

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

**REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND
SUPPLEMENTAL DATA FOR THE
TWELVE MONTHS ENDED DECEMBER 31, 2014**

CYNTHIA L WARREN CPA, P.C.

Eufaula, Oklahoma 74432

**HOUSING AUTHORITY OF THE CITY OF MUSKOGEE
MUSKOGEE, OKLAHOMA
DECEMBER 31, 2014**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying basic financial statements of the Housing Authority of the City of Muskogee as of December 31, 2014, 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 Muskogee as of December 31, 2014, 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 8 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, 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 September 10, 2015 on my consideration of the Housing Authority of the City of Muskogee'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
September 10, 2015

MUSKOGEE HOUSING AUTHORITY

Management's Discussion and Analysis

The following discussion and analysis of the Muskogee Housing Authority's financial performance provides an overview to the Authority's financial activities for the fiscal year ended December 31, 2014. The information contained in this MD&A should be considered in conjunction with the Authority's basic financial statements.

Financial Highlights

The Muskogee Housing Authority's net assets totaled \$10,886,635 during the year ended December 31, 2014. This represents a 1.1% decrease from the previous fiscal year.

Liabilities for the same period decreased by 2.2% from the previous year for a total of \$266,769.

Total revenues, including capital grants, decreased from \$7,032,853 to \$6,212,100 or -11.7%.

Expenses fell from \$6,478,709 to \$6,328,249, a decrease of 2.3%.

Using this Annual Report

This annual report consists of Management's Discussion and Analysis, the basic financial statements, and notes to the financial statements. Management's Discussion and Analysis provides a narrative of the Authority's financial performance and activities for the year ended December 31, 2013. The basic statements provide readers with a broad overview of the Authority's finances. The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

The basic financial statements consist of three statements, as follow:

The Statement of Net Assets presents information on all the Authority's assets and liabilities, with the difference between the two being reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial situation of the Authority is improving. To the extent possible net assets is comprised of three individual components:

- Investment in Capital Assets consists of capital asset balances net of accumulated depreciation.
- Restricted Net Assets consists of assets that are restricted by limitations placed on these assets by an external source or part.
- Unrestricted Net Assets consists of net assets that do not meet the definition of the above categories. Unrestricted net assets are basically the amount of funds available for future year appropriations.

The Statement of Revenues, Expenses, and Changes in Net Assets presents information showing the Authority's net assets during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Certain revenues and expenses are reported in this statement that will result in cash flows in future periods.

The Statement of Cash Flows reports 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 and cash equivalent account balance for the year ended December 31, 2013.

Supplemental Information contains Schedule of Expenditures of Federal Awards and the HUD required Financial Data Schedule (FDS). HUD has established Uniform Financial Reporting Standards that require the Housing Authority to submit financial information electronically to HUD using the FDS format. This financial information has been electronically transmitted to the Real Estate Assessment Center (REAC) for the year ended December 31, 2013.

Housing Authority Activities & Highlights

The Muskogee Housing Authority continued to operate high performing public housing and housing choice voucher programs during the period ending December 31, 2013.

Financial Operations Highlights

The following chart details key income and expense categories:

	2014	2013	
	<u>Current Year</u>	<u>Current Year</u>	<u>% Change</u>
Dwelling Rent	802,461	753,215	6.54%
HUD Operating Grants	4,736,019	5,242,521	-9.66%
Capital Grants	209,931	566,012	-62.91%
Other Income	453,990	462,105	-1.76%
Gain or Loss on Disposal of Equipment	1,088		
Investment Income	8,611	9,000	-4.32%
	<u>6,212,100</u>	<u>7,032,853</u>	-11.67%
Housing Assistance Payments	3,144,521	3,332,720	-5.65%
Administration	1,092,206	973,799	12.16%
Tenant Services	146,234	100,342	45.74%
Utilities	305,602	278,232	9.84%
Maintenance	697,577	847,907	-17.73%
Protective Services	20,321	8,449	140.51%
General Expense	316,849	297,446	6.52%
Depreciation	604,939	684,031	-11.56%
	<u>6,328,249</u>	<u>6,522,926</u>	-2.98%
Change in Net Position	(116,149)	509,927	-122.78%
Prior Period Adjustments and Transfers	(2,500)	4,922	-150.79%
Net Position, Beginning	<u>10,738,515</u>	<u>10,223,666</u>	5.04%
Net Position, Ending	<u><u>10,619,866</u></u>	<u><u>10,738,515</u></u>	-1.10%

Explanation of significant increases and decreases:

1. Capital Grants: Fewer completed projects in 2014
2. Fraud Recover: Increased collection of fraud accounts
3. Gain/Loss on Sale of Assets: Reduced asset disposal in 2014

A condensed summary of the Authority's assets and liabilities for December 31, 2014 is shown below:

	2014	2013	
	<u>Current Year</u>	<u>Current Year</u>	<u>% Change</u>
Current Assets	2,738,769	2,549,436	7.43%
Capital Assets	<u>8,147,866</u>	<u>8,461,737</u>	-3.71%
Total Assets	<u>10,886,635</u>	<u>11,011,173</u>	-1.13%
Liabilities	<u>266,769</u>	<u>272,658</u>	-2.16%
Net Position	<u><u>10,619,866</u></u>	<u><u>10,738,515</u></u>	-1.10%

Explanation of significant increases and decreases

None

Capital Asset Activity

	2014	2013	
	<u>Current Year</u>	<u>Current Year</u>	<u>Change</u>
Land	231,433	231,433	0
Buildings	20,291,717	19,563,437	728,280
Equipment	722,317	664,811	57,506
Construction in Progress	0	494,720	(494,720)
Accumulated Depreciation	<u>(13,097,601)</u>	<u>(12,492,663)</u>	(604,938)
Total Net Capital Assets	<u>8,147,866</u>	<u>8,461,738</u>	(313,872)

The Muskogee Housing Authority started and/or completed the following capital improvements to its housing stock during Fiscal Year ending December 31, 2014:

- Replaced refrigerators, ranges, and water heaters
- Replaced HVAC systems
- Upgraded boiler system at Honor Heights Towers
- Replaced windows and doors at Honor Heights Towers
- Repaired and replaced sidewalks and parking areas

Long-term Liabilities

The Housing Authority classifies a portion of the employee's leave as a long-term liability as the Authority will not pay out the total amount in the upcoming year. The amount of long-term liability is \$10,748. At the current time, the Housing Authority has no long-term notes or bonds which are payable

Economic Facts and Conditions

The Housing Authority continues to use the capital fund resources for the improvement of the housing authority units and facilities.

Request for Information

This financial report is designed to provide a general overview of the Authority's accountability for all those interested. If you should have additional questions regarding the financial information, you can contact our office in writing at the following address:

Muskogee Housing Authority
Attn: Executive Director
220 North 40th Street
Muskogee, OK 74401

**HOUSING AUTHORITY OF THE CITY OF MUSKOGEE
MUSKOGEE, OKLAHOMA
STATEMENT OF NET POSITION
DECEMBER 31, 2014**

	Primary Government - Muskogee Housing Authority	Component Unit - Muskogee Hsng Assistance Corporation
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 873,144	\$ 334,012
Cash and Cash Equivalents, Restricted for Security Deposits	50,529	3,850
Cash and Cash Equivalents, Restricted for Payables	11,147	0
Cash and Cash Equivalents, Restricted for Housing Assistance	82,464	0
Tenant Accounts Receivable, Net	11,369	954
Due from Other Governments	179,494	0
Accounts Receivable, Miscellaneous	2,158	3,295
Accrued Interest Receivable	456	0
Investments	1,068,969	0
Prepaid Expenses	80,058	2,654
Inventory	34,216	0
Total Current Assets	2,394,004	344,765
Noncurrent Assets:		
Capital Assets, Non-depreciable	151,286	80,147
Capital Assets, Net of Depreciation	6,674,485	1,241,948
Total Capital Assets	6,825,771	1,322,095
Total Assets	\$ 9,219,775	\$ 1,666,860

(Continued on next page.)

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

**HOUSING AUTHORITY OF THE CITY OF MUSKOGEE
MUSKOGEE, OKLAHOMA
STATEMENT OF NET POSITION
DECEMBER 31, 2014**

(Continued from previous page.)

	Primary Government - Muskogee Housing Authority	Component Unit - Muskogee Hsng Assistance Corporation
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable, Vendors	\$ 33,736	\$ 4,841
Due to Other Government - PILOT Taxes	13,431	0
Accrued Wages and Payroll Taxes Payable	50,421	1,798
Accrued Compensated Absences	21,826	806
Unearned Revenues	17,175	560
Other Current Liabilities	12,394	65
Tenant Security Deposits	50,529	3,850
Total Current Liabilities	199,512	11,920
Long-term Liabilities:		
Accrued Compensated Absences	10,387	361
Other Non-Current Liabilities	44,589	0
Total Liabilities	254,488	12,281
NET POSITION		
Invested in Capital Assets	6,825,771	1,322,095
Restricted - Housing Assistance Payments	37,875	0
Unrestricted	2,101,641	332,484
Total Net Position	8,965,287	1,654,579
 Total Liabilities and Net Position	 \$ 9,219,775	 \$ 1,666,860

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

**HOUSING AUTHORITY OF THE CITY OF MUSKOGEE
MUSKOGEE, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2014**

	Primary Government - Muskogee Housing Authority	Component Unit - Muskogee Hsng Assistance Corporation
Operating Revenue:		
Tenant Revenue	\$ 740,954	\$ 61,507
Operating Grants and Subsidies	4,736,019	0
Other Income	<u>272,415</u>	<u>181,575</u>
Total Operating Revenue	<u>5,749,388</u>	<u>243,082</u>
Operating Expenses:		
Housing Assistance Payments	3,144,521	0
Administration	1,051,174	41,032
Tenant Services	146,234	0
Utilities	303,438	2,164
Maintenance	588,331	109,246
Protective Services	20,321	0
General Expense	288,244	28,605
Depreciation	<u>550,893</u>	<u>54,046</u>
Total Operating Expenses	<u>6,093,156</u>	<u>235,093</u>
Operating Income (Loss)	(343,768)	7,989
Non-operating Revenue (Expense)		
Gain or Loss on Disposal of Equipment	0	1,088
Investment Income	<u>8,611</u>	<u>0</u>
Net Income (Loss) Before Capital Grants	(335,157)	9,077
Capital Grants	<u>209,931</u>	<u>0</u>
Change in Net Position	(125,226)	9,077
Total Net Position - Beginning	9,093,013	1,645,502
Transfers to Other Programs	<u>(2,500)</u>	<u>0</u>
Total Net Position, Ending	<u>\$ 8,965,287</u>	<u>\$ 1,654,579</u>

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

**HOUSING AUTHORITY OF THE CITY OF MUSKOGEE
MUSKOGEE, OKLAHOMA
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2014**

	Primary Government - Muskogee Housing Authority	Component Unit - Muskogee Hsng Assistance Corporation
Cash Flows from Operating Activities:		
Receipts from Tenants	\$ 737,610	\$ 61,103
Receipts from Operating Grants	4,754,318	0
Receipts from Other Operating Activities	270,257	181,575
Payments to Employees	(845,241)	(57,390)
Payments to Suppliers and Vendors	(1,522,627)	(119,146)
Payments for Housing Assistance	(3,144,521)	0
Payments for PILOT Taxes	(26,238)	0
Net Cash Provided (Used) by Operating Activities	223,558	66,142
Cash Flows from Capital and Related Financing Activities:		
Transfer to Other Government Entities	(2,500)	0
Receipts from Capital Grants	209,931	0
Disposal of Land, Structure, and Equipment	0	1,088
Purchases of Land, Structures and Equipment	(238,730)	(52,339)
Net Cash Provided (Used) by Capital and Related Financing Activities	(31,299)	(51,251)
Cash Flows from Investing Activities:		
Receipts of Interest Income	8,587	0
Sale (Purchase) of Investments	(7,537)	0
Net Cash Provided (Used) from Investing Activities	1,050	0
Net Increase (Decrease) in Cash and Cash Equivalents	193,309	14,891
Cash and Cash Equivalents, Beginning	823,975	322,971
Cash and Cash Equivalents, Ending	\$ 1,017,284	\$ 337,862
 Reconciliation to Statement of Net Assets:		
Cash and Cash Equivalents	873,144	334,012
Cash and Cash Equivalents, Restricted	144,140	3,850
	\$ 1,017,284	\$ 337,862

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

**HOUSING AUTHORITY OF THE CITY OF MUSKOGEE
MUSKOGEE, OKLAHOMA
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2014**

	Primary Government - Muskogee Housing <u>Authority</u>	Component Unit - Muskogee Hsng Assistance <u>Corporation</u>
Reconciliation of Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$ (343,768)	\$ 7,989
 Adjustments to reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation	550,893	54,046
Change in Assets and Liabilities:		
Accounts Receivable and Due from Other Governments	35,074	(954)
Prepaid Expenses	25,101	129
Inventory	(32,921)	0
Accounts Payable	5,391	4,747
Tenant Security Deposits	(3,489)	0
Accrued Liabilities	4,866	(430)
Deferred Revenues	(17,589)	615
Total Adjustments	<u>567,326</u>	<u>58,153</u>
 Net Cash Provided (Used) by Operating Activities	 \$ <u>223,558</u>	 \$ <u>66,142</u>

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

**HOUSING AUTHORITY OF THE CITY OF MUSKOGEE
MUSKOGEE, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014**

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 Muskogee. 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 December 31, 2014, and for the fiscal year then ended, the Housing Authority has one component unit discretely presented, which is presented in a separate column in the financial statements, Muskogee Housing Assistance Corporation.

Muskogee Housing Assistance Corporation

The corporation has significantly the same governing board as the Housing Authority and employees are also employees of the Housing Authority. The corporation is organized exclusively for charitable, education and scientific purposes. The corporation is currently providing a variety of services for other housing authorities and tenant services.

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 400 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 MUSKOGEE
MUSKOGEE, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014**

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 Muskogee 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 MUSKOGEE
MUSKOGEE, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014**

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 MUSKOGEE
MUSKOGEE, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014**

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 December 31, 2014, and reported at fair value, are as follows:

<u>TYPE</u>	<u>Muskogee Housing Authority Carrying Value</u>	<u>Muskogee Housing Assistance Corporation Carrying Value</u>
Deposits:		
Demand Deposits	\$ 1,017,084	\$ 337,862
Cash on Hand	<u>200</u>	<u>0</u>
Total Deposit Accounts	1,017,284	337,862
Investments:		
Certificates of Deposit	<u>1,068,969</u>	<u>0</u>
Total Deposits and Investments	<u>\$ 2,086,253</u>	<u>\$ 337,862</u>
 Reconciliation to Statement of Net Assets:		
Cash and Cash Equivalents	873,144	334,012
Cash and Cash Equivalents, Restricted	144,140	3,850
Investments	<u>1,068,969</u>	<u>0</u>
	<u>\$ 2,086,253</u>	<u>\$ 337,862</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 \$2,506,034 at December 31, 2014, 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 MUSKOGEE
MUSKOGEE, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014**

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 December 31, 2014, the Housing Authority had limited concentration of credit risk because the investments consist of Certificates of Deposit.

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts Receivable includes receivables from tenants are for rentals and service charges. These receivables are shown net of an allowance for uncollectible amounts. The accounts receivable balance is \$10,261 less an allowance of \$5,287 for a net accounts receivable of \$4,974 at December 31, 2014. Also included is the Fraud Recovery for the Housing Choice Voucher program which is \$163,697 less an allowance of \$156,348 for a net fraud receivable of \$7,349. The total of all programs, including Muskogee Housing Assistance Corporation, is \$12,323.

**HOUSING AUTHORITY OF THE CITY OF MUSKOGEE
MUSKOGEE, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 5 - CAPITAL ASSETS

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

Primary Government	Balance			Balance
<i>Muskogee Housing Authority</i>	<u>12/31/2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>12/31/2014</u>
Non-depreciable Capital Assets:				
Land	\$ 151,286	\$ 0	\$ 0	\$ 151,286
Construction in Progress	<u>494,720</u>	<u>0</u>	<u>(494,720)</u>	<u>0</u>
	<u>646,006</u>	<u>0</u>	<u>(494,720)</u>	<u>151,286</u>
Depreciable Capital Assets:				
Buildings and Improvements	18,334,696	704,650	0	19,039,346
Furniture & Equipment	<u>555,391</u>	<u>28,800</u>	<u>0</u>	<u>584,191</u>
	<u>18,890,087</u>	<u>733,450</u>	<u>0</u>	<u>19,623,537</u>
Less Accumulated Depreciation:				
Buildings and Improvements	11,997,694	505,675	0	12,503,369
Furniture & Equipment	<u>400,465</u>	<u>45,218</u>	<u>0</u>	<u>445,683</u>
	<u>12,398,159</u>	<u>550,893</u>	<u>0</u>	<u>12,949,052</u>
Net Depreciable Capital Assets	<u>6,491,928</u>	<u>182,557</u>	<u>0</u>	<u>6,674,485</u>
Total	<u>\$ 7,137,934</u>	<u>\$ 182,557</u>	<u>\$ (494,720)</u>	<u>\$ 6,825,771</u>
Component Unit				
	Balance			Balance
<i>Muskogee Housing Assistance Corp</i>	<u>12/31/2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>12/31/2014</u>
Non-depreciable Capital Assets:				
Land	\$ <u>80,147</u>	\$ 0	\$ 0	\$ <u>80,147</u>
Depreciable Capital Assets:				
Buildings and Improvements	1,228,740	23,630	0	1,252,370
Furniture and Equipment	<u>109,419</u>	<u>28,708</u>	<u>0</u>	<u>138,127</u>
Depreciation Capital Assets	<u>1,338,159</u>	<u>52,338</u>	<u>0</u>	<u>1,390,497</u>
Less Accumulated Depreciation:				
Buildings and Improvements	47,159	31,684	0	78,843
Furniture and Equipment	<u>47,344</u>	<u>22,362</u>	<u>0</u>	<u>69,706</u>
Accumulated Depreciation	<u>94,503</u>	<u>54,046</u>	<u>0</u>	<u>148,549</u>
Net Depreciable Capital Assets	<u>1,243,656</u>	<u>(1,708)</u>	<u>0</u>	<u>1,241,948</u>
Total	<u>\$ 1,323,803</u>	<u>\$ (1,708)</u>	<u>\$ 0</u>	<u>\$ 1,322,095</u>

Depreciation expense for the year ending December 31, 2014 is \$550,893 and \$54,046 for the Housing Authority and the Component Unit, respectively.

**HOUSING AUTHORITY OF THE CITY OF MUSKOGEE
MUSKOGEE, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 6 - ACCRUED COMPENSATED ABSENCES

Accrued Compensated Absences consists of employee vacation and sick pay benefits which have been earned but not used. These benefits total \$33,380 of which \$22,632 is current and \$10,748 is long-term. 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.

	Balance		Balance	Due Within	
	<u>12/31/2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>12/31/2014</u>	<u>One Year</u>
Accrued Compensated Absences	\$ 38,974	\$ 66,418	\$ 72,012	\$ 33,380	\$ 22,632

NOTE 7 - INTER-PROGRAM TRANSFERS

During the year ending December 31, 2014, the Capital Fund Program transferred \$117,261 to the Low Rent Program for operations. For presentation of financial statements, this transfer has been eliminated.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

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 9 - 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.

**HOUSING AUTHORITY OF THE CITY OF MUSKOGEE
MUSKOGEE, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 10 - RETIREMENT

The Housing Authority participates in a defined contribution plan administered by the Housing Renewal and Local Agency Retirement Plan. The plan consists of employees of various local and regional housing authorities, urban renewal agencies, and other similar organizations. Through this plan, the Housing Authority provides pension benefits for all of its full-time employees. Plan provisions and changes to plan contributions are determined by the Board of Commissioners of the Housing Authority.

Under a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Housing Authority is required to contribute a percentage of covered payrolls based upon the percentage contributed by employees. The employees may contribute a maximum of 6% which requires the Housing Authority to contribute the same. Employees may voluntarily make additional contributions.

The annual contribution requirement for the year ending December 31, 2014 for the Housing Authority and the participants are \$35,763 and \$35,763, respectively or a total of \$71,526. Annual Contributions for the year ending December 31, 2013 total \$64,703.

NOTE 11 - 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 MUSKOGEE
MUSKOGEE, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA #</u>	<u>Federal Expenditures</u>
<u>Muskogee Housing Authority</u>		
Direct Program:		
U.S. Department of Housing and Urban Development		
Public & Indian Housing	* 14.850	\$ 1,124,838
Resident Opportunity and Supportive Services	14.870	47,097
Housing Choice Vouchers	14.871	3,395,797
Capital Fund Program	* 14.872	<u>378,218</u>
Total		<u>\$ 4,945,950</u>

* Major Program

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 Muskogee 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 MUSKOGEE
MUSKOGEE, OKLAHOMA
FINANCIAL DATA SCHEDULE
DECEMBER 31, 2014**

	Project Total	14.871 Housing Choice Vouchers	14.870 Resident Opportunity and Supportive Services	6.1 Component Unit - Discretely Presented	14.239 HOME Investment Partnerships Program	97.109 Disaster Housing Assistance Grant
111 Cash - Unrestricted	\$423,738	\$195,000	\$2,369	\$260,598	\$73,414	
113 Cash - Other Restricted	\$41,476	\$3,113				\$14,502
114 Cash - Tenant Security Deposits	\$43,179	\$0		\$700	\$3,150	
115 Cash - Restricted for Payment of Current Liabilities	\$10,369	\$778				
100 Total Cash	\$518,762	\$198,891	\$2,369	\$261,298	\$76,564	\$14,502
122 Accounts Receivable - HUD Other Projects	\$42,448	\$132,542	\$4,504			
125 Accounts Receivable - Miscellaneous	\$2,158	\$0		\$3,295		
126 Accounts Receivable - Tenants	\$6,263	\$0			\$2,205	
126.1 Allowance for Doubtful Accounts - Tenants	-\$3,023	\$0			-\$1,251	
128 Fraud Recovery	\$0	\$163,697				
128.1 Allowance for Doubtful Accounts - Fraud	\$0	-\$156,348				
129 Accrued Interest Receivable	\$327	\$0				
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$48,173	\$139,891	\$4,504	\$3,295	\$954	\$0
131 Investments - Unrestricted	\$800,511	\$0				
142 Prepaid Expenses and Other Assets	\$62,492	\$7,768	\$630	\$2,654		
143 Inventories	\$35,484	\$0				
143.1 Allowance for Obsolete Inventories	-\$3,548	\$0				
144 Inter Program Due From	\$7,503	\$0				
150 Total Current Assets	\$1,469,377	\$346,550	\$7,503	\$267,247	\$77,518	\$14,502
161 Land	\$137,816	\$0		\$29,995	\$50,152	
162 Buildings	\$16,427,353	\$2,981		\$307,320	\$945,050	
164 Furniture, Equipment & Machinery - Administration	\$398,303	\$45,865		\$138,127		
166 Accumulated Depreciation	-\$12,591,201	-\$37,918		-\$83,640	-\$64,909	
160 Total Capital Assets, Net of Accumulated Depreciation	\$4,372,271	\$10,928	\$0	\$391,802	\$930,293	\$0
180 Total Non-Current Assets	\$4,372,271	\$10,928	\$0	\$391,802	\$930,293	\$0
290 Total Assets and Deferred Outflow of Resources	\$5,841,648	\$357,478	\$7,503	\$659,049	\$1,007,811	\$14,502

**HOUSING AUTHORITY OF THE CITY OF MUSKOGEE
MUSKOGEE, OKLAHOMA
FINANCIAL DATA SCHEDULE
DECEMBER 31, 2014**

	14.228 Community Development Block Grants/State's Program	1 Business Activities	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$115,453	\$136,584	\$1,207,156	\$0	\$1,207,156
113 Cash - Other Restricted	\$23,373		\$82,464	\$0	\$82,464
114 Cash - Tenant Security Deposits	\$7,350		\$54,379	\$0	\$54,379
115 Cash - Restricted for Payment of Current Liabilities			\$11,147	\$0	\$11,147
100 Total Cash	\$146,176	\$136,584	\$1,355,146	\$0	\$1,355,146
122 Accounts Receivable - HUD Other Projects			\$179,494	\$0	\$179,494
125 Accounts Receivable - Miscellaneous			\$5,453	\$0	\$5,453
126 Accounts Receivable - Tenants	\$1,793		\$10,261	\$0	\$10,261
126.1 Allowance for Doubtful Accounts - Tenants	-\$1,013		-\$5,287	\$0	-\$5,287
128 Fraud Recovery			\$163,697	\$0	\$163,697
128.1 Allowance for Doubtful Accounts - Fraud			-\$156,348	\$0	-\$156,348
129 Accrued Interest Receivable		\$129	\$456	\$0	\$456
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$780	\$129	\$197,726	\$0	\$197,726
131 Investments - Unrestricted		\$268,458	\$1,068,969	\$0	\$1,068,969
142 Prepaid Expenses and Other Assets	\$4,536	\$4,632	\$82,712	\$0	\$82,712
143 Inventories	\$2,533		\$38,017	\$0	\$38,017
143.1 Allowance for Obsolete Inventories	-\$253		-\$3,801	\$0	-\$3,801
144 Inter Program Due From			\$7,503	-\$7,503	\$0
150 Total Current Assets	\$153,772	\$409,803	\$2,746,272	-\$7,503	\$2,738,769
161 Land	\$8,117	\$5,353	\$231,433	\$0	\$231,433
162 Buildings	\$2,607,026	\$1,987	\$20,291,717	\$0	\$20,291,717
164 Furniture, Equipment & Machinery - Administration		\$140,022	\$722,317	\$0	\$722,317
166 Accumulated Depreciation	-\$222,661	-\$97,272	-\$13,097,601	\$0	-\$13,097,601
160 Total Capital Assets, Net of Accumulated Depreciation	\$2,392,482	\$50,090	\$8,147,866	\$0	\$8,147,866
180 Total Non-Current Assets	\$2,392,482	\$50,090	\$8,147,866	\$0	\$8,147,866
290 Total Assets and Deferred Outflow of Resources	\$2,546,254	\$459,893	\$10,894,138	-\$7,503	\$10,886,635

**HOUSING AUTHORITY OF THE CITY OF MUSKOGEE
MUSKOGEE, OKLAHOMA
FINANCIAL DATA SCHEDULE
DECEMBER 31, 2014**

	Project Total	14,871 Housing Choice Vouchers	14,870 Resident Opportunity and Supportive Services	6.1 Component Unit - Discretely Presented	14,239 HOME Investment Partnerships Program	97,109 Disaster Housing Assistance Grant
312 Accounts Payable <= 90 Days	\$20,995	\$5,686		\$4,590	\$251	
321 Accrued Wage/Payroll Taxes Payable	\$40,885	\$7,839		\$1,738	\$60	
322 Accrued Compensated Absences - Current Portion	\$17,107	\$3,739		\$794	\$12	
333 Accounts Payable - Other Government	\$13,431	\$0				
341 Tenant Security Deposits	\$43,179	\$0		\$700	\$3,150	
342 Unearned Revenue	\$15,845	\$0		\$154	\$406	
345 Other Current Liabilities	\$10,369	\$778				
346 Accrued Liabilities - Other	\$1,247	\$0			\$65	
347 Inter Program - Due To	\$0	\$0	\$7,503			
310 Total Current Liabilities	\$163,058	\$18,042	\$7,503	\$7,976	\$3,944	\$0
353 Non-current Liabilities - Other	\$41,476	\$3,113				
354 Accrued Compensated Absences - Non Current	\$8,675	\$1,354		\$361		
350 Total Non-Current Liabilities	\$50,151	\$4,467	\$0	\$361	\$0	\$0
300 Total Liabilities	\$213,209	\$22,509	\$7,503	\$8,337	\$3,944	\$0
508.4 Net Investment in Capital Assets	\$4,372,271	\$10,928	\$0	\$391,802	\$930,293	\$0
511.4 Restricted Net Position	\$0	\$0	\$0	\$0	\$0	\$14,502
512.4 Unrestricted Net Position	\$1,256,168	\$324,041	\$0	\$258,910	\$73,574	\$0
513 Total Equity - Net Assets / Position	\$5,628,439	\$334,969	\$0	\$650,712	\$1,003,867	\$14,502
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$5,841,648	\$357,478	\$7,503	\$659,049	\$1,007,811	\$14,502

**HOUSING AUTHORITY OF THE CITY OF MUSKOGEE
MUSKOGEE, OKLAHOMA
FINANCIAL DATA SCHEDULE
DECEMBER 31, 2014**

	14.228 Community Development Block Grants/State's Program	1 Business Activities	Subtotal	ELIM	Total	
312	Accounts Payable <= 90 Days	\$658	\$6,397	\$38,577	\$0	\$38,577
321	Accrued Wage/Payroll Taxes Payable	\$1,697		\$52,219	\$0	\$52,219
322	Accrued Compensated Absences - Current Portion	\$233	\$747	\$22,632	\$0	\$22,632
333	Accounts Payable - Other Government			\$13,431	\$0	\$13,431
341	Tenant Security Deposits	\$7,350		\$54,379	\$0	\$54,379
342	Unearned Revenue	\$1,330		\$17,735	\$0	\$17,735
345	Other Current Liabilities			\$11,147	\$0	\$11,147
346	Accrued Liabilities - Other			\$1,312	\$0	\$1,312
347	Inter Program - Due To			\$7,503	-\$7,503	\$0
310	Total Current Liabilities	\$11,268	\$7,144	\$218,935	-\$7,503	\$211,432
353	Non-current Liabilities - Other			\$44,589	\$0	\$44,589
354	Accrued Compensated Absences - Non Current	\$57	\$301	\$10,748	\$0	\$10,748
350	Total Non-Current Liabilities	\$57	\$301	\$55,337	\$0	\$55,337
300	Total Liabilities	\$11,325	\$7,445	\$274,272	-\$7,503	\$266,769
508.4	Net Investment in Capital Assets	\$2,392,482	\$50,090	\$8,147,866		\$8,147,866
511.4	Restricted Net Position	\$23,373	\$0	\$37,875		\$37,875
512.4	Unrestricted Net Position	\$119,074	\$402,358	\$2,434,125		\$2,434,125
513	Total Equity - Net Assets / Position	\$2,534,929	\$452,448	\$10,619,866	\$0	\$10,619,866
600	Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$2,546,254	\$459,893	\$10,894,138	-\$7,503	\$10,886,635

**HOUSING AUTHORITY OF THE CITY OF MUSKOGEE
MUSKOGEE, OKLAHOMA
FINANCIAL DATA SCHEDULE
DECEMBER 31, 2014**

	Project Total	14.871 Housing Choice Vouchers	14.870 Resident Opportunity and Supportive Services	6.1 Component Unit - Discretely Presented	14.239 HOME Investment Partnerships Program	97.109 Disaster Housing Assistance Grant
70300 Net Tenant Rental Revenue	\$566,900	\$0		\$13,638	\$44,502	
70400 Tenant Revenue - Other	\$12,310	\$0		\$444	\$2,923	
70500 Total Tenant Revenue	\$579,210	\$0	\$0	\$14,082	\$47,425	\$0
70600 HUD PHA Operating Grants	\$1,293,125	\$3,395,797	\$47,097			
70610 Capital Grants	\$209,931	\$0				
71100 Investment Income - Unrestricted	\$5,737	\$367				
71400 Fraud Recovery	\$0	\$14,162				
71500 Other Revenue	\$124,448	\$2,935		\$178,859	\$2,716	
71600 Gain or Loss on Sale of Capital Assets	\$0	\$0		\$1,088		
70000 Total Revenue	\$2,212,451	\$3,413,261	\$47,097	\$194,029	\$50,141	\$0
91100 Administrative Salaries	\$176,956	\$152,663		\$1,774	\$2,523	
91200 Auditing Fees	\$10,888	\$3,088		\$487		
91300 Management Fee	\$0	\$0		\$1,510	\$2,485	
91400 Advertising and Marketing	\$7,025	\$48		\$5,897		
91500 Employee Benefit contributions - Administrative	\$36,244	\$57,696		\$7,184	\$147	
91600 Office Expenses	\$117,907	\$31,635		\$2,012	\$302	
91700 Legal Expense	\$2,783	\$858			\$664	
91800 Travel	\$0	\$6,958		\$3,842		
91810 Allocated Overhead	\$246,755	\$70,035		\$10,962		
91900 Other	\$30,411	\$5,868		\$1,073	\$170	
91000 Total Operating - Administrative	\$628,969	\$328,849	\$0	\$34,741	\$6,291	\$0
92100 Tenant Services - Salaries	\$74,422	\$0	\$36,604			
92300 Employee Benefit Contributions - Tenant Services	\$21,980	\$0	\$10,493			
92400 Tenant Services - Other	\$2,735	\$0				
92500 Total Tenant Services	\$99,137	\$0	\$47,097	\$0	\$0	\$0

**HOUSING AUTHORITY OF THE CITY OF MUSKOGEE
MUSKOGEE, OKLAHOMA
FINANCIAL DATA SCHEDULE
DECEMBER 31, 2014**

	14.228 Community Development Block Grants/State's Program	1 Business Activities	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$159,724		\$784,764	\$0	\$784,764
70400 Tenant Revenue - Other	\$2,020		\$17,697	\$0	\$17,697
70500 Total Tenant Revenue	\$161,744	\$0	\$802,461	\$0	\$802,461
70600 HUD PHA Operating Grants			\$4,736,019	\$0	\$4,736,019
70610 Capital Grants			\$209,931	\$0	\$209,931
71100 Investment Income - Unrestricted	\$13	\$2,494	\$8,611	\$0	\$8,611
71400 Fraud Recovery			\$14,162	\$0	\$14,162
71500 Other Revenue	\$357	\$146,029	\$455,344	-\$15,516	\$439,828
71600 Gain or Loss on Sale of Capital Assets			\$1,088	\$0	\$1,088
70000 Total Revenue	\$162,114	\$148,523	\$6,227,616	-\$15,516	\$6,212,100
91100 Administrative Salaries	\$6,147		\$340,063	\$0	\$340,063
91200 Auditing Fees		\$1,787	\$16,250	\$0	\$16,250
91300 Management Fee	\$11,521		\$15,516	-\$15,516	\$0
91400 Advertising and Marketing	\$1,134	\$533	\$14,637	\$0	\$14,637
91500 Employee Benefit contributions - Administrative	\$15,502		\$116,773	\$0	\$116,773
91600 Office Expenses	\$1,865	\$10,489	\$164,210	\$0	\$164,210
91700 Legal Expense			\$4,305	\$0	\$4,305
91800 Travel	\$746		\$11,546	\$0	\$11,546
91810 Allocated Overhead		\$51,606	\$379,358	\$0	\$379,358
91900 Other	\$1,754	\$5,788	\$45,064	\$0	\$45,064
91000 Total Operating - Administrative	\$38,669	\$70,203	\$1,107,722	-\$15,516	\$1,092,206
92100 Tenant Services - Salaries			\$111,026	\$0	\$111,026
92300 Employee Benefit Contributions - Tenant Services			\$32,473	\$0	\$32,473
92400 Tenant Services - Other			\$2,735	\$0	\$2,735
92500 Total Tenant Services	\$0	\$0	\$146,234	\$0	\$146,234

**HOUSING AUTHORITY OF THE CITY OF MUSKOGEE
MUSKOGEE, OKLAHOMA
FINANCIAL DATA SCHEDULE
DECEMBER 31, 2014**

	Project Total	14.871 Housing Choice Vouchers	14.870 Resident Opportunity and Supportive Services	6.1 Component Unit - Discretely Presented	14.239 HOME Investment Partnerships Program	97.109 Disaster Housing Assistance Grant
93100 Water	\$28,124	\$0		\$107	\$81	
93200 Electricity	\$212,428	\$0		\$308	\$513	
93300 Gas	\$45,247	\$4,127		\$488	\$414	
93600 Sewer	\$12,477	\$0		\$187	\$66	
93000 Total Utilities	\$298,276	\$4,127	\$0	\$1,090	\$1,074	\$0
94100 Ordinary Maintenance and Operations - Labor	\$174,840	\$0		\$33,719	\$2,992	
94200 Ordinary Maintenance and Operations - Materials and Other	\$107,562	\$597		\$26,106	\$2,006	
94300 Ordinary Maintenance and Operations Contracts	\$211,110	\$0		\$33,011	\$8,688	
94500 Employee Benefit Contributions - Ordinary Maintenance	\$48,039	\$0		\$2,517	\$207	
94000 Total Maintenance	\$541,551	\$597	\$0	\$95,353	\$13,893	\$0
95100 Protective Services - Labor	\$16,656	\$0				
95300 Protective Services - Other	\$2,347	\$0				
95500 Employee Benefit Contributions - Protective Services	\$1,318	\$0				
95000 Total Protective Services	\$20,321	\$0	\$0	\$0	\$0	\$0
96110 Property Insurance	\$93,186	\$144		\$5,406	\$336	
96120 Liability Insurance	\$21,692	\$6,829		\$9,757		
96130 Workmen's Compensation	\$19,982	\$5,561		\$1,219	\$57	
96140 All Other Insurance	\$9,614	\$0		\$7,370		
96100 Total insurance Premiums	\$144,474	\$12,534	\$0	\$23,752	\$393	\$0
96200 Other General Expenses	\$0	\$19,611		\$278		
96210 Compensated Absences	\$45,870	\$13,823		\$2,744	\$187	
96300 Payments in Lieu of Taxes	\$26,862	\$0				
96400 Bad debt - Tenant Rents	\$2,005	\$0			\$1,251	
96000 Total Other General Expenses	\$74,737	\$33,434	\$0	\$3,022	\$1,438	\$0
96900 Total Operating Expenses	\$1,807,465	\$379,541	\$47,097	\$157,958	\$23,089	\$0

**HOUSING AUTHORITY OF THE CITY OF MUSKOGEE
MUSKOGEE, OKLAHOMA
FINANCIAL DATA SCHEDULE
DECEMBER 31, 2014**

	14.228 Community Development Block Grants/State's Program	1 Business Activities	Subtotal	ELIM	Total
93100 Water			\$28,312	\$0	\$28,312
93200 Electricity	\$372		\$213,621	\$0	\$213,621
93300 Gas	\$593		\$50,869	\$0	\$50,869
93600 Sewer	\$70		\$12,800	\$0	\$12,800
93000 Total Utilities	\$1,035	\$0	\$305,602	\$0	\$305,602
94100 Ordinary Maintenance and Operations - Labor	\$16,789		\$228,340	\$0	\$228,340
94200 Ordinary Maintenance and Operations - Materials and Other	\$9,973	\$230	\$146,474	\$0	\$146,474
94300 Ordinary Maintenance and Operations Contracts	\$11,533	\$4,845	\$269,187	\$0	\$269,187
94500 Employee Benefit Contributions - Ordinary Maintenance	\$2,813		\$53,576	\$0	\$53,576
94000 Total Maintenance	\$41,108	\$5,075	\$697,577	\$0	\$697,577
95100 Protective Services - Labor			\$16,656	\$0	\$16,656
95300 Protective Services - Other			\$2,347	\$0	\$2,347
95500 Employee Benefit Contributions - Protective Services			\$1,318	\$0	\$1,318
95000 Total Protective Services	\$0	\$0	\$20,321	\$0	\$20,321
96110 Property Insurance	\$9,648	\$433	\$109,153	\$0	\$109,153
96120 Liability Insurance	\$433	\$4,701	\$43,412	\$0	\$43,412
96130 Workmen's Compensation	\$289	\$3,769	\$30,877	\$0	\$30,877
96140 All Other Insurance			\$16,984	\$0	\$16,984
96100 Total insurance Premiums	\$10,370	\$8,903	\$200,426	\$0	\$200,426
96200 Other General Expenses			\$19,889	\$0	\$19,889
96210 Compensated Absences	\$1,142	\$2,650	\$66,416	\$0	\$66,416
96300 Payments in Lieu of Taxes			\$26,862	\$0	\$26,862
96400 Bad debt - Tenant Rents			\$3,256	\$0	\$3,256
96000 Total Other General Expenses	\$1,142	\$2,650	\$116,423	\$0	\$116,423
96900 Total Operating Expenses	\$92,324	\$86,831	\$2,594,305	-\$15,516	\$2,578,789

**HOUSING AUTHORITY OF THE CITY OF MUSKOGEE
MUSKOGEE, OKLAHOMA
FINANCIAL DATA SCHEDULE
DECEMBER 31, 2014**

	Project Total	14.871 Housing Choice Vouchers	14.870 Resident Opportunity and Supportive Services	6.1 Component Unit - Discretely Presented	14.239 HOME Investment Partnerships Program	97.109 Disaster Housing Assistance Grant
97000 Excess of Operating Revenue over Operating Expenses	\$404,986	\$3,033,720	\$0	\$36,071	\$27,052	\$0
97300 Housing Assistance Payments	\$0	\$3,144,521				
97400 Depreciation Expense	\$465,493	\$4,422		\$30,286	\$23,760	
90000 Total Expenses	\$2,272,958	\$3,528,484	\$47,097	\$188,244	\$46,849	\$0
10010 Operating Transfer In	\$117,261	\$0				
10020 Operating transfer Out	-\$117,261	\$0				
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$60,507	-\$115,223	\$0	\$5,785	\$3,292	\$0
11030 Beginning Equity	\$5,688,946	\$450,192	\$0	\$644,927	\$1,000,575	\$14,502
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	\$0				
11170 Administrative Fee Equity		\$334,969				
11190 Unit Months Available	4800	8667		24	84	
11210 Number of Unit Months Leased	4638	8401		24	84	
11270 Excess Cash	\$1,024,046					
11620 Building Purchases	\$209,931					

**HOUSING AUTHORITY OF THE CITY OF MUSKOGEE
MUSKOGEE, OKLAHOMA
FINANCIAL DATA SCHEDULE
DECEMBER 31, 2014**

	14.228 Community Development Block Grants/State's Program	1 Business Activities	Subtotal	ELIM	Total
97000 Excess of Operating Revenue over Operating Expenses	\$69,790	\$61,692	\$3,633,311	\$0	\$3,633,311
97300 Housing Assistance Payments			\$3,144,521	\$0	\$3,144,521
97400 Depreciation Expense	\$71,071	\$9,907	\$604,939	\$0	\$604,939
90000 Total Expenses	\$163,395	\$96,738	\$6,343,765	-\$15,516	\$6,328,249
10010 Operating Transfer In			\$117,261	-\$117,261	\$0
10020 Operating transfer Out			-\$117,261	\$117,261	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$1,281	\$51,785	-\$116,149	\$0	-\$116,149
11030 Beginning Equity	\$2,536,210	\$403,163	\$10,738,515	\$0	\$10,738,515
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors		-\$2,500	-\$2,500	\$0	-\$2,500
11170 Administrative Fee Equity			\$334,969		\$334,969
11190 Unit Months Available	247		13822	0	13822
11210 Number of Unit Months Leased	247		13394	0	13394
11270 Excess Cash			\$1,024,046		\$1,024,046
11620 Building Purchases			\$209,931		\$209,931

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 Muskogee
Muskogee, 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 Muskogee, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the basic financial statements and have issued my report thereon dated September 10, 2015.

Internal Control over Financial Reporting

In planning and performing my audit, I considered the Housing Authority of the City of Muskogee'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.

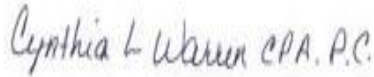
My consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material deficiencies or significant deficiencies. Given these limitations, during my audit I did not 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
September 10, 2015

CYNTHIA L WARREN CPA, P.C.

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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 Muskogee
Muskogee, Oklahoma

Report on Compliance for Each Major Federal Program

I have audited the compliance of the Housing Authority of the City of Muskogee 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 Muskogee's major federal programs for the year ended December 31, 2014. The Housing Authority of the City of Muskogee'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 Muskogee'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 Muskogee'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 Muskogee's compliance.

Opinion on Each Major Federal Program

In my opinion, the Housing Authority of the City of Muskogee 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 December 31, 2014.

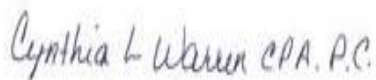
Report on Internal Control over Compliance

Management of the Housing Authority of the City of Muskogee 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 Muskogee'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
September 10, 2015

**HOUSING AUTHORITY OF THE CITY OF MUSKOGEE
MUSKOGEE, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

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 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

**SCHEDULE OF SUMMARY STATUS OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014**

The prior report on the audit of the financial statements as of and for the twelve months ended December 31, 2013, contained no findings.