

**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, 2016**

CYNTHIA L WARREN CPA, P.C.

Eufaula, Oklahoma 74432

**HOUSING AUTHORITY OF THE CITY OF LAWTON
LAWTON, OKLAHOMA
JUNE 30, 2016**

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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 financial statements of the Housing Authority of the City of Lawton as of June 30, 2016, 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 entity's 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, 2016, 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 16 be presented to supplement the financial statements. Such information, although not a required part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge I obtained during my audit of the 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 Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) 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, 2017 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.

Cynthia L Warren CPA, P.C.
Eufaula, Oklahoma
March 15, 2017

**LAWTON HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016**

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, 2016. The Lawton Housing Authority presents this discussion and analysis of its financial performance during the fiscal year ended June 30, 2016, 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 296 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 42 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. 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, 2016, 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, 2016.

MANAGEMENT'S DISCUSSION AND ANALYSIS-Cont.

Financial Highlights

Primary Government:

- The net position of the Primary Government decreased from \$4,954,818 to \$4,705,704, a decrease of \$249,114, or 5%. Total assets also decreased by \$301,756, or 5%.
- The Primary Government's revenue decreased from \$2,598,683 to \$2,581,336, a decrease of \$17,347, or 1%.
- The Primary Government's expenses increased from \$2,701,942 to \$2,830,450, an increase of \$128,508, or 5%.

Component Unit:

- The net position of the Component Unit increased from \$183,844 to \$196,558, an increase of \$12,714, or 7%. Total assets also increased by \$8,048, or 3%.
- The Component Unit's revenue decreased from \$181,767 to \$165,610, a decrease of \$16,157, or 9%.
- The Component Unit's expenses decreased from \$158,505 to \$152,896, a decrease of \$5,609, or 4%.

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, 2016 and June 30, 2015.

***Primary Government
Statement of Net Position
As of June 30, 2016 and June 30, 2015***

Category	2016	2015	Change \$	Change %
Current Assets	\$ 1,615,913	\$ 1,706,127	\$ (90,214)	-5%
Noncurrent Assets	\$ 4,005,429	\$ 4,247,709	\$ (242,280)	-6%
Other NonCurrent Assets	\$ 258,725	\$ 227,987	\$ 30,738	13%
Total Assets	\$ 5,880,067	\$ 6,181,823	\$ (301,756)	-5%
Current Liabilities	\$ 269,487	\$ 247,605	\$ 21,882	9%
Noncurrent Liabilities	\$ 904,876	\$ 979,400	\$ (74,524)	-8%
Total Liabilities	\$ 1,174,363	\$ 1,227,005	\$ (52,642)	-4%
Unrestricted	\$ 1,646,077	\$ 1,627,468	\$ 18,609	1%
Investment in Capital Assets	\$ 3,059,627	\$ 3,248,174	\$ (188,547)	-6%
Restricted	\$ -	\$ 79,176	\$ (79,176)	0%
Total Net Position	\$ 4,705,704	\$ 4,954,818	\$ (249,114)	-5%

Current Assets

Current assets decreased by \$90,214 from the previous year. Cash and investments decreased by \$2,244, receivables decreased by \$40,616, and other current assets decreased by \$47,354 from June 30, 2015 to June 30, 2016.

Noncurrent Assets

Noncurrent assets decreased by \$242,280 from the previous year due to current year capital asset purchases reduced by application of accumulated depreciation.

Other noncurrent assets

Other noncurrent assets increased by \$30,738 due to the sale of one scattered site unit during the current year.

Current Liabilities

Current liabilities increased by \$21,882 from the prior year primarily due to the current year presentation of inter-program payables.

Long Term Liabilities

Long term liabilities decreased by \$74,524 from the previous year primarily due to the principal payments made on the energy performance contract.

MANAGEMENT'S DISCUSSION AND ANALYSIS-Cont.

Unrestricted

The Authority's total net position decreased, by \$249,114, from the prior year.

The Authority's unrestricted component of net position increased from \$1,627,468 to \$1,646,077, an increase of \$18,609, or 1% for the current year. This increase is primarily due to operating revenues exceeding operating expenditures in the current year. 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	\$ 918,292
State & Local	72,618
Housing Choice Voucher Program	
Reserved for Administration	268,032
Homeownership Program	<u>387,135</u>
Total	<u>\$ 1,646,077</u>

Restricted

Restricted component of net position decreased from \$79,176 at June 30, 2015 to \$0 at June 30, 2016. The primary reason for the decrease was due to the reporting of excess HAP expenditures over HAP funding using the PHA-held reserves.

Component Unit Statement of Net Position As of June 30, 2016 and June 30, 2015

<u>Category</u>	<u>2016</u>	<u>2015</u>	<u>Change \$</u>	<u>Change %</u>
Current Assets	\$ 145,085	\$ 133,137	\$ 11,948	9%
Noncurrent Assets	\$ 96,709	\$ 100,609	\$ (3,900)	-4%
Total Assets	\$ 241,794	\$ 233,746	\$ 8,048	3%
Current Liabilities	\$ 44,143	\$ 47,566	\$ (3,423)	-7%
Noncurrent Liabilities	\$ 1,093	\$ 2,336	\$ (1,243)	-53%
Total Liabilities	\$ 45,236	\$ 49,902	\$ (4,666)	-9%
Unrestricted	\$ 99,849	\$ 83,235	\$ 16,614	20%
Investment in Capital Assets	\$ 96,709	\$ 100,609	\$ (3,900)	-4%
Total Net Position	\$ 196,558	\$ 183,844	\$ 12,714	7%

Current Assets

Current assets increased by \$11,948 from the previous year primarily due the increase of cash/investments in the amount of \$5,680 and receivables of \$4,681.

MANAGEMENT'S DISCUSSION AND ANALYSIS-Cont.

Noncurrent Liabilities

Noncurrent liabilities decreased by \$1,243 primarily due to the current year depreciation expense exceeding noncurrent compensated absences.

Net Position

The Component Unit's total net position increased by \$12,714 for the current year.

The Component Unit's unrestricted component of net position increased from \$83,235 to \$99,849, an increase of \$16,614, or 20% for the current year. This increase is primarily due to the reporting of excess of operating revenues over operating expenses during the current fiscal year.

Primary Government Statement of Revenues & Expenses For the Year Ended June 30, 2016 and June 30, 2015

<u>Category</u>	<u>2016</u>	<u>2015</u>	<u>Change \$</u>	<u>Change %</u>
Tenant Revenue	\$ 571,426	\$ 581,769	\$ (10,343)	-2%
Operating Grants	\$ 1,722,827	\$ 1,688,834	\$ 33,993	2%
Capital Grants	\$ 78,418	\$ 126,042	\$ (47,624)	-38%
Interest Income	\$ 3,201	\$ 3,266	\$ (65)	-2%
Other Revenue	\$ 205,464	\$ 198,772	\$ 6,692	3%
Total Revenue	\$ 2,581,336	\$ 2,598,683	\$ (17,347)	-1%
			\$ -	
Administration	\$ 606,736	\$ 568,901	\$ 37,835	7%
Tenant Services	\$ 7,727	\$ 6,470	\$ 1,257	19%
Utilities	\$ 213,969	\$ 274,799	\$ (60,830)	-22%
Ordinary Maintenance	\$ 738,676	\$ 552,714	\$ 185,962	34%
Protective Services	\$ 7,859	\$ 7,350	\$ 509	7%
General Expense	\$ 191,221	\$ 193,415	\$ (2,194)	-1%
Extraordinary Maintenance	\$ -	\$ 17,430	\$ (17,430)	-100%
Housing Assistance Payments	\$ 655,950	\$ 674,848	\$ (18,898)	-3%
Depreciation	\$ 408,312	\$ 406,015	\$ 2,297	1%
			\$ -	
Total Expenses	\$ 2,830,450	\$ 2,701,942	\$ 128,508	5%
Excess of Revenue over Expenses	\$ (249,114)	\$ (103,259)	\$ (145,855)	141%
Net Position, Beginning of Year	\$ 4,954,818	\$ 5,067,123	\$ (112,305)	-2%
PYA, Equity Transfers	\$ -	\$ (9,046)	\$ 9,046	-100%
Net Position, End of Year	\$ 4,705,704	\$ 4,954,818	\$ (249,114)	-5%

MANAGEMENT'S DISCUSSION AND ANALYSIS-Cont.

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 decreased by \$17,347 during the current fiscal year. Notable differences noted from comparing current year balances to previous year balances are listed as follows:

- Capital grants decreased \$47,624 due to decreased activity in the Capital Fund program.

Total expenses increased by \$128,508, or 5%. Significant variations between the years include:

- Administration increased by \$37,835 due to increased salary and benefits of \$38,133.
- Utilities decreased by \$60,830 in the current year. Water decreased by \$15,490, electric decreased by \$11,255, gas decreased by \$19,525, and sewer decreased by \$14,560.
- Ordinary maintenance increased by \$185,962 due to an increase in maintenance materials of \$41,220, unit turnaround contracts of \$16,513, extermination contracts of \$18,555 and miscellaneous contract costs of \$105,695 from the prior year.
- Housing assistance payments decreased in the current year by \$18,898 due to average HAP decreasing from \$509 in 2015 to \$493 in 2016.

MANAGEMENT'S DISCUSSION AND ANALYSIS-Cont.

Component Unit Statement of Revenues & Expenses For the Year Ended June 30, 2016, and June 30, 2015

<u>Category</u>	<u>2016</u>	<u>2015</u>	<u>Change \$</u>	<u>Change %</u>
Tenant Revenue	\$ 19,658	\$ 17,782	\$ 1,876	11%
Operating Grants	\$ 122,754	\$ 137,972	\$ (15,218)	-11%
Interest Income	\$ 102	\$ 120	\$ (18)	-15%
Other Revenue	\$ 23,096	\$ 25,893	\$ (2,797)	-11%
Total Revenue	\$ 165,610	\$ 181,767	\$ (16,157)	-9%
			\$ -	
Administration	\$ 84,579	\$ 68,036	\$ 16,543	24%
Tenant Services	\$ 6,969	\$ 8,170	\$ (1,201)	-15%
Ordinary Maintenance	\$ 10,319	\$ 425	\$ 9,894	2328%
Housing Assistance Payments	\$ 29,906	\$ 57,618	\$ (27,712)	-48%
General Expense	\$ 17,223	\$ 19,607	\$ (2,384)	-12%
Depreciation	\$ 3,900	\$ 4,649	\$ (749)	-16%
			\$ -	
Total Expenses	\$ 152,896	\$ 158,505	\$ (5,609)	-4%
Excess of Revenue over Expenses	\$ 12,714	\$ 23,262	\$ (10,548)	-45%
Net Position, Beginning of Year	\$ 183,844	\$ 160,582	\$ 23,262	14%
Net Position, End of Year	\$ 196,558	\$ 183,844	\$ 12,714	7%

Results of Operations

Revenues of the Component Unit are generated principally from grants and other revenue. The Component Unit's revenue decreased by \$16,157 during the current fiscal year. Significant decreases include the following:

- A reduction in the operating grant funding of \$15,218.

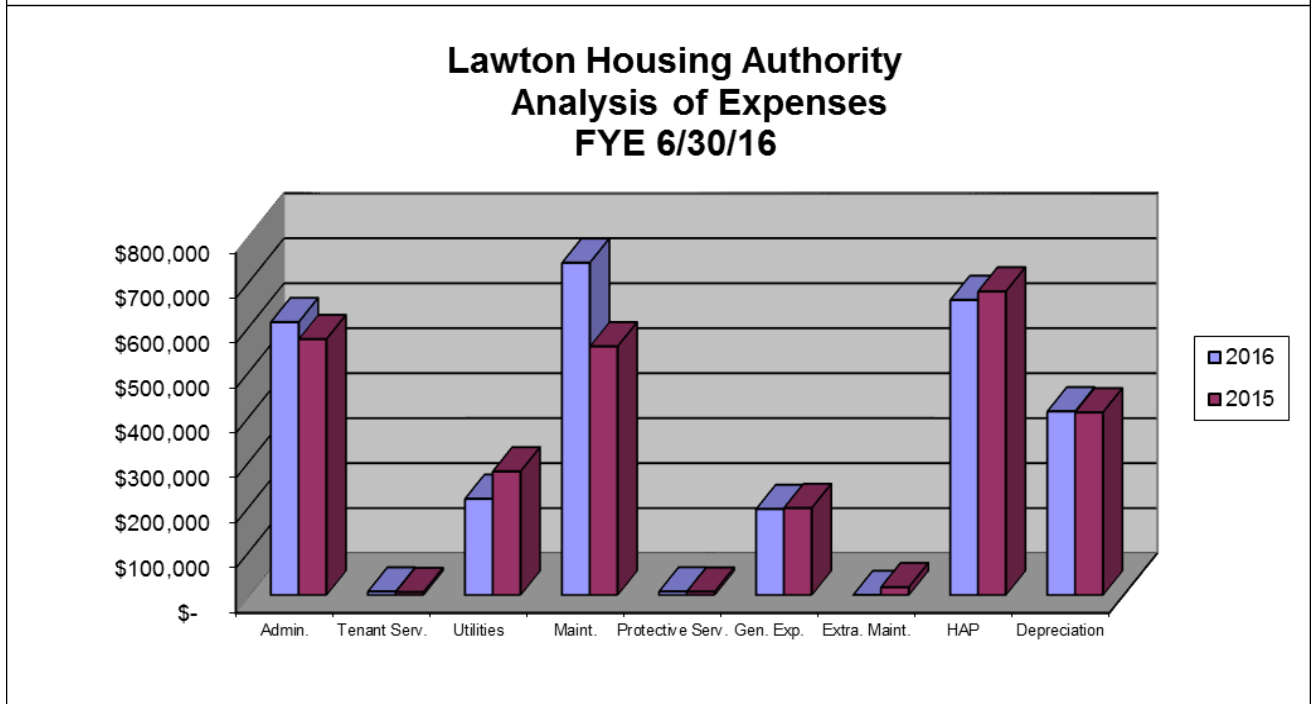
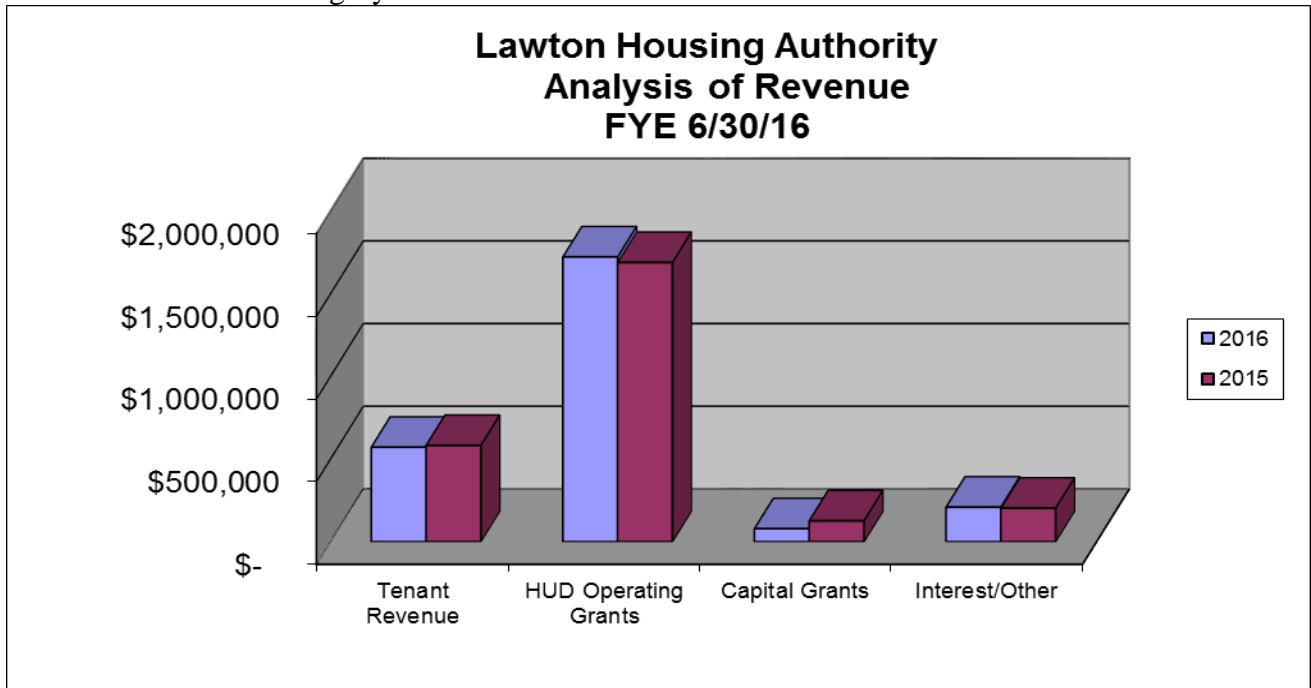
Total expenses decreased by \$5,609, or 4%. Significant variations between the years include the following:

- Administrative expense increased by \$16,543 or 24%. This was primarily due to an increase in administrative salaries of \$13,279 and benefits of \$9,018.
- Housing assistance payments decreased by \$27,712 or 48%. The units leased decreased from 104 in 2015 to 92 in 2016. Average HAP also decreased from \$554 in 2015 to \$325 in 2016.

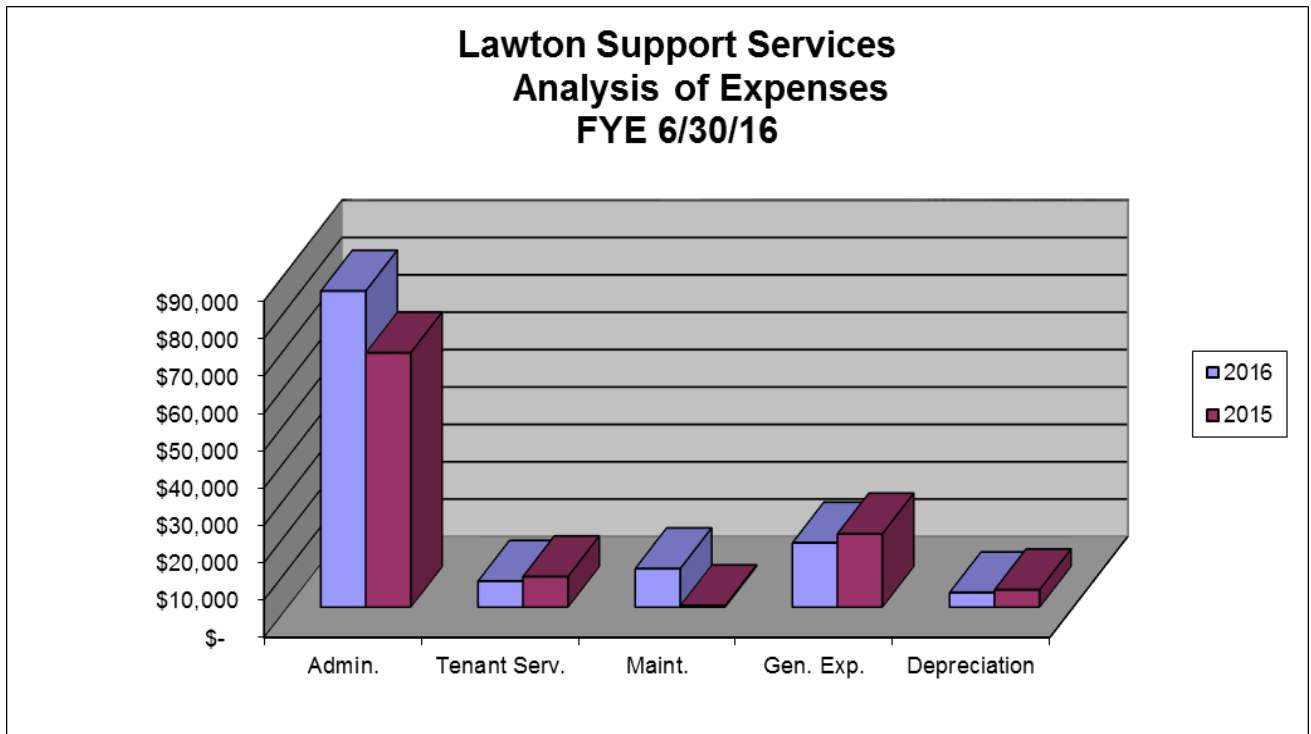
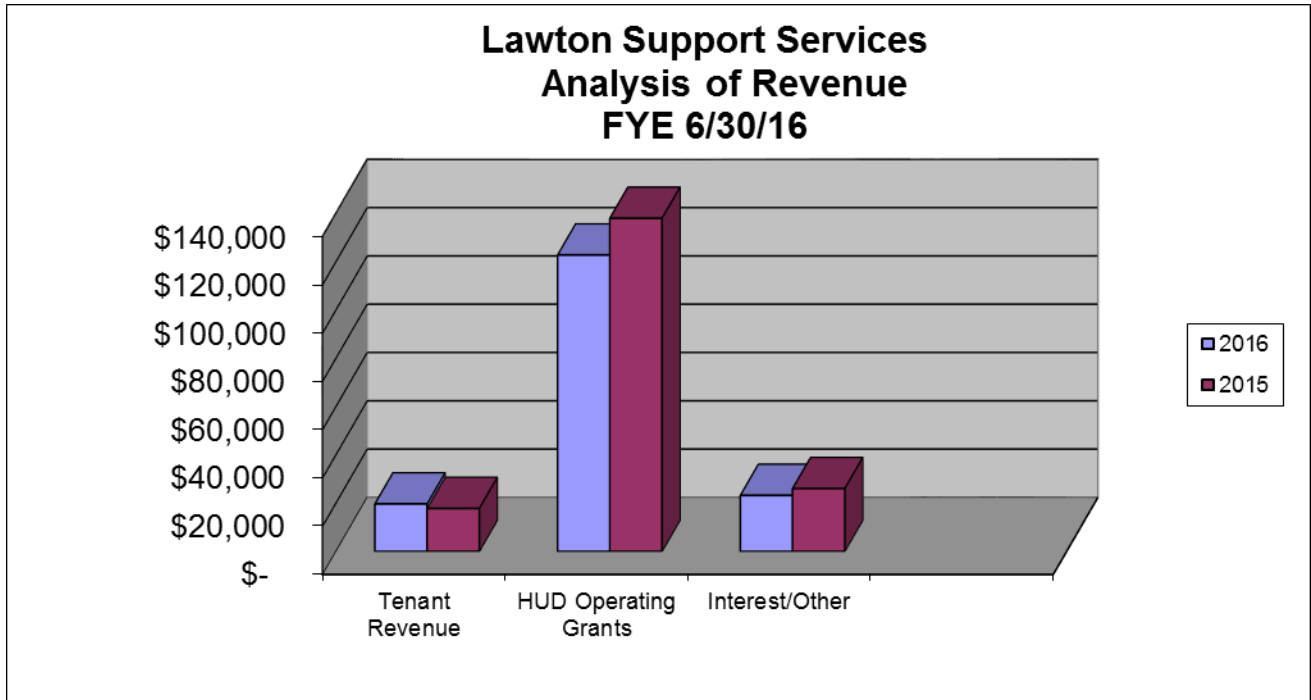
MANAGEMENT’S DISCUSSION AND ANALYSIS-Cont.

- Ordinary maintenance increased by \$9,894. The increase was primarily due to an increase in plumbing contracts costs of \$3,555 and miscellaneous contract costs of \$4,226.

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, 2016, the Primary Government’s investment in capital assets was \$3,059,627. This investment includes land, building, equipment, and construction in progress, less any associated debt.

<u>Category</u>	<u>2016</u>	<u>2015</u>	<u>Change \$</u>	<u>Change %</u>
Land	\$ 246,990	\$ 248,529	\$ (1,539)	-1%
Buildings	\$ 15,071,451	\$ 14,910,669	\$ 160,782	1%
Equipment	\$ 410,292	\$ 403,834	\$ 6,458	2%
Construction in Progress	\$ 164,440	\$ 218,636	\$ (54,196)	-25%
Accumulated Depreciation	\$ (11,887,744)	\$ (11,533,959)	\$ (353,785)	3%
Total Capital Assets	\$ 4,005,429	\$ 4,247,709	\$ (242,280)	-6%

The increase noted in the buildings consisted of total blinds replacement for the lobby and windows, roofs, and electrical upgrade funded with the 2012 Capital Fund. Construction in progress consisted of roofs, a/c, heaters, sidewalks, and erosion projects funded with the 2013 and 2014 Capital Fund Grants. The increase in equipment consisted of a lawn mower.

Noncurrent Liabilities

Noncurrent liabilities decreased by \$74,524 from the previous year primarily due to the reduction in principal on the energy performance contract of \$60,802.

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 \$18,822.

The Authority did not acquire any debt obligations during the fiscal year.

MANAGEMENT’S DISCUSSION AND ANALYSIS-Cont.

As of June 30, 2016, the Component Unit’s investment in capital assets was \$96,709. This investment includes land, building, and equipment, less any associated debt.

<u>Category</u>	<u>2016</u>	<u>2015</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	\$ (79,798)	\$ (75,898)	\$ (3,900)	5%
Total Capital Assets	\$ 96,709	\$ 100,609	\$ (3,900)	-4%

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 \$1,093.

Subsequent Event

HUD has finalized the funding levels for the 2016 calendar year. Operating subsidy for the Low Rent Housing Program will be prorated at 90.21%. Operating subsidy for the 2017 calendar year is estimated at 85%.

The amount of funding for the 2016 calendar year for the Housing Choice Voucher Program has been finalized by HUD. These include the proration of administrative fees being funded at 87% and HAP funding at 100%.

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, 2016**

	Primary Government - Lawton Housing Authority	Component Unit - Lawton Support Services
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 777,237	\$ 123,528
Cash and Cash Equivalents, Restricted for Security Deposits	59,868	390
Tenant Accounts Receivable, Net	5,719	682
Due from Other Governments - HUD	27,872	18,505
Accrued Interest Receivable	227	0
Accounts Receivable - Miscellaneous	0	180
Investments	572,507	0
Prepaid Expenses	74,577	1,566
Inventory	10,639	0
Due from Component Unit	39,603	0
Total Current Assets	1,568,249	144,851
Noncurrent Assets:		
Capital Assets, Non-depreciable	411,430	1,150
Capital Assets, Net of Depreciation	3,593,999	95,559
Total Capital Assets	4,005,429	96,709
Notes Receivable	258,725	0
Total Noncurrent Assets	4,264,154	96,709
Total Assets	\$ 5,832,403	\$ 241,560

(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, 2016

(Continued from previous page.)

	Primary Government - Lawton Housing Authority	Component Unit - Lawton Support Services
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable, Vendors	\$ 21,781	\$ 73
Due to Other Government - PILOT Taxes	10	0
Accrued Wages and Payroll Taxes Payable	25,739	1,555
Accrued Compensated Absences	19,647	2,288
Unearned Revenues	6,126	0
Other Current Liabilities	28,904	0
Tenant Security Deposits	59,868	390
Due to Housing Authority	0	39,603
Debt for Capital Projects - Current Portion	59,748	0
Total Current Liabilities	<u>221,823</u>	<u>43,909</u>
Long-term Liabilities:		
Long-term Accrued Expenses	18,822	1,093
Debt for Capital Project - Long-term	886,054	0
Total Non-current Liabilities	<u>904,876</u>	<u>1,093</u>
Total Liabilities	<u>1,126,699</u>	<u>45,002</u>
Net Assets:		
Invested in Capital Assets	3,059,627	96,709
Unrestricted Net Assets	1,646,077	99,849
Total Net Assets	<u>4,705,704</u>	<u>196,558</u>
Total Liabilities and Net Assets	\$ <u>5,832,403</u>	\$ <u>241,560</u>

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

Exhibit B

**HOUSING AUTHORITY OF THE CITY OF LAWTON
LAWTON, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2016**

	Primary Government - Lawton Housing Authority	Component Unit - Lawton Support Services
Operating Revenue:		
Tenant Revenue	\$ 571,426	\$ 19,658
Operating Grants and Subsidies	1,722,827	122,754
Other Income	174,567	23,096
Total Operating Revenue	2,468,820	165,508
Operating Expenses:		
Housing Assistance Payments	655,950	29,906
Administration	606,736	84,579
Tenant Services	15,586	6,969
Utilities	213,969	0
Maintenance	738,676	10,319
General Expense	138,954	17,223
Depreciation	408,312	3,900
Total Operating Expenses	2,778,183	152,896
Operating Income (Loss)	(309,363)	12,612
Non-operating Revenue (Expense)		
Investment Income	15,298	102
Gain (Loss) on Disposal of Fixed Assets	18,800	0
Interest Expense	(52,267)	0
Net Income (Loss) Before Capital Grants	(327,532)	12,714
Capital Grants	78,418	0
Change in Net Assets	(249,114)	12,714
Total Net Assets, Beginning	4,954,818	183,844
Total Net Assets, Ending	\$ 4,705,704	\$ 196,558

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, 2016**

	Primary Government - Lawton Housing Authority	Component Unit - Lawton Support Services
Cash Flows from Operating Activities:		
Receipts from Tenants	\$ 575,483	\$ 16,697
Receipts from Operating Grants	1,736,126	117,929
Receipts from Other Operating Activities	174,567	23,240
Payments to Employees	(685,121)	(73,513)
Payments to Suppliers and Vendors	(1,068,228)	(48,869)
Payments for Housing Assistance	(655,950)	(29,906)
Net Cash Provided (Used) by Operating Activities	76,877	5,578
Cash Flows from Capital and Related Financing Activities:		
Receipts from Capital Grants	78,418	0
Proceeds (Payments) on Capital Leasing	(53,733)	0
Interest Paid on Capital Leasing	(52,267)	0
Disposal of Fixed Assets	107,631	
Purchases of Land, Structures and Equipment	(169,870)	0
Net Cash Provided (Used) by Capital and Related Financing Activities	(89,821)	0
Cash Flows from Investing Activities:		
Receipts of Interest Income	15,173	102
Increase in Notes Receivable	(4,472)	0
Net Cash Provided (Used) from Investing Activities	10,701	102
Net Increase (Decrease) in Cash and Cash Equivalents	(2,243)	5,680
Cash and Cash Equivalents, Beginning	839,348	118,238
Cash and Cash Equivalents, Ending	\$ 837,105	\$ 123,918
 Reconciliation to Statement of Net Assets:		
Cash and Cash Equivalents	\$ 777,237	\$ 123,528
Cash and Cash Equivalents, Restricted	59,868	390
	\$ 837,105	\$ 123,918

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, 2016**

	Primary Government - Lawton Housing <u>Authority</u>	Component Unit - Lawton Support <u>Services</u>
Reconciliation of Operating Income to Net Cash		
 Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$ <u>(309,363)</u>	\$ <u>12,612</u>
Adjustments to reconcile Operating Income (Loss) to Net		
Cash Provided (Used) by Operating Activities:		
Depreciation	408,312	3,900
Change in Assets and Liabilities:		
Accounts Receivable and Due from Other Governments	14,711	(4,915)
Prepaid Expenses	(7,371)	(1,353)
Inventory	(3,069)	0
Accounts Payable	(4,074)	162
Tenant Security Deposits	4,305	0
Accrued Liabilities	(17,173)	(1,867)
Deferred Revenues	<u>(9,401)</u>	<u>(2,961)</u>
Total Adjustments	<u>386,240</u>	<u>(7,034)</u>
Net Cash Provided (Used) by Operating Activities	\$ <u><u>76,877</u></u>	\$ <u><u>5,578</u></u>

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, 2016**

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 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, 2016, 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 sanity 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, 2016**

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 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 are 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, 2016**

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.

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. The 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, 2016**

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, 2016, and reported at fair value, are as follows:

<u>TYPE</u>	<u>Primary Government Carrying Value</u>	<u>Component Unit Carrying Value</u>
Deposits:		
Demand Deposits	\$ 836,105	\$ 123,918
Cash on Hand	<u>1,000</u>	<u>0</u>
	837,105	123,918
Investments:		
Certificates of Deposit	<u>572,507</u>	<u>0</u>
Total Deposits and Investments	\$ <u>1,409,612</u>	\$ <u>123,918</u>
 Reconciliation to Statement of Net Assets:		
Cash and Cash Equivalents	\$ 777,237	\$ 123,528
Cash and Cash Equivalents, Restricted	59,868	390
Investments	<u>572,507</u>	<u>0</u>
	\$ <u>1,409,612</u>	\$ <u>123,918</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 \$1,711,586 at June 30, 2016, 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, 2016**

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, 2016, the Housing Authority had limited concentration of credit risk because the investments consist of Certificates of Deposit.

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable from tenants for Lawton Housing Authority are for rentals and service charges for the Low Rent Program. These receivables are shown net of an allowance for uncollectible amounts. The total accounts receivable balance is \$6,522 less an allowance of \$803 for a net accounts receivable of \$5,719 at June 30, 2016.

Tenant Accounts Receivable for Lawton Support Services is for rental and services. These receivables are shown net of an allowance for uncollectible amounts. The total amounts receivable balance is \$3,182 less an allowance of \$2,500 for a net accounts receivable of \$682 at June 30, 2016.

**HOUSING AUTHORITY OF THE CITY OF LAWTON
LAWTON, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 5 - CAPITAL ASSETS

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

<i>Primary Government -</i>	Balance			Balance
<i>Lawton Housing Authority</i>	<u>6/30/2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>6/30/2016</u>
Non-depreciable Capital Assets:				
Land	\$ 248,529	\$ 0	\$ (1,539)	\$ 246,990
Construction in Progress	<u>218,636</u>	<u>73,213</u>	<u>(127,409)</u>	<u>164,440</u>
	<u>467,165</u>	<u>73,213</u>	<u>(128,948)</u>	<u>411,430</u>
Depreciable Capital Assets:				
Buildings and Improvements	14,910,666	217,608	(56,826)	15,071,448
Furniture & Equipment	<u>405,316</u>	<u>6,458</u>	<u>0</u>	<u>411,774</u>
	<u>15,315,982</u>	<u>224,066</u>	<u>(56,826)</u>	<u>15,483,222</u>
Less Accumulated Depreciation:				
Buildings and Improvements	11,203,706	388,247	(54,527)	11,537,426
Furniture & Equipment	<u>331,732</u>	<u>20,065</u>	<u>0</u>	<u>351,797</u>
	<u>11,535,438</u>	<u>408,312</u>	<u>(54,527)</u>	<u>11,889,223</u>
Net Depreciable Capital Assets	<u>3,780,544</u>	<u>(184,246)</u>	<u>(2,299)</u>	<u>3,593,999</u>
Total	\$ <u>4,247,709</u>	\$ <u>(111,033)</u>	\$ <u>(131,247)</u>	\$ <u>4,005,429</u>
<i>Component Unit -</i>				
Balance				
<i>Lawton Support Services</i>	<u>6/30/2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Non-depreciable Capital Assets:				
Land	\$ <u>1,150</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>1,150</u>
Depreciable Capital Assets:				
Buildings and Improvements	156,014	0	0	156,014
Furniture & Equipment	<u>19,342</u>	<u>0</u>	<u>0</u>	<u>19,342</u>
	<u>175,356</u>	<u>0</u>	<u>0</u>	<u>175,356</u>
Less Accumulated Depreciation:				
Buildings and Improvements	56,556	3,900	0	60,456
Furniture & Equipment	<u>19,341</u>	<u>0</u>	<u>0</u>	<u>19,341</u>
	<u>75,897</u>	<u>3,900</u>	<u>0</u>	<u>79,797</u>
Net Depreciable Capital Assets	<u>99,459</u>	<u>(3,900)</u>	<u>0</u>	<u>95,559</u>
Total	\$ <u>100,609</u>	\$ <u>(3,900)</u>	\$ <u>0</u>	\$ <u>96,709</u>

Depreciation expense for the year ending June 30, 2016 for the Housing Authority and the Component Unit is \$408,312 and \$3,900, respectively.

**HOUSING AUTHORITY OF THE CITY OF LAWTON
LAWTON, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

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, 2016 is \$258,725.

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 \$38,469 of which \$19,647 is current and \$18,822 is long-term for Lawton Housing Authority and \$3,381 of which \$2,288 is current and \$1,093 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>	Balance			Balance			Due Within
<i>Lawton Housing Authority</i>	<u>6/30/2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>6/30/2016</u>	<u>One Year</u>		
Accrued Compensated Absences	\$ 55,348	\$ 23,765	\$ 40,644	\$ 38,469	\$	\$	<u>19,647</u>
<i>Component Unit -</i>	Balance			Balance			Due Within
<i>Lawton Support Services</i>	<u>6/30/2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>6/30/2016</u>	<u>One Year</u>		
Accrued Compensated Absences	\$ 5,231	\$ 5,222	\$ 7,072	\$ 3,381	\$	\$	<u>2,288</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, 2016 is \$945,802. The current portion of this debt is \$59,748 and the long-term portion is \$886,054 with the final payment to be made in 2025.

NOTE 9 - INTER-PROGRAM TRANSFERS

During the year ending June 30, 2016, the Capital Fund Program transferred \$102,569 to the Low Rent Program for 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, 2016**

NOTE 10 - COMMITMENTS AND CONTINGENCIES

The Housing Authority has an active construction project as of June 30, 2016. This capital project is a modernization of the housing units. This project is being funded by the Capital Fund Program. As of June 30, 2016, \$164,440 has 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 \$32,793 and \$23,689, respectively for a total of \$56,482. For the year ending June 30, 2015, actual contributions total \$57,375.

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.

**HOUSING AUTHORITY OF THE CITY OF LAWTON
LAWTON, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

<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	*	14.850 \$ 1,005,107
Housing Choice Vouchers		14.871 561,428
Shelter Plus Care		14.238 75,247
Capital Fund Program		14.872 <u>234,710</u>
Sub-total Direct Programs		1,876,492
<i>Pass-thru Programs thru City of Lawton</i>		
HOME Investment Partnerships Program		14.239 37,039
Community Development Block Grant		14.218 <u>10,468</u>
Total U.S. Department of Housing and Urban Development		\$ <u><u>1,923,999</u></u>

* Major Programs

The accompanying notes to the financial statements are an integral part of this schedule.

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal award activity of the Housing Authority of the City of Lawton under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the entity, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Housing Authority of the City of Lawton.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**HOUSING AUTHORITY OF THE CITY OF LAWTON
LAWTON, OKLAHOMA
FINANCIAL DATA SCHEDULE
JUNE 30, 2016**

	Project Total	14.DVP Disaster Voucher Program	14.218 Community Development Block Grants/Entitlement Grants	14.871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	14.238 Shelter Plus Care	14.239 HOME Investment Partnerships Program
111 Cash - Unrestricted	\$342,294			\$303,755	\$123,528		
114 Cash - Tenant Security Deposits	\$59,468				\$390		
100 Total Cash	\$401,762	\$0	\$0	\$303,755	\$123,918	\$0	\$0
121 Accounts Receivable - PHA Projects				\$2,259			
122 Accounts Receivable - HUD Other Projects	\$16,507			\$9,106		\$3,898	
124 Accounts Receivable - Other Government			\$7,614				\$6,993
125 Accounts Receivable - Miscellaneous					\$180		
126 Accounts Receivable - Tenants	\$6,522				\$3,182		
126.1 Allowance for Doubtful Accounts -Tenants	-\$803				-\$2,500		
129 Accrued Interest Receivable	\$227						
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$22,453	\$0	\$7,614	\$11,365	\$862	\$3,898	\$6,993
131 Investments - Unrestricted	\$572,507						
142 Prepaid Expenses and Other Assets	\$73,739			\$838	\$1,566		
143 Inventories	\$11,821						
143.1 Allowance for Obsolete Inventories	-\$1,182						
144 Inter Program Due From	\$14,649					\$234	
145 Assets Held for Sale							
150 Total Current Assets	\$1,095,749	\$0	\$7,614	\$315,958	\$126,346	\$4,132	\$6,993
161 Land	\$246,990				\$1,150		
162 Buildings	\$14,638,327				\$156,014		
163 Furniture, Equipment & Machinery - Dwellings	\$64,798						
164 Furniture, Equipment & Machinery - Administration	\$337,643			\$7,851	\$15,163	\$4,180	
166 Accumulated Depreciation	\$11,852,027			-\$7,851	-\$75,618	-\$4,180	
167 Construction in Progress	\$164,440						
160 Total Capital Assets, Net of Accumulated Depreciation	\$3,600,171	\$0	\$0	\$0	\$96,709	\$0	\$0

**HOUSING AUTHORITY OF THE CITY OF LAWTON
LAWTON, OKLAHOMA
FINANCIAL DATA SCHEDULE
JUNE 30, 2016**

	97.109 Disaster Housing Assistance Grant	8 Other Federal Program 1	2 State/Local	Subtotal	ELIM	Total
111 Cash - Unrestricted		\$131,188		\$900,765		\$900,765
114 Cash - Tenant Security Deposits		\$400		\$60,258		\$60,258
100 Total Cash	\$0	\$131,588	\$0	\$961,023	\$0	\$961,023
121 Accounts Receivable - PHA Projects				\$2,259		\$2,259
122 Accounts Receivable - HUD Other Projects				\$29,511		\$29,511
124 Accounts Receivable - Other Government				\$14,607		\$14,607
125 Accounts Receivable - Miscellaneous				\$180		\$180
126 Accounts Receivable - Tenants				\$9,704		\$9,704
126.1 Allowance for Doubtful Accounts - Tenants				-\$3,303		-\$3,303
129 Accrued Interest Receivable				\$227		\$227
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$0	\$0	\$0	\$53,185	\$0	\$53,185
131 Investments - Unrestricted				\$572,507		\$572,507
142 Prepaid Expenses and Other Assets				\$76,143		\$76,143
143 Inventories				\$11,821		\$11,821
143.1 Allowance for Obsolete Inventories				-\$1,182		-\$1,182
144 Inter Program Due From			\$72,618	\$87,501	-\$87,501	\$0
145 Assets Held for Sale						
150 Total Current Assets	\$0	\$131,588	\$72,618	\$1,760,998	-\$87,501	\$1,673,497
161 Land				\$248,140		\$248,140
162 Buildings		\$433,124		\$15,227,465		\$15,227,465
163 Furniture, Equipment & Machinery - Dwellings				\$64,798		\$64,798
164 Furniture, Equipment & Machinery - Administration				\$364,837		\$364,837
166 Accumulated Depreciation		-\$27,866		-\$11,967,542		-\$11,967,542
167 Construction in Progress				\$164,440		\$164,440
160 Total Capital Assets, Net of Accumulated Depreciation	\$0	\$405,258	\$0	\$4,102,138	\$0	\$4,102,138

**HOUSING AUTHORITY OF THE CITY OF LAWTON
LAWTON, OKLAHOMA
FINANCIAL DATA SCHEDULE
JUNE 30, 2016**

	Project Total	14.DVP Disaster Voucher Program	14.218 Community Development Block Grants/Entitlement Grants	14.871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	14.238 Shelter Plus Care	14.239 HOME Investment Partnerships Program
171 Notes, Loans and Mortgages Receivable - Non-Current							
180 Total Non-Current Assets	\$3,600,171	\$0	\$0	\$0	\$96,709	\$0	\$0
290 Total Assets and Deferred Outflow of Resources	\$4,695,920	\$0	\$7,614	\$315,958	\$223,055	\$4,132	\$6,993
312 Accounts Payable <= 90 Days	\$21,425			\$356	\$73		
321 Accrued Wage/Payroll Taxes Payable	\$24,529			\$1,210	\$80	\$1,278	\$197
322 Accrued Compensated Absences - Current Portion	\$18,702			\$945	\$353	\$1,935	
333 Accounts Payable - Other Government	\$10						
341 Tenant Security Deposits	\$59,468				\$390		
342 Unearned Revenue	\$6,056			\$70			
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	\$59,748						
345 Other Current Liabilities	\$1,025						
346 Accrued Liabilities - Other	\$27,879						
347 Inter Program - Due To			\$7,614	\$44,886	\$25,427		\$6,796
310 Total Current Liabilities	\$218,842	\$0	\$7,614	\$47,467	\$26,323	\$3,213	\$6,993
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$886,054						
354 Accrued Compensated Absences - Non Current	\$18,363			\$459	\$174	\$919	
350 Total Non-Current Liabilities	\$904,417	\$0	\$0	\$459	\$174	\$919	\$0
300 Total Liabilities	\$1,123,259	\$0	\$7,614	\$47,926	\$26,497	\$4,132	\$6,993
508.4 Net Investment in Capital Assets	\$2,654,369	\$0	\$0	\$0	\$96,709	\$0	\$0
512.4 Unrestricted Net Position	\$918,292	\$0	\$0	\$268,032	\$99,849	\$0	\$0
513 Total Equity - Net Assets / Position	\$3,572,661	\$0	\$0	\$268,032	\$196,558	\$0	\$0
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$4,695,920	\$0	\$7,614	\$315,958	\$223,055	\$4,132	\$6,993

**HOUSING AUTHORITY OF THE CITY OF LAWTON
LAWTON, OKLAHOMA
FINANCIAL DATA SCHEDULE
JUNE 30, 2016**

	97.109 Disaster Housing Assistance Grant	8 Other Federal Program 1	2 State/Local	Subtotal	ELIM	Total
171 Notes, Loans and Mortgages Receivable - Non-Current		\$258,725		\$258,725		\$258,725
180 Total Non-Current Assets	\$0	\$663,983	\$0	\$4,360,863	\$0	\$4,360,863
290 Total Assets and Deferred Outflow of Resources	\$0	\$795,571	\$72,618	\$6,121,861	-\$87,501	\$6,034,360
312 Accounts Payable <= 90 Days				\$21,854		\$21,854
321 Accrued Wage/Payroll Taxes Payable				\$27,294		\$27,294
322 Accrued Compensated Absences - Current Portion				\$21,935		\$21,935
333 Accounts Payable - Other Government				\$10		\$10
341 Tenant Security Deposits		\$400		\$60,258		\$60,258
342 Unearned Revenue				\$6,126		\$6,126
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue				\$59,748		\$59,748
345 Other Current Liabilities				\$1,025		\$1,025
346 Accrued Liabilities - Other				\$27,879		\$27,879
347 Inter Program - Due To		\$2,778		\$87,501	-\$87,501	\$0
310 Total Current Liabilities	\$0	\$3,178	\$0	\$313,630	-\$87,501	\$226,129
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue				\$886,054		\$886,054
354 Accrued Compensated Absences - Non Current				\$19,915		\$19,915
350 Total Non-Current Liabilities	\$0	\$0	\$0	\$905,969	\$0	\$905,969
300 Total Liabilities	\$0	\$3,178	\$0	\$1,219,599	-\$87,501	\$1,132,098
508.4 Net Investment in Capital Assets	\$0	\$405,258	\$0	\$3,156,336		\$3,156,336
512.4 Unrestricted Net Position	\$0	\$387,135	\$72,618	\$1,745,926		\$1,745,926
513 Total Equity - Net Assets / Position	\$0	\$792,393	\$72,618	\$4,902,262	\$0	\$4,902,262
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$0	\$795,571	\$72,618	\$6,121,861	-\$87,501	\$6,034,360

**HOUSING AUTHORITY OF THE CITY OF LAWTON
LAWTON, OKLAHOMA
FINANCIAL DATA SCHEDULE
JUNE 30, 2016**

	Project Total	14.DVP Disaster Voucher Program	14.218 Community Development Block Grants/Entitlement Grants	14.871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	14.238 Shelter Plus Care	14.239 HOME Investment Partnerships Program
70300 Net Tenant Rental Revenue	\$517,199				\$19,658		
70400 Tenant Revenue - Other	\$30,794						
70500 Total Tenant Revenue	\$547,993	\$0	\$0	\$0	\$19,658	\$0	\$0
70600 HUD PHA Operating Grants	\$1,161,399		\$10,468	\$561,428		\$75,247	\$37,039
70610 Capital Grants	\$78,418						
71100 Investment Income - Unrestricted	\$2,785			\$306	\$102		
71200 Mortgage Interest Income							
71500 Other Revenue	\$26,287			\$148,280	\$23,096		
71600 Gain or Loss on Sale of Capital Assets	-\$3,837						
70000 Total Revenue	\$1,813,045	\$0	\$10,468	\$710,014	\$42,856	\$75,247	\$37,039
91100 Administrative Salaries	\$306,549			\$35,634	\$1,507	\$48,597	\$6,600
91200 Auditing Fees	\$11,400			\$360	\$240		
91400 Advertising and Marketing	\$229			\$4	\$3		
91500 Employee Benefit contributions - Administrative	\$134,923			\$8,280	\$710	\$13,696	\$533
91600 Office Expenses	\$39,285			\$1,081	\$1,737	\$1,338	
91700 Legal Expense							
91800 Travel	\$11,942			\$37	\$24		
91900 Other	\$46,997			\$3,810	\$1,813	\$7,781	
91000 Total Operating - Administrative	\$551,325	\$0	\$0	\$49,206	\$6,034	\$71,412	\$7,133
92400 Tenant Services - Other	\$7,727				\$6,969		
92500 Total Tenant Services	\$7,727	\$0	\$0	\$0	\$6,969	\$0	\$0
93100 Water	\$61,532						
93200 Electricity	\$94,683						
93300 Gas	\$14,780						
93600 Sewer	\$42,974						
93000 Total Utilities	\$213,969	\$0	\$0	\$0	\$0	\$0	\$0

**HOUSING AUTHORITY OF THE CITY OF LAWTON
LAWTON, OKLAHOMA
FINANCIAL DATA SCHEDULE
JUNE 30, 2016**

	97.109 Disaster Housing Assistance Grant	8 Other Federal Program 1	2 State/Local	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue		\$23,433		\$560,290		\$560,290
70400 Tenant Revenue - Other				\$30,794		\$30,794
70500 Total Tenant Revenue	\$0	\$23,433	\$0	\$591,084	\$0	\$591,084
70600 HUD PHA Operating Grants				\$1,845,581		\$1,845,581
70610 Capital Grants				\$78,418		\$78,418
71100 Investment Income - Unrestricted		\$110		\$3,303		\$3,303
71200 Mortgage Interest Income		\$12,097		\$12,097		\$12,097
71500 Other Revenue				\$197,663		\$197,663
71600 Gain or Loss on Sale of Capital Assets		\$22,637		\$18,800		\$18,800
70000 Total Revenue	\$0	\$58,277	\$0	\$2,746,946	\$0	\$2,746,946
91100 Administrative Salaries		\$2,196		\$401,083		\$401,083
91200 Auditing Fees				\$12,000		\$12,000
91400 Advertising and Marketing				\$236		\$236
91500 Employee Benefit contributions - Administrative		\$168		\$158,310		\$158,310
91600 Office Expenses				\$43,441		\$43,441
91700 Legal Expense		\$3,516		\$3,516		\$3,516
91800 Travel				\$12,003		\$12,003
91900 Other		\$325		\$60,726		\$60,726
91000 Total Operating - Administrative	\$0	\$6,205	\$0	\$691,315	\$0	\$691,315
92400 Tenant Services - Other				\$14,696		\$14,696
92500 Total Tenant Services	\$0	\$0	\$0	\$14,696	\$0	\$14,696
93100 Water				\$61,532		\$61,532
93200 Electricity				\$94,683		\$94,683
93300 Gas				\$14,780		\$14,780
93600 Sewer				\$42,974		\$42,974
93000 Total Utilities	\$0	\$0	\$0	\$213,969	\$0	\$213,969

**HOUSING AUTHORITY OF THE CITY OF LAWTON
LAWTON, OKLAHOMA
FINANCIAL DATA SCHEDULE
JUNE 30, 2016**

	Project Total	14.DVP Disaster Voucher Program	14.218 Community Development Block Grants/Entitlement Grants	14.871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	14.238 Shelter Plus Care	14.239 HOME Investment Partnerships Program
94100 Ordinary Maintenance and Operations - Labor	\$104,595						
94200 Ordinary Maintenance and Operations - Materials and Other	\$105,058						
94300 Ordinary Maintenance and Operations Contracts	\$465,016			\$254	\$10,319		
94500 Employee Benefit Contributions - Ordinary Maintenance	\$51,838						
94000 Total Maintenance	\$726,507	\$0	\$0	\$254	\$10,319	\$0	\$0
95300 Protective Services - Other	\$7,859						
95000 Total Protective Services	\$7,859	\$0	\$0	\$0	\$0	\$0	\$0
96110 Property Insurance	\$52,457				\$507		
96120 Liability Insurance	\$7,627			\$241	\$661		
96130 Workmen's Compensation	\$17,645			\$420	\$280		
96140 All Other Insurance	\$12,504			\$128	\$85		
96100 Total insurance Premiums	\$90,233	\$0	\$0	\$789	\$1,533	\$0	\$0
96200 Other General Expenses	\$41		\$10,468	\$1			
96210 Compensated Absences	\$21,119			\$2,646	\$1,387	\$3,835	
96300 Payments in Lieu of Taxes	\$10						
96400 Bad debt - Tenant Rents	\$8,194						
96600 Bad debt - Other				\$15,921			
96000 Total Other General Expenses	\$29,364	\$0	\$10,468	\$18,568	\$1,387	\$3,835	\$0
96710 Interest of Mortgage (or Bonds) Payable	\$52,267						
96700 Total Interest Expense and Amortization Cost	\$52,267	\$0	\$0	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$1,679,251	\$0	\$10,468	\$68,817	\$26,242	\$75,247	\$7,133

**HOUSING AUTHORITY OF THE CITY OF LAWTON
LAWTON, OKLAHOMA
FINANCIAL DATA SCHEDULE
JUNE 30, 2016**

	97.109 Disaster Housing Assistance Grant	8 Other Federal Program 1	2 State/Local	Subtotal	ELIM	Total
94100 Ordinary Maintenance and Operations - Labor				\$104,595		\$104,595
94200 Ordinary Maintenance and Operations - Materials and Other				\$105,058		\$105,058
94300 Ordinary Maintenance and Operations Contracts		\$11,915		\$487,504		\$487,504
94500 Employee Benefit Contributions - Ordinary Maintenance				\$51,838		\$51,838
94000 Total Maintenance	\$0	\$11,915	\$0	\$748,995	\$0	\$748,995
95300 Protective Services - Other				\$7,859		\$7,859
95000 Total Protective Services	\$0	\$0	\$0	\$7,859	\$0	\$7,859
96110 Property Insurance				\$52,964		\$52,964
96120 Liability Insurance				\$8,529		\$8,529
96130 Workmen's Compensation				\$18,345		\$18,345
96140 All Other Insurance				\$12,717		\$12,717
96100 Total insurance Premiums	\$0	\$0	\$0	\$92,555	\$0	\$92,555
96200 Other General Expenses				\$10,510		\$10,510
96210 Compensated Absences				\$28,987		\$28,987
96300 Payments in Lieu of Taxes				\$10		\$10
96400 Bad debt - Tenant Rents				\$8,194		\$8,194
96600 Bad debt - Other				\$15,921		\$15,921
96000 Total Other General Expenses	\$0	\$0	\$0	\$63,622	\$0	\$63,622
96710 Interest of Mortgage (or Bonds) Payable				\$52,267		\$52,267
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$52,267	\$0	\$52,267
96900 Total Operating Expenses	\$0	\$18,120	\$0	\$1,885,278	\$0	\$1,885,278

**HOUSING AUTHORITY OF THE CITY OF LAWTON
LAWTON, OKLAHOMA
FINANCIAL DATA SCHEDULE
JUNE 30, 2016**

	Project Total	14.DVP Disaster Voucher Program	14.218 Community Development Block Grants/Entitlement Grants	14.871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	14.238 Shelter Plus Care	14.239 HOME Investment Partnerships Program
97000 Excess of Operating Revenue over Operating Expenses	\$133,794	\$0	\$0	\$641,197	\$16,614	\$0	\$29,906
97300 Housing Assistance Payments				\$519,129			\$29,906
97350 HAP Portability-In				\$136,821			
97400 Depreciation Expense	\$397,484				\$3,900		
90000 Total Expenses	\$2,076,735	\$0	\$10,468	\$724,767	\$30,142	\$75,247	\$37,039
10010 Operating Transfer In	\$102,569						
10020 Operating transfer Out	-\$102,569						
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$263,690	\$0	\$0	-\$14,753	\$12,714	\$0	\$0
11020 Required Annual Debt Principal Payments	\$53,733	\$0	\$0	\$0	\$0	\$0	\$0
11030 Beginning Equity	\$3,836,351	\$39,248	\$0	\$282,785	\$183,844	\$0	\$0
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors		-\$39,248					
11170 Administrative Fee Equity				\$268,032			
11180 Housing Assistance Payments Equity				\$0			
11190 Unit Months Available	3525			1154	24		92
11210 Number of Unit Months Leased	3420			1052	24		92
11270 Excess Cash	\$695,820						
11620 Building Purchases	\$78,418						
11640 Furniture & Equipment - Administrative Purchases	\$6,457						

**HOUSING AUTHORITY OF THE CITY OF LAWTON
LAWTON, OKLAHOMA
FINANCIAL DATA SCHEDULE
JUNE 30, 2016**

	97.109 Disaster Housing Assistance Grant	8 Other Federal Program 1	2 State/Local	Subtotal	ELIM	Total
97000 Excess of Operating Revenue over Operating Expenses	\$0	\$40,157	\$0	\$861,668	\$0	\$861,668
97300 Housing Assistance Payments				\$549,035		\$549,035
97350 HAP Portability-In				\$136,821		\$136,821
97400 Depreciation Expense		\$10,828		\$412,212		\$412,212
90000 Total Expenses	\$0	\$28,948	\$0	\$2,983,346	\$0	\$2,983,346
10010 Operating Transfer In				\$102,569	-\$102,569	\$0
10020 Operating transfer Out				-\$102,569	\$102,569	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$0	\$29,329	\$0	-\$236,400	\$0	-\$236,400
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$53,733		\$53,733
11030 Beginning Equity	\$33,370	\$763,064	\$0	\$5,138,662		\$5,138,662
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-\$33,370		\$72,618	\$0		\$0
11170 Administrative Fee Equity				\$268,032		\$268,032
11180 Housing Assistance Payments Equity				\$0		\$0
11190 Unit Months Available		36		4831		4831
11210 Number of Unit Months Leased		36		4624		4624
11270 Excess Cash				\$695,820		\$695,820
11620 Building Purchases				\$78,418		\$78,418
11640 Furniture & Equipment - Administrative Purchases				\$6,457		\$6,457

**HOUSING AUTHORITY OF THE CITY OF LAWTON
LAWTON, OKLAHOMA
SCHEDULE OF ACTUAL MODERNIZATION COST
FOR THE YEAR ENDED JUNE 30, 2016**

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.

	<u>OK56P00550112</u>
Original Funds Approved	\$ <u>321,619</u>
Funds Disbursed	\$ <u>321,619</u>
Funds Expended (Actual Modernization Cost)	\$ <u>321,619</u>
Amount to be Recaptured	\$ <u> </u>
Excess of Funds Disbursed	\$ <u> </u>

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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, 2016, and the related notes to the financial statements, which collectively comprise the financial statements and have issued my report thereon dated March 15, 2017.

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.

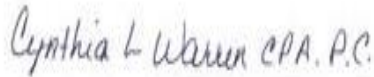
My consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material deficiencies or significant deficiencies. Given these limitations, during my audit I did not 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, 2017

CYNTHIA L WARREN CPA, P.C.

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

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 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, 2016. 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance 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, 2016.

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 requirements 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 the Uniform Guidance, 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 The Uniform Guidance. Accordingly, this report is not suitable or any other purpose.

Cynthia L Warren CPA, P.C.

Cynthia L Warren CPA, P.C.
Eufaula, Oklahoma
March 15, 2017

**HOUSING AUTHORITY OF THE CITY OF LAWTON
LAWTON, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
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:	Unmodified
Any audit findings disclosed that are required to be reported in Accordance with 2 CFR 200.516(a)?	No
Identification of major programs:	
#14.850 Public and Indian Housing	
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as a low-risk auditee?	Yes

SECTION II - FINANCIAL STATEMENT FINDINGS

None

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

**HOUSING AUTHORITY OF THE CITY OF LAWTON
LAWTON, OKLAHOMA
SCHEDULE OF SUMMARY STATUS OF PRIOR AUDIT FINDINGS
JUNE 30, 2016**

The prior report on the audit of the financial statements as of and for the twelve months ended June 30, 2015, contained no findings.