subject to program specific guidelines. The Authority's individual programs maintain the unrestricted net position balances as follows:

Low Rent Housing Program	\$ 869,180
Housing Choice Voucher Program	
Reserved for Administration	208,909
Homeownership Program	<u>502,176</u>
Total	<u>\$ 1,580,265</u>

### *Restricted*

Restricted component of net position decreased to \$110,575 at June 30, 2013. The primary reason for the \$24,524 decrease was due to the classification of excess HAP expenditures over HAP funding treated as restricted for future HAP payments.

## MANAGEMENT'S DISCUSSION AND ANALYSIS-Cont.

### Component Unit Statement of Net Assets

Category	FYE 2013	FYE 2012	Change \$	Change %
Current Assets	\$ 60,272	\$ 120,587	\$ (60,315)	-50%
Noncurrent Assets	\$ 110,058	\$ 115,021	\$ (4,963)	-4%
Total Assets	\$ 170,330	\$ 235,608	\$ (65,278)	-28%
Current Liabilities	\$ 17,464	\$ 74,901	\$ (57,437)	-77%
Noncurrent Liabilities	\$ 5,402	\$ 6,142	\$ (740)	-12%
Total Liabilities	\$ 22,866	\$ 81,043	\$ (58,177)	-72%
Unrestricted	\$ 37,406	\$ 39,544	\$ (2,138)	-5%
Investment in Capital Assets	\$ 110,058	\$ 115,021	\$ (4,963)	-4%
Restricted	\$ -	\$ -	\$ -	0%
Total Net Position	\$ 147,464	\$ 154,565	\$ (7,101)	-5%

#### *Current Assets*

Current assets decreased by \$60,315 from the previous year primarily due to a decrease in accounts receivable miscellaneous of \$42,513 and accounts receivable PHA projects of \$39,527.

#### *Current Liabilities*

Current liabilities decreased by \$57,437 from the prior year primarily due to the elimination of interprogram due to/due from to the Primary Government in the amount of \$22,657.

#### *Noncurrent Liabilities*

Noncurrent liabilities decreased by \$740 from the previous year primarily due to the decrease in compensated absences.

#### *Net Position*

The Component Unit's total net position decreased by \$7,101 for the current year.

The Component Unit's unrestricted component of net position decreased from \$39,544 to \$37,406, a decrease of \$2,138, or 5% for the current year. This decrease is primarily due to the reporting of excess of operating expenses over operating revenues during the current fiscal year.

## MANAGEMENT'S DISCUSSION AND ANALYSIS-Cont.

### *Primary Government Statement of Revenues & Expenses*

<u>Category</u>	<u>FYE 2013</u>	<u>FYE 2012</u>	<u>Change \$</u>	<u>Change %</u>
Tenant Revenue	\$ 584,816	\$ 568,349	\$ 16,467	3%
Operating Grants	\$ 1,544,721	\$ 1,256,343	\$ 288,378	23%
Capital Grants	\$ 147,523	\$ 255,265	\$ (107,742)	-42%
Interest Income	\$ 4,264	\$ 6,090	\$ (1,826)	-30%
Other Revenue	\$ 241,723	\$ 274,875	\$ (33,152)	-12%
Gain/Loss on Sale of Capital Assets	\$ (6,592)	\$ 38,958	\$ (45,550)	-117%
Total Revenue	\$ 2,516,455	\$ 2,399,880	\$ 116,575	5%
			\$ -	
Administration	\$ 578,555	\$ 592,792	\$ (14,237)	-2%
Tenant Services	\$ 1,885	\$ 125	\$ 1,760	1408%
Utilities	\$ 222,767	\$ 232,317	\$ (9,550)	-4%
Ordinary Maintenance	\$ 588,311	\$ 577,569	\$ 10,742	2%
Protective Services	\$ -	\$ 35	\$ (35)	-100%
General Expense	\$ 199,130	\$ 209,562	\$ (10,432)	-5%
Extraordinary Maintenance	\$ 2,500	\$ 424	\$ 2,076	490%
Casualty Losses	\$ -	\$ 6,475	\$ (6,475)	-100%
Housing Assistance Payments	\$ 714,827	\$ 603,242	\$ 111,585	18%
Depreciation	\$ 486,419	\$ 430,992	\$ 55,427	13%
			\$ -	
Total Expenses	\$ 2,794,394	\$ 2,653,533	\$ 140,861	5%
Excess of Revenue over Expenses	\$ (277,939)	\$ (253,653)	\$ (24,286)	10%
Net Position, Beginning of Year	\$ 5,662,338	\$ 5,916,750	\$ (254,412)	-4%
PYA, Equity Transfers	\$ (55,215)	\$ (759)	\$ (54,456)	7175%
Net Position, End of Year	\$ 5,329,184	\$ 5,662,338	\$ (333,154)	-6%

#### *Results of Operations*

Revenues of the Primary Government are generated principally from dwelling rents and HUD grants (including Operating and Capital Funds). The Primary Government's revenue increased by \$116,575 during the current fiscal year. Notable differences noted from comparing current year balances to previous year balances are listed as follows:

- Operating grants increased \$288,378 primarily due to an increase in Low Rent subsidy funding of \$45,448, Capital Fund operating funding of \$48,151, and Housing Choice Voucher funding of \$176,538.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS-Cont.**

- Capital grants decreased \$107,742 due to decreased activity in the Capital Fund program.
- Other revenue decreased by \$33,152 primarily due to the primary government's decrease in miscellaneous revenue.
- Gain or Loss on Sale of Fixed Assets decreased by \$45,550 due to low cost of sale on scattered sites.

Total expenses increased by \$140,861, or 5%. Significant variations between the years include:

- Administration decreased by \$14,237 primarily due to the decrease in administrative salaries of \$5,881, and benefits of \$19,606.
- Tenant services increased by \$1,760 primarily due to increased activity in the current year.
- Housing Assistance Payments increased by \$111,585 primarily due to an increase in units leased of 196 from 918 in 2012 to 1,114 in 2013.

## MANAGEMENT'S DISCUSSION AND ANALYSIS-Cont.

### Component Unit Statement of Revenues & Expenses

Category	FYE 2013	FYE 2012	Change \$	Change %
Tenant Revenue	\$ 13,626	\$ 2,140	\$ 11,486	537%
Operating Grants	\$ 121,586	\$ -	\$ 121,586	N/A
Capital Grants	\$ -	\$ -	\$ -	N/A
Other Government Grants	\$ -	\$ 458,215	\$ (458,215)	-100%
Interest Income	\$ 132	\$ 390	\$ (258)	-66%
Other Revenue	\$ 38,957	\$ 152,834	\$ (113,877)	-75%
Gain/Loss on Sale of Capital Assets	\$ 13,219	\$ -	\$ 13,219	
Total Revenue	\$ 187,520	\$ 613,579	\$ (426,059)	-69%
			\$ -	
Administration	\$ 107,926	\$ 213,460	\$ (105,534)	-49%
Tenant Services	\$ 65,333	\$ 247,334	\$ (182,001)	-74%
Utilities	\$ -	\$ 71	\$ (71)	-100%
Ordinary Maintenance	\$ 293	\$ 2,025	\$ (1,732)	-86%
Protective Services	\$ -	\$ -	\$ -	N/A
General Expense	\$ 59,493	\$ 12,314	\$ 47,179	383%
Extraordinary Maintenance	\$ -	\$ -	\$ -	N/A
Housing Assistance Payments	\$ 11,827	\$ 123,529	\$ (111,702)	-90%
Depreciation	\$ 4,964	\$ 7,293	\$ (2,329)	-32%
			\$ -	
Total Expenses	\$ 249,836	\$ 606,026	\$ (356,190)	-59%
Excess of Revenue over Expenses	\$ (62,316)	\$ 7,553	\$ (69,869)	-925%
Net Position, Beginning of Year	\$ 154,565	\$ 146,253	\$ 8,312	6%
PYA, Equity Transfers	\$ 55,215	\$ 759	\$ 54,456	7175%
Net Position, End of Year	\$ 147,464	\$ 154,565	\$ (7,101)	-5%

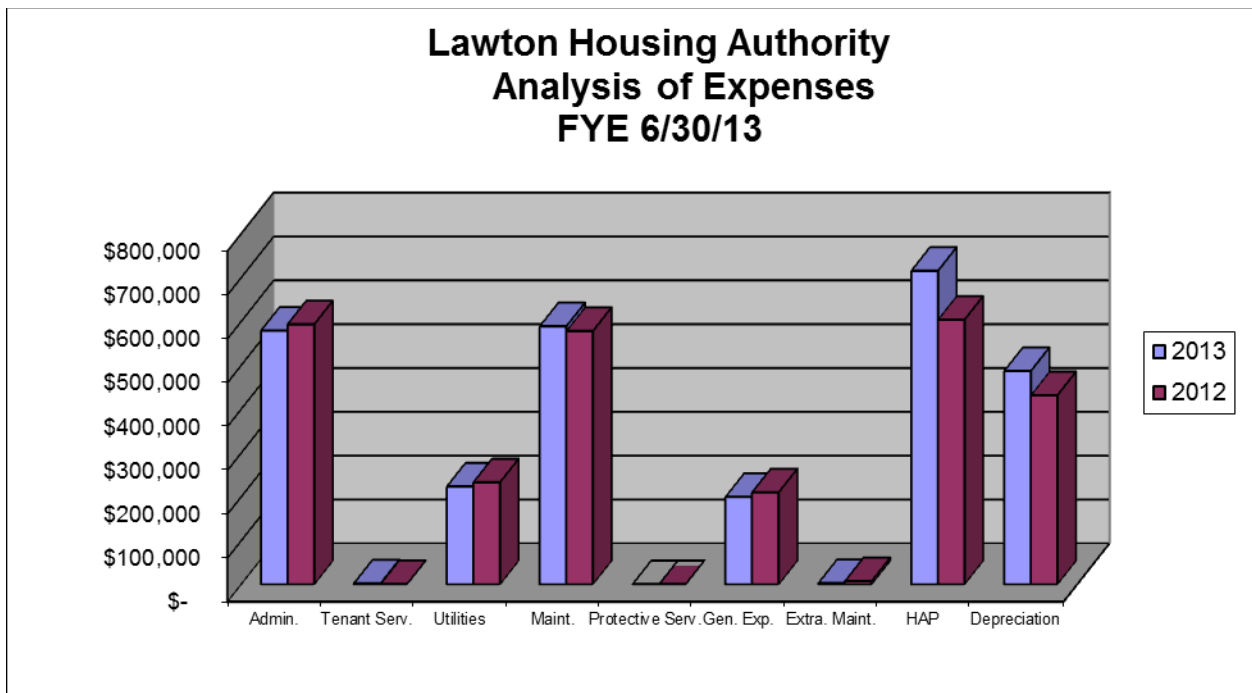
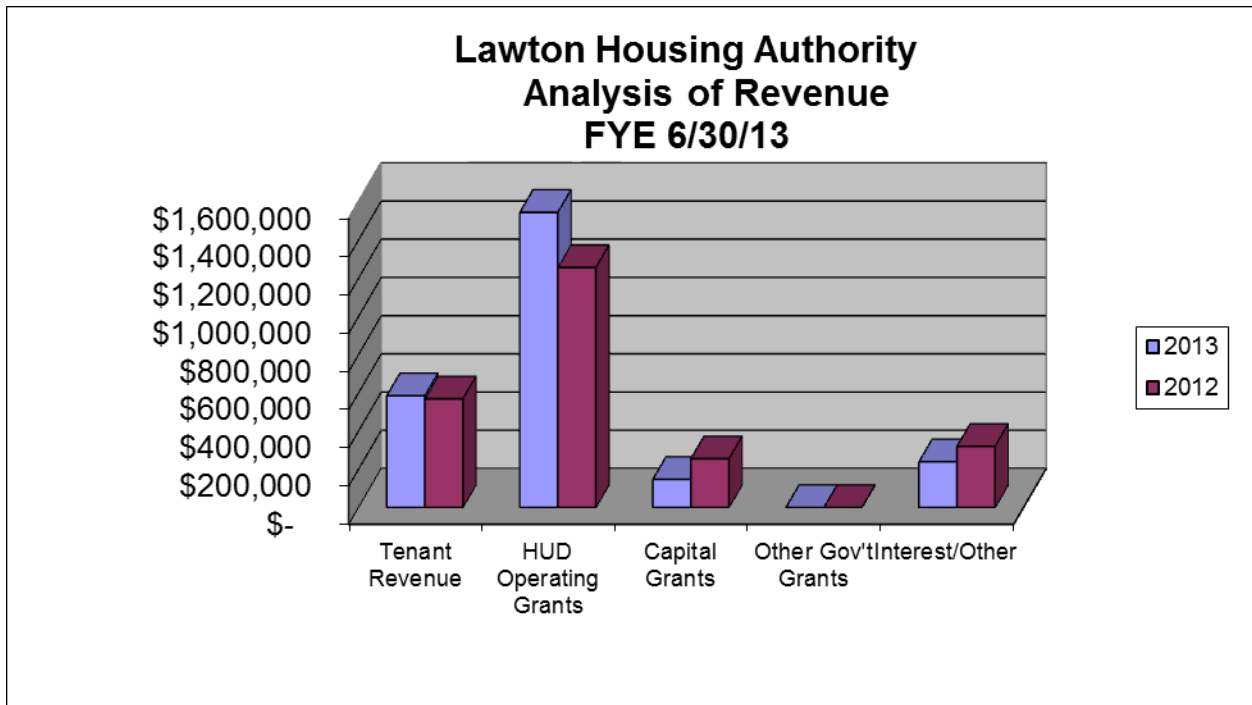
#### Results of Operations

Revenues of the Component Unit are generated principally from grant and other revenue. The Component Unit's revenue decreased by \$426,059 during the current fiscal year. This decrease is primarily due to a reduction in grant funding of \$336,629 and portability administrative fee and HAP payments of \$113,877 during the year.

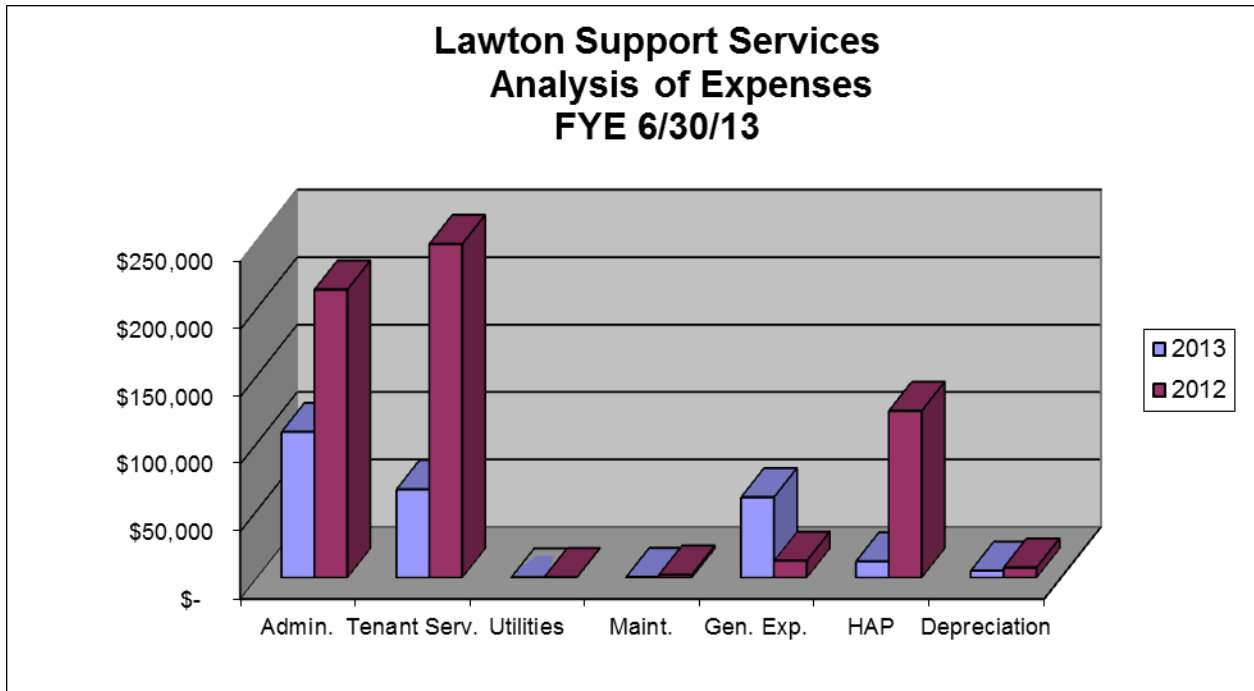
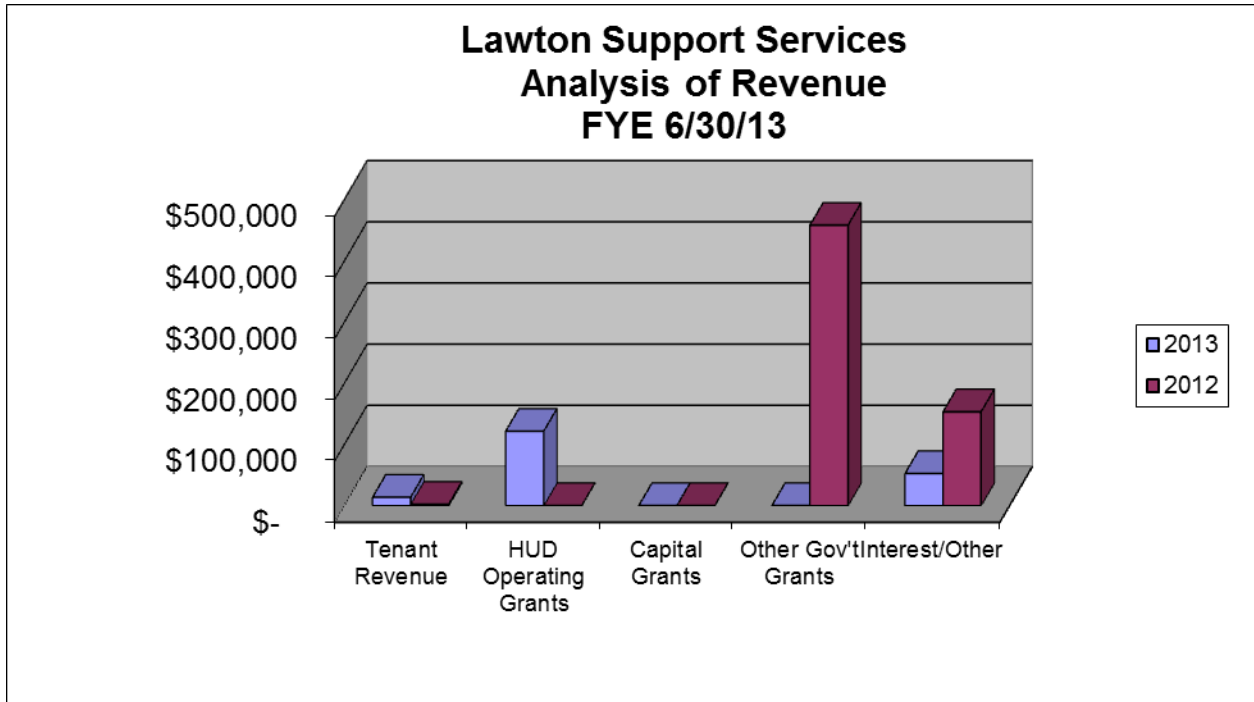
Total expenses decreased by \$356,190, or 59%. Significant variation between the years is primarily due to the reduction in housing assistance payments for the year due to a decrease in portability tenants and the decrease in Administration and Tenant Service Expenses.

## MANAGEMENT'S DISCUSSION AND ANALYSIS-Cont.

We have provided the following presentations to demonstrate the revenues and expenses by summarized account category:



**MANAGEMENT'S DISCUSSION AND ANALYSIS-Cont.**



## MANAGEMENT'S DISCUSSION AND ANALYSIS-Cont.

### *Capital Assets*

As of June 30, 2013, the Primary Government's investment in capital assets was \$4,754,570. This investment includes land, building, equipment, other assets, and construction in progress, less any associated debt.

<u>Category</u>	<u>FYE 2013</u>	<u>FYE 2012</u>	<u>Change \$</u>	<u>Change %</u>
Land	\$ 248,529	\$ 250,068	\$ (1,539)	-1%
Buildings	\$ 14,774,808	\$ 14,416,811	\$ 357,997	2%
Equipment	\$ 372,965	\$ 373,384	\$ (419)	0%
Construction in Progress	\$ 45,586	\$ 3,373	\$ 42,213	1251%
Accumulated Depreciation	\$ (10,687,318)	\$ (10,260,525)	\$ (426,793)	4%
<b>Total Capital Assets</b>	<b>\$ 4,754,570</b>	<b>\$ 4,783,111</b>	<b>\$ (28,541)</b>	<b>-1%</b>

The increase noted in the buildings and construction in progress consisted of the completion of a shower replacement project and capital improvement projects funded with the Capital Fund Grants. The increase in equipment was due to the purchase of a postage machine.

### *Noncurrent Liabilities*

Noncurrent liabilities decreased by \$56,398 from the previous year primarily due to the reduction in principal on the Energy Performance Contract.

The Primary Government classifies a portion of the employees' leave as a noncurrent liability. This is due to the Primary Government not anticipating paying out the total amount accrued in the upcoming fiscal year. The amount estimated as a noncurrent liability was \$29,689.

As of June 30, 2013, the Component Unit's investment in capital assets was \$110,058. This investment includes land, building, and equipment.

<u>Category</u>	<u>FYE 2013</u>	<u>FYE 2012</u>	<u>Change \$</u>	<u>Change %</u>
Land	\$ 1,150	\$ 1,150	\$ -	0%
Buildings	\$ 156,014	\$ 156,014	\$ -	0%
Equipment	\$ 19,343	\$ 19,343	\$ -	0%
Accumulated Depreciation	\$ (66,449)	\$ (61,486)	\$ (4,963)	8%
<b>Total Capital Assets</b>	<b>\$ 110,058</b>	<b>\$ 115,021</b>	<b>\$ (4,963)</b>	<b>-4%</b>



## **MANAGEMENT'S DISCUSSION AND ANALYSIS-Cont.**

### *Noncurrent Liabilities*

The Component Unit classifies a portion of the employees' leave as a noncurrent liability. This is due to the Authority not anticipating paying out the total amount accrued in the upcoming fiscal year. The amount estimated as a noncurrent liability was \$4,137.

### **Subsequent Event**

Due to sequestration and the 2012 Congressional Appropriations, the Authority's operating subsidy provided by HUD for the Low Rent Housing Program was prorated to 81.86% for the calendar year 2013.

The amount of funding for the 2013 calendar year for the Housing Choice Voucher Program has been finalized by HUD. These include the proration of administrative fees being funded at 69% and HAP funding at 94%. These funding levels will result in lower revenues resulting in a decreased level of services that can be supported in the upcoming fiscal year.

### **Request for Information**

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the following address:

Lawton Housing Authority  
Rita Love, Executive Director  
609 SW Avenue F  
Lawton, OK 73501

**HOUSING AUTHORITY OF THE CITY OF LAWTON**  
**LAWTON, OKLAHOMA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2013**

	<b>Primary Government - Lawton Housing Authority</b>	<b>Component Unit - Lawton Support Services</b>
<b><u>ASSETS</u></b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 503,249	\$ 45,369
Cash and Cash Equivalents, Restricted for Security Deposits	54,809	390
Cash and Cash Equivalents, Restricted	111,041	1,265
Tenant Accounts Receivable, Net	8,599	-
Due from Other Governments - HUD	21,906	-
Notes Receivable	17,344	-
Accrued Interest Receivable	87	-
Accounts Receivable - Miscellaneous	2,970	10,861
Investments	572,507	-
Prepaid Expenses	103,487	2,387
Inventory	4,751	-
Assets Held for Sale	205,922	-
Total Current Assets	1,606,672	60,272
<b>Noncurrent Assets:</b>		
Capital Assets, Non-depreciable	294,115	1,150
Capital Assets, Net of Depreciation	4,460,455	108,908
Total Capital Assets	4,754,570	110,058
Notes Receivable	279,838	-
Total Noncurrent Assets	5,034,408	110,058
Total Assets	\$ 6,641,080	\$ 170,330

(Continued on next page.)

The accompanying notes to the financial statements are an integral part hereof.

**HOUSING AUTHORITY OF THE CITY OF LAWTON  
LAWTON, OKLAHOMA  
STATEMENT OF NET POSITION  
JUNE 30, 2013**

(Continued from previous page.)

	<b>Primary Government - Lawton Housing Authority</b>	<b>Component Unit - Lawton Support Services</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities:</b>		
Accounts Payable, Vendors	\$ 27,437	\$ 1,303
Due to Other Government - PILOT Taxes	10	-
Accrued Wages and Payroll Taxes Payable	24,847	707
Accrued Compensated Absences	20,011	3,534
Deferred Revenues	8,202	11,530
Other Current Liabilities	30,665	-
Tenant Security Deposits	54,809	390
Debt for Capital Projects - Current Portion	60,576	-
Total Current Liabilities	226,557	17,464
<b>Long-term Liabilities:</b>		
Long-term Accrued Expenses	29,689	5,402
Debt for Capital Project - Long-term	1,055,650	-
Total Non-current Liabilities	1,085,339	5,402
Total Liabilities	1,311,896	22,866
<b>Net Assets:</b>		
Invested in Capital Assets	3,638,344	110,058
Restricted Net Assets - Housing Assistance Payments	110,575	-
Unrestricted Net Assets	1,580,265	37,406
Total Net Assets	5,329,184	147,464
Total Liabilities and Net Assets	\$ 6,641,080	\$ 170,330

The accompanying notes to the financial statements are an integral part hereof.

**HOUSING AUTHORITY OF THE CITY OF LAWTON  
LAWTON, OKLAHOMA  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
YEAR ENDED JUNE 30, 2013**

	<b>Primary Government - Lawton Housing Authority</b>	<b>Component Unit - Lawton Support Services</b>
<b>Operating Revenue:</b>		
Tenant Revenue	\$ 584,816	\$ 13,626
Operating Grants and Subsidies	1,544,721	121,586
Other Income	187,138	38,957
Total Operating Revenue	2,316,675	174,169
<b>Operating Expenses:</b>		
Housing Assistance Payments	714,827	11,827
Administration	578,555	107,926
Tenant Services	1,885	65,333
Utilities	222,767	-
Maintenance	590,811	293
General Expense	135,809	59,493
Depreciation	486,419	4,964
Total Operating Expenses	2,731,073	249,836
Operating Income (Loss)	(414,398)	(75,667)
<b>Nonoperating Revenue (Expense)</b>		
Investment Income	19,187	132
Proceeds from Disposition of Assets Held for Sale	33,070	13,219
Interest Expense	(63,321)	-
Net Income (Loss) Before Capital Grants	(425,462)	(62,316)
Capital Grants	147,523	-
Change in Net Assets	(277,939)	(62,316)
Total Net Assets, Beginning	5,607,123	209,780
 Total Net Assets, Ending	 \$ 5,329,184	 \$ 147,464

The accompanying notes to the financial statements are an integral part hereof.

**HOUSING AUTHORITY OF THE CITY OF LAWTON**  
**LAWTON, OKLAHOMA**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2013**

	<b>Primary Government - Lawton Housing <u>Authority</u></b>	<b>Component Unit - Lawton Support <u>Services</u></b>
<b>Cash Flows from Operating Activities:</b>		
Receipts from Tenants	\$ 583,958	\$ 12,555
Receipts from Operating Grants	1,597,454	161,113
Receipts from Other Operating Activities	186,105	81,470
Payments to Employees	(706,301)	(100,135)
Payments to Suppliers and Vendors	(743,594)	(189,716)
Payments for PILOT	(20)	-
Payments for Housing Assistance	(714,827)	(11,827)
Net Cash Provided (Used) by Operating Activities	202,775	(46,540)
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Receipts from Capital Grants	147,523	-
Proceeds (Payments) on Capital Leasing	(66,359)	-
Purchase of Assets Held for Sale	170,165	-
Interest Paid on Capital Leasing	(118,536)	55,215
Sale of Land, Structures and Equipment	4,935	13,218
Purchases of Land, Structures and Equipment	(464,465)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(326,737)	68,433
<b>Cash Flows from Investing Activities:</b>		
Receipts of Interest Income	19,209	132
Increase in Notes Receivable	17,361	-
Purchase of Investments	100,000	-
Net Cash Provided (Used) from Investing Activities	136,570	132
Net Increase (Decrease) in Cash and Cash Equivalents	12,608	22,025
Cash and Cash Equivalents, Beginning	656,491	24,999
Cash and Cash Equivalents, Ending	\$ 669,099	\$ 47,024
<b>Reconciliation to Statement of Net Assets:</b>		
Cash and Cash Equivalents	\$ 503,249	\$ 45,369
Cash and Cash Equivalents, Restricted	165,850	1,655
	\$ 669,099	\$ 47,024

The accompanying notes to the financial statements are an integral part hereof.

**HOUSING AUTHORITY OF THE CITY OF LAWTON  
LAWTON, OKLAHOMA  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2013**

	<b>Primary Government - Lawton Housing Authority</b>	<b>Component Unit - Lawton Support Services</b>
<b>Reconciliation of Operating Income to Net Cash</b>		
<b>Provided (Used) by Operating Activities:</b>		
Operating Income (Loss)	\$ (414,398)	\$ (75,667)
Adjustments to reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation	486,419	4,964
Change in Assets and Liabilities:		
Accounts Receivable and Due from Other Governments	104,190	82,040
Prepaid Expenses	(14,132)	300
Inventory	14,838	-
Accounts Payable	3,238	(56,677)
Tenant Security Deposits	949	100
Accrued Liabilities	9,845	(429)
Deferred Revenues	11,826	(1,171)
Total Adjustments	617,173	29,127
Net Cash Provided (Used) by Operating Activities	\$ 202,775	\$ (46,540)

**Non-cash Capital Items:**

Disposal of Capital Assets (cost of \$56,826, book value of \$6,592)

The accompanying notes to the financial statements are an integral part hereof.

**HOUSING AUTHORITY OF THE CITY OF LAWTON  
LAWTON, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 1 - REPORTING ENTITY**

The agency was created under the provisions of the laws of the State of Oklahoma. The purpose of the agency is to administer Public Housing Programs authorized by the United States Housing Act. The governing board is appointed by the Mayor of the City of Lawton. The governing board employs executives; authorizes contracts of subsidy with the U.S. Department of Housing and Urban Development (Annual Contributions Contract) pursuant to that agency's regulations and statutory authorizations; and causes the agency to construct, own, and operate public housing facilities.

The Housing Authority's basic financial statements include all organizations, activities, and functions that comprise the Housing Authority. Component units are legally separate entities for which the Housing Authority is financially accountable. Financial accountability is defined as the ability to appoint a voting majority of the organization's governing body and either (1) the Housing Authority's ability to impose its will over the organization or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, the Housing Authority. As of June 30, 2013, and for the fiscal year then ended, the Housing Authority had one component unit discretely presented, which is presented in a separate column in the financial statements, Lawton Support Services.

*Lawton Support Services, Inc. – Component Unit*

Lawton Support Services is a component unit of the Housing Authority of the City of Lawton. The corporation is organized exclusively for charitable, education and scientific purposes, including, for such purposes making of distributions to organizations that qualify as exempt organizations under Section 501(c)(3) of the Internal Revenue Code. Lawton Support Services, Inc. is currently providing a variety of management and training services for other housing authorities. The component unit is governed by the governing board of the Housing Authority.

*Programs Administered by the Authority*

The Housing Authority administers an annual contributions contract to provide low-income housing with primary financial support from the U.S. Department of Housing and Urban Development (HUD). Contracts administered by the Housing Authority are as follow:

*Public Housing* - The Housing Authority owns, operates and maintains 298 units of Public Housing. The properties were acquired through bonds and notes guaranteed by HUD and through grants, subject to the terms of an Annual Contributions Contract with HUD. Revenues consist primarily of rents and other fees collected from tenants, and an Operating Subsidy from HUD.

*Capital Fund Program* - Funds from the Capital Fund Program provided by HUD are used to maintain and improve the Housing Authority. Substantially all additions to land, structures and equipment of the Housing Authority are accomplished through these capital fund grants.

*Housing Choice Vouchers* - The Housing Authority administers Housing Choice Vouchers to assist low-income families, elderly and disabled to afford decent, safe and sanitary housing in the private market. Revenues consist primarily of Annual Contribution for Housing Assistance Payments from HUD.

**HOUSING AUTHORITY OF THE CITY OF LAWTON  
LAWTON, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Accounting and Measurement Focus***

The Housing Authority's financial statements are presented on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized when earned and become measurable and expenses are recognized when incurred, if measurable. The Housing Authority applies all Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board (FASB) statements and interpretations, and the Accounting Principles Board (APB) of the Committee on Accounting Procedures unless those pronouncements conflict with or contradict GASB pronouncements.

The Housing Authority has adopted GASB Statement #63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The objective of this Statement is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The adoption of GASB 63 has had no material effect on the Authority's basic financial statements.

For accounting and financial reporting purposes, the Housing Authority of the City of Lawton is considered a special purpose government engaged solely in business-type activities. As such, the accounting and financial reporting treatment is similar to enterprise funds of a general purpose government. Enterprise funds are accounted for on the economic resources measurement focus and report all assets and liabilities, both current and noncurrent, in the Statement of Net Position. Net Position is segregated into Investment in Capital Assets, Restricted and Unrestricted components, to the extent applicable.

***Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the accounting period. Actual results could differ from those estimates.

***Budgetary Process***

The Housing Authority adopts an operating budget for each fiscal year which is approved by the Board of Commissioners with revisions being prepared as needed. However, the budget does not establish legal spending limits and is instead designed to serve as a financial plan.

***Cash and Cash Equivalents***

Cash and Cash Equivalents consist of amounts deposited in checking, money market and investments accounts with an original maturity of three months or less. Cash equivalents, if any, are carried at fair value.



**HOUSING AUTHORITY OF THE CITY OF LAWTON  
LAWTON, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***Investments***

Investments consist of certificates of deposit, which are considered money market type investments as defined by the Governmental Accounting Standards Board. The investments are reported at cost, which approximates fair market value.

***Restricted Cash and Cash Equivalents***

Restricted Cash and Cash Equivalents consist of amounts deposited in a checking account for the restricted purpose of Housing Choice Voucher payments. These funds were obtained from excess funding of Housing Choice Voucher payments.

***Prepaid Expenses***

Certain payments to vendors reflect costs applicable to future periods. These payments are recorded as prepaid expenses.

***Inventory***

Inventory balances consist of expendable supplies held for consumption. The inventory is valued at cost. The Housing Authority uses the first-in, first-out basis in determination of cost.

***Capital Assets***

Capital assets acquired are valued at historical cost. It is the policy of the Housing Authority to capitalize all assets with a cost of \$500 or greater. Donated capital assets are valued at the estimated fair value at the date of the donation. Depreciation of all exhaustible capital assets is charged as an expense against operations. Accumulated depreciation is reported on the statement of Net Position. Depreciation is provided over the estimated useful lives using the straight-line method. Estimated useful lives, in years, for depreciable assets are as follow:

Buildings and Improvements	15 - 40 years
Equipment	3 - 5 years

***Compensated Absences***

It is the Housing Authority's policy to allow employees to accumulate earned but unused vacation and sick pay benefits up to certain limits. These amounts accrued, for which the employee is vested that would be paid upon termination, are charged to expense and a corresponding liability is established when earned. The portion of the liability that is anticipated to be paid within the next fiscal year is reported as a current liability, while the remainder is reported as a long-term liability.

***Operating and Non-operating Revenues and Expenses***

The statement of revenues, expenses, and changes in Net Position distinguishes operating revenues and expenses from non-operating. Operating revenues and expenses generally include revenues resulting from the providing of housing services to tenants, including housing assistance grants and subsidies, and the costs associated with providing those services, including depreciation of capital assets. These activities are consistent with those classified as "operating activities" in the statement of cash flows. All other revenues and expenses are classified as either non-operating revenues and expenses or separately reported activities, such as capital grants, that are reported following operating income or loss.

**HOUSING AUTHORITY OF THE CITY OF LAWTON  
LAWTON, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 3 - CASH, CASH EQUIVALENTS, AND INVESTMENTS**

It is the Housing Authority's policy to invest in those securities which are authorized by HUD. Such investments generally consist of obligation of the U.S. government and its agencies and instrumentalities, collateralized or insured certificates of deposit, or other bank deposits, and certain other commercial instruments. The deposits and investments held at June 30, 2013, and reported at fair value, are as follows:

<u>TYPE</u>	<u>Primary Government Carrying Value</u>	<u>Component Unit Carrying Value</u>
<b>Deposits:</b>		
Demand Deposits	\$ 618,475	\$ 47,024
Cash on Hand	<u>1,000</u>	<u>-</u>
	619,475	47,024
<b>Investments:</b>		
Certificates of Deposit	<u>622,131</u>	<u>-</u>
<b>Total Deposits and Investments</b>	<u>\$ 1,241,606</u>	<u>\$ 47,024</u>
<b>Reconciliation to Statement of Net Assets:</b>		
Cash and Cash Equivalents	\$ 503,249	\$ 45,369
Cash and Cash Equivalents, Restricted	165,850	1,655
Investments	<u>572,507</u>	<u>-</u>
	<u>\$ 1,241,606</u>	<u>\$ 47,024</u>

*Custodial Credit Risk* - HUD regulations and State law governs the requirements for managing custodial credit risk. Such regulations and law require uninsured deposits to be secured with collateral having market value at least equal to the amount of uninsured deposits. Deposits in financial institutions, reported as components of cash, cash equivalents, and investments, had a bank balance of \$1,322,666 at June 30, 2013, which was fully insured by depository insurance or secured with collateral held by the Housing Authority's agent in its name.

*Investment Interest Rate Risk* - The Housing Authority's investment policy mandates that investing be performed in accordance with HUD regulations and State Statutes. The investment policy has no formal limitation of investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Nonnegotiable certificates of deposit are not subject to interest rate risk, therefore their maturity dates are not provided.

**HOUSING AUTHORITY OF THE CITY OF LAWTON  
LAWTON, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 3 - CASH, CASH EQUIVALENTS, AND INVESTMENTS, Continued**

*Investment Credit Risk* - The Housing Authority's investment policy limits its investment choices to those allowed by HUD regulations and state laws as follows:

- A. U.S. Treasury Bills
- B. U.S. Treasury Notes and Bonds
- C. Obligations of Federal Government Agencies
- D. Securities of Federal Government Agencies
- E. Insured Money Market Deposit Accounts
- F. Municipal Depository Fund
- G. Super NOW Accounts
- H. Certificates of Deposit
- I. Repurchase Agreements
- J. Sweep Accounts
- K. Separate Trading of Registered Interest and Principal of Securities
- L. Mutual Funds that meet the HUD criteria.

*Concentration of Investment Credit Risk* - The Housing Authority places no limit on the amount it may invest in any one issuer. At June 30, 2013, the Housing Authority had limited concentration of credit risk because the investments consist of Certificates of Deposit.

**NOTE 4 - ACCOUNTS RECEIVABLE**

All receivables from tenants are for rentals and service charges for the Low Rent Program. These receivables are shown net of an allowance for uncollectible amounts. Also included are receivables from fraud recovery for the Section 8 Housing Choice Voucher Program. The total accounts receivable balance is \$10,720 less an allowance of \$3,211 for a net accounts receivable of \$8,599 at June 30, 2013.

**HOUSING AUTHORITY OF THE CITY OF LAWTON**  
**LAWTON, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 5 - CAPITAL ASSETS**

A summary of Capital Assets as presented in the Statement of Net Position is as follows:

<i>Primary Government -</i>	<b>Balance</b>			<b>Balance</b>
<i>Lawton Housing Authority</i>	<b><u>6/30/2012</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>6/30/2013</u></b>
Non-depreciable Capital Assets:				
Land	\$ 250,068	\$ -	\$ (1,539)	\$ 248,529
Construction in Progress	3,373	42,213	-	45,586
	<u>253,441</u>	<u>42,213</u>	<u>(1,539)</u>	<u>294,115</u>
Depreciable Capital Assets:				
Buildings and Improvements	14,416,811	414,821	(56,826)	14,774,806
Furniture & Equipment	374,867	7,431	-	382,298
	<u>14,791,678</u>	<u>422,252</u>	<u>(56,826)</u>	<u>15,157,104</u>
Less Accumulated Depreciation:				
Buildings and Improvements	10,007,216	455,923	(51,773)	10,411,366
Furniture & Equipment	254,787	30,496	-	285,283
	<u>10,262,003</u>	<u>486,419</u>	<u>(51,773)</u>	<u>10,696,649</u>
Net Depreciable Capital Assets	<u>4,529,675</u>	<u>(64,167)</u>	<u>(5,053)</u>	<u>4,460,455</u>
Total	<u>\$4,783,116</u>	<u>\$ (21,954)</u>	<u>\$ (6,592)</u>	<u>\$4,754,570</u>
<i>Component Unit -</i>				
<b>Balance</b>			<b>Balance</b>	
<i>Lawton Support Services</i>	<b><u>6/30/2012</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>6/30/2013</u></b>
Non-depreciable Capital Assets:				
Land	\$ 1,150	\$ -	\$ -	\$ 1,150
Depreciable Capital Assets:				
Buildings and Improvements	156,014	-	-	156,014
Furniture & Equipment	19,342	-	-	19,342
	<u>175,356</u>	<u>-</u>	<u>-</u>	<u>175,356</u>
Less Accumulated Depreciation:				
Buildings and Improvements	44,855	3,900	-	48,755
Furniture & Equipment	16,630	1,063	-	17,693
	<u>61,485</u>	<u>4,963</u>	<u>-</u>	<u>66,448</u>
Net Depreciable Capital Assets	<u>113,871</u>	<u>(4,963)</u>	<u>-</u>	<u>108,908</u>
Total	<u>\$ 115,021</u>	<u>\$ (4,963)</u>	<u>\$ -</u>	<u>\$ 110,058</u>

Depreciation expense for the year ending June 30, 2013 for the Housing Authority and the Component Unit is \$486,419 and \$4,964, respectively.

**HOUSING AUTHORITY OF THE CITY OF LAWTON  
LAWTON, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 6 – NOTES RECEIVABLE**

Notes Receivable consists of balances owed by participants who have purchased scattered site homes from the Housing Authority through the Homeownership program. The notes are secured by the homes owned by the participants. The total amount due as of June 30, 2013 is \$297,182 of which \$17,344 is the current portion and \$279,838 is long-term.

**NOTE 7 - ACCRUED COMPENSATED ABSENCES**

Accrued Compensated Absences consists of employee vacation and sick pay benefits which have been earned but not used. These benefits total \$49,700 of which \$20,011 is current and \$29,689 is long-term for Lawton Housing Authority and \$7,671 of which \$3,534 is current and \$4,137 is long term for Lawton Support Services. The current portion is anticipated to be used in the next twelve months with the long-term portion anticipated to be used after the next twelve months. The following is a summary of the long-term portion.

<i>Primary Government -</i>	<b>Balance</b>			<b>Balance</b>	
<i>Lawton Housing Authority</i>	<u><b>6/30/2012</b></u>	<u><b>Increases</b></u>	<u><b>Decreases</b></u>	<u><b>6/30/2013</b></u>	<u><b>Due Within One Year</b></u>
Accrued Compensated Absences	<u>\$ 43,689</u>	<u>\$ 39,554</u>	<u>\$ 33,543</u>	<u>\$ 49,700</u>	<u>\$ 20,011</u>
<i>Component Unit -</i>	<b>Balance</b>			<b>Balance</b>	
<i>Lawton Support Services</i>	<u><b>6/30/2012</b></u>	<u><b>Increases</b></u>	<u><b>Decreases</b></u>	<u><b>6/30/2013</b></u>	<u><b>Due Within One Year</b></u>
Accrued Compensated Absences	<u>\$ 8,182</u>	<u>\$ 14,224</u>	<u>\$ 14,735</u>	<u>\$ 7,671</u>	<u>\$ 3,534</u>

**NOTE 8 – LONG-TERM DEBT**

The Housing Authority owes a balance under a capital leasing program to PNCEF, LLC dba PNC Equipment Finance, payable in varying monthly payments. The amount remaining on the capital lease at June 30, 2013 is \$1,116,226. The current portion of this debt is \$60,576 and the long-term portion is \$1,055,650 with the final payment to be made in 2025.

**NOTE 9 - INTER-PROGRAM TRANSFERS**

During the year ending June 30, 2013, the Capital Fund Program transferred and/or expended \$153,282 for Low Rent Program operations. For presentation of financial statements, this transfer has been eliminated.

**HOUSING AUTHORITY OF THE CITY OF LAWTON  
LAWTON, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 10 - COMMITMENTS AND CONTINGENCIES**

The Housing Authority has an active construction project as of June 30, 2013. This capital project is a modernization of the housing units. This project is being funded by the Capital Fund Program. As of June 30, 2013, \$45,586 had been spent on this project.

The activities of the Housing Authority are currently funded in large part by the Federal Government and future operations of the Authority are reliant on continuation of this funding from the Federal Government. The entity is subject to possible examinations by federal regulators who determine compliance with terms, conditions, laws and regulations governing grants given to the entity in the current and prior years. These examinations may result in required refunds by the entity to the federal grantors and/or program beneficiaries. Although these amounts cannot be determined at this time, the Housing Authority expects such amounts to be immaterial.

**NOTE 11 - RISK MANAGEMENT**

The Housing 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 for which the Housing Authority purchases commercial insurance.

Management believes this coverage is sufficient to preclude any significant uninsured losses to the Housing Authority. Settled claims have not exceeded coverage in any of the past three fiscal years.

**NOTE 12 - RETIREMENT**

The Housing Authority participates in a defined contribution plan administered by the Housing Renewal and Local Agency Retirement Plan. The Housing Authority is required to contribute a minimum of 6% of annual covered payroll which is deferred and employees may make voluntary contributions. For the fiscal year, actual contributions by the Housing Authority and the participants are \$31,811 and \$22,076, respectively for a total of \$53,887. For the year ending June 30, 2012, actual contributions total \$55,777.

**NOTE 13 - 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 occur at the federal level, the amount of funds the Housing Authority receives could be reduced substantially and have an adverse effect on its operations. Although management expects decreases in funding, significant adverse changes in services provided are not expected to occur by the Housing Authority.

**LAWTON, OKLAHOMA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013**

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA #</u>	<u>Federal Expenditures</u>
<i>Direct Programs:</i>		
U.S. Department of Housing and Urban Development		
Public & Indian Housing	*	\$ 714,571
Housing Choice Vouchers	14.871	587,339
Shelter Plus Care	14.238	62,082
Capital Fund Program	*	371,910
Disaster Housing Assistance	14.DVP	<u>18,424</u>
Sub-total Direct Programs		1,754,326
<i>Pass-thru Programs thru Oklahoma Department of Commerce</i>		
Emergency Shelter Grants	14.231	56,668
Homelessness Prevention & Rapid Re-housing	14.257	<u>2,836</u>
Total U.S. Department of Housing and Urban Development		<u><u>1,813,830</u></u>

\* Major Programs

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal contract and grant activity of the Housing Authority of the City of Lawton and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."

**HOUSING AUTHORITY OF THE CITY OF LAWTON  
LAWTON, OKLAHOMA  
FINANCIAL DATA SCHEDULE  
JUNE 30, 2013**



**HOUSING AUTHORITY OF THE CITY OF LAWTON  
LAWTON, OKLAHOMA  
FINANCIAL DATA SCHEDULE  
JUNE 30, 2013**

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FINANCIAL DATA SCHEDULE  
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FINANCIAL DATA SCHEDULE  
JUNE 30, 2013**

**HOUSING AUTHORITY OF THE CITY OF LAWTON  
LAWTON, OKLAHOMA  
FINANCIAL DATA SCHEDULE  
JUNE 30, 2013**

**HOUSING AUTHORITY OF THE CITY OF LAWTON**

**LAWTON, OKLAHOMA  
SCHEDULE OF ACTUAL MODERNIZATION COST  
FOR THE YEAR ENDED JUNE 30, 2013**

The distribution of costs by major cost accounts as shown on the final Comprehensive Assessment/Program Budget and the Actual Modernization Cost Certificate submitted to HUD are in agreement with the Housing Authority's records.

	<b><u>OK56P00550109</u></b>
Original Funds Approved	<u>\$ 446,052</u>
Funds Disbursed	<u>\$ 446,052</u>
Funds Expended (Actual Modernization Cost)	<u>\$ 446,052</u>
Amount to be Recaptured	<u>\$ -</u>
Excess of Funds Disbursed	<u>\$ -</u>

**CYNTHIA L WARREN CPA, P.C.**

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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***

**INDEPENDENT AUDITOR'S REPORT**

Board of Commissioners  
Housing Authority of the City of Lawton  
Lawton, Oklahoma

I 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 financial statements of the Housing Authority of the City of Lawton, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements and have issued my report thereon dated March 15, 2014.

**Internal Control over Financial Reporting**

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

My consideration of the 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 deficiencies or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I 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 financial statements are free of material misstatement, I 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 statements amounts. However providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the housing 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 Housing Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cynthia L Warren CPA, P.C.  
Eufaula, Oklahoma  
March 15, 2014

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Board of Commissioners  
Housing Authority of the City of Lawton  
Lawton, Oklahoma

**Report on Compliance for Each Major Federal Program**

I have audited the compliance of the Housing Authority of the City of Lawton with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Housing Authority of the City of Lawton's major federal programs for the year ended June 30, 2013. The Housing Authority of the City of Lawton'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**

My responsibility is to express an opinion on compliance for each of the Housing Authority of the City of Lawton's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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 OMB Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority of the City of Lawton's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion for each major federal program. However, my audit does not provide a legal determination on the Housing Authority of the City of Lawton's compliance.

**Opinion on Each Major Federal Program**

In my opinion, the Housing Authority of the City of Lawton complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

#### **Report on Internal Control over Compliance**

Management of the Housing Authority of the City of Lawton is responsible for establishing and maintaining effective internal control over compliance with the types of compliance referred to above. In planning and performing my audit of compliance, I considered the Housing Authority of the City of Lawton's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Housing Authority's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal award 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 type of 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 charge with governance.

My consideration of internal control was for the limited purpose as 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. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. 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 my testing of internal control over compliance and the results of my testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Cynthia L Warren CPA, P.C.  
Eufaula, Oklahoma  
March 15, 2014

**LAWTON, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

***Financial Statements***

Type of auditor's report issued:	Unqualified
Internal Control over financial reporting:	
• Material weakness identified?	No
• Significant deficiencies identified:	None Reported
Noncompliance material to financial statements noted?	No

***Federal Awards***

Internal Control over major programs:	
• Material weakness identified?	No
• Significant deficiencies identified:	None Reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in Accordance with Section 510(a) of OMB Circular A-133?	No

Identification of major programs:

#14.850	Public and Indian Housing
#14.872	Capital Fund Program

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

Auditee qualified as a low-risk auditee?      Yes

**SECTION II - FINANCIAL STATEMENT FINDINGS**

None

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

None

**LAWTON, OKLAHOMA**  
**SCHEDULE OF SUMMARY STATUS OF PRIOR AUDIT FINDINGS**  
**JUNE 30, 2013**

The prior report on the audit of the financial statements as of and for the twelve months ended June 30, 2012, contained no findings.