

**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, 2016**

CYNTHIA L WARREN CPA, P.C.

Eufaula, Oklahoma 74432

**HOUSING AUTHORITY OF THE CITY OF MUSKOGEE
MUSKOGEE, OKLAHOMA
DECEMBER 31, 2016**

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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 financial statements of the Housing Authority of the City of Muskogee as of December 31, 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 Muskogee as of December 31, 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 8 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.

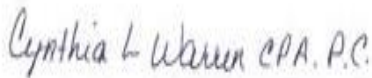
Other Information

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, 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 September 15, 2017 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.
Eufaula, Oklahoma
September 15, 2017



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, 2016. 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 \$10,082,945 during the year ended December 31, 2016. This represents a 1.1% decrease from the previous fiscal year.

Liabilities for the same period decreased by 24.9% from the previous year for a total of \$318,789.

Total revenues, including capital grants, increased from \$6,638,094 to \$6,983,759 or 5.2%.

Expenses increased from \$6,944,772 for the prior year to \$6,956,959 in the current year, an increase of .18%.

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, 2016. 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, 2016.

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, 2016.

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, 2016.

Financial Operations Highlights

The following chart details key income and expense categories:

	2016	2015	
	<u>Current Year</u>	<u>Prior Year</u>	<u>% Change</u>
Dwelling Rent	928,349	861,530	7.76%
HUD Operating Grants	5,280,038	5,148,242	2.56%
Capital Grants	251,175	190,218	32.05%
Other Income	379,062	311,422	21.72%
Gain or Loss on Disposal of Equipment	3,804	0	
Investment Income	7,496	8,124	-7.73%
	<u>6,849,924</u>	<u>6,519,536</u>	5.07%
Housing Assistance Payments	3,443,600	3,413,719	0.88%
Administration	1,202,745	1,288,557	-6.66%
Tenant Services	128,738	146,480	-12.11%
Utilities	259,033	282,191	-8.21%
Maintenance	813,188	737,938	10.20%
Protective Services	60,358	41,663	44.87%
General Expense	414,990	400,638	3.58%
Depreciation	634,307	633,586	0.11%
	<u>6,956,959</u>	<u>6,944,772</u>	0.18%

Change in Net Position	(107,035)	(425,236)	-74.83%
Prior Period Adjustments and Transfers	(4,650)	0	
Net Position, Beginning	<u>10,194,630</u>	<u>10,619,866</u>	-4.00%
Net Position, Ending	<u><u>10,082,945</u></u>	<u><u>10,194,630</u></u>	-1.10%

Explanation of significant increases and decreases:

Capital Grants: Increased capital improvement project activity.

Fraud Recovery: Increase in fraudulent activity by participants/tenants.

A condensed summary of the Authority's assets and liabilities for December 31, 2016 is shown below:

	2016	2015	
	<u>Current Year</u>	<u>Prior Year</u>	<u>% Change</u>
Current Assets	3,156,513	2,746,481	14.93%
Capital Assets	<u>7,538,253</u>	<u>7,768,350</u>	-2.96%
Total Assets	<u><u>10,694,766</u></u>	<u><u>10,514,831</u></u>	1.71%
Liabilities and Deferred Inflow of Resources	<u>611,821</u>	<u>320,201</u>	91.07%
Net Position	<u><u>10,082,945</u></u>	<u><u>10,194,630</u></u>	-1.10%

Explanation of significant increases and decreases

Current Assets: The increase in current assets occurred because of growth in unrestricted cash, accounts receivable, and dwelling rent receivables.

Current Liabilities: Current liabilities decreased as a result of reduced payroll expenses.

Capital Asset Activity

	2016	2015	
	<u>Current Year</u>	<u>Prior Year</u>	<u>Change</u>
Land	233,433	233,433	0
Buildings	20,573,535	20,473,385	100,150
Equipment	846,819	774,169	72,650
Construction in Progress	249,960	18,550	231,410
Accumulated Depreciation	<u>(14,365,494)</u>	<u>(13,731,187)</u>	(634,307)
Total Net Capital Assets	<u><u>7,538,253</u></u>	<u><u>7,768,350</u></u>	(230,097)

The Muskogee Housing Authority started and/or completed the following capital improvements to its housing stock during Fiscal Year ending December 31, 2016:

- Asbestos abatement (Honor Heights Towers)
- Replacement of windows and doors (Honor Heights Towers)
- Replacement of boiler system (Honor Heights Towers)
- Replacement of HVAC systems (Port City Acres / Green Country Village)
- Replacement of kitchen and bathroom cabinetry (Port City Acres / Green Country Village)

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 \$76,539. 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, 2016**

	Primary Government - Muskogee Housing <u>Authority</u>	Component Unit - Muskogee Hsng Assistance <u>Corporation</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 1,005,312	\$ 316,550
Cash and Cash Equivalents, Restricted for Security Deposits	53,707	4,826
Cash and Cash Equivalents, Restricted for Payables	342,331	0
Cash and Cash Equivalents, Restricted for Housing Assistance	137,793	0
Tenant Accounts Receivable, Net	92,428	800
Due from Other Governments	32,995	0
Due from Component Unit	509	0
Accounts Receivable, Miscellaneous	12,245	0
Accrued Interest Receivable	337	0
Investments	1,030,314	0
Prepaid Expenses	87,150	3,751
Inventory	24,943	10,522
Total Current Assets	2,820,064	336,449
Noncurrent Assets:		
Capital Assets, Non-depreciable	401,246	82,147
Capital Assets, Net of Depreciation	5,811,917	1,242,943
Total Capital Assets	6,213,163	1,325,090
Total Assets	\$ 9,033,227	\$ 1,661,539

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, 2016

	Primary Government - Muskogee Housing Authority	Component Unit - Muskogee Hsng Assistance Corporation
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable, Vendors	\$ 32,538	\$ 230
Due to Other Government - PILOT Taxes	20,014	0
Due to Primary Government	0	509
Accrued Wages and Payroll Taxes Payable	23,243	1,085
Accrued Compensated Absences	25,950	1,718
Unearned Revenues	51,757	132
Other Current Liabilities	27,050	0
Tenant Security Deposits	53,707	4,826
Total Current Liabilities	234,259	8,500
Long-term Liabilities:		
Accrued Compensated Absences	10,448	895
Other Non-Current Liabilities	65,196	0
Total Liabilities	309,903	9,395
Deferred Inflow of Resources	292,523	0
NET POSITION		
Invested in Capital Assets	6,213,163	1,325,090
Restricted - Housing Assistance Payments	72,597	0
Unrestricted	2,145,041	327,054
Total Net Position	8,430,801	1,652,144
 Total Liabilities, Deferred Inflow of Resources, and Net Position	 \$ 9,033,227	 \$ 1,661,539

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, 2016**

	Primary Government - Muskogee Housing Authority	Component Unit - Muskogee Hsng Assistance Corporation
Operating Revenue:		
Tenant Revenue	\$ 842,458	\$ 85,891
Operating Grants and Subsidies	5,280,038	0
Other Income	199,532	179,530
Total Operating Revenue	6,322,028	265,421
Operating Expenses:		
Housing Assistance Payments	3,443,600	0
Administration	1,156,289	46,456
Tenant Services	128,652	86
Utilities	257,934	1,099
Maintenance	692,815	120,373
Protective Services	59,324	1,034
General Expense	393,916	21,074
Depreciation	575,764	58,543
Total Operating Expenses	6,708,294	248,665
Operating Income (Loss)	(386,266)	16,756
Non-operating Revenue (Expense)		
Gain or Loss on Disposal of Equipment	3,804	0
Investment Income	7,439	57
Net Income (Loss) Before Capital Grants	(375,023)	16,813
Capital Grants	251,175	0
Change in Net Position	(123,848)	16,813
Total Net Position - Beginning	8,559,299	1,635,331
Transfers to Other Programs	(4,650)	0
Total Net Position, Ending	\$ 8,430,801	\$ 1,652,144

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, 2016**

	Primary Government - Muskogee Housing Authority	Component Unit - Muskogee Hsng Assistance Corporation
Cash Flows from Operating Activities:		
Receipts from Tenants	\$ 764,022	\$ 85,793
Receipts from Operating Grants	5,586,157	0
Receipts from Other Operating Activities	193,323	182,825
Payments to Employees	(853,382)	(71,718)
Payments to Suppliers and Vendors	(1,815,203)	(124,002)
Payments for Housing Assistance	(3,443,600)	0
Payments for PILOT Taxes	(37,645)	0
Net Cash Provided (Used) by Operating Activities	393,672	72,898
Cash Flows from Capital and Related Financing Activities:		
Transfer to Other Government Entities	(4,650)	0
Receipts from Capital Grants	251,175	0
Disposal of Land, Structure, and Equipment	3,804	0
Purchases of Land, Structures and Equipment	(284,160)	(120,050)
Net Cash Provided (Used) by Capital and Related Financing Activities	(33,831)	(120,050)
Cash Flows from Investing Activities:		
Receipts of Interest Income	7,484	57
Sale (Purchase) of Investments	46,072	0
Net Cash Provided (Used) from Investing Activities	53,556	57
Net Increase (Decrease) in Cash and Cash Equivalents	413,397	(47,095)
Cash and Cash Equivalents, Beginning	1,125,746	368,471
Cash and Cash Equivalents, Ending	\$ 1,539,143	\$ 321,376
 Reconciliation to Statement of Net Assets:		
Cash and Cash Equivalents	1,005,312	316,550
Cash and Cash Equivalents, Restricted	533,831	4,826
	\$ 1,539,143	\$ 321,376

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, 2016**

	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)	\$ <u>(386,266)</u>	\$ <u>16,756</u>
Adjustments to reconcile Operating Income (Loss) to Net		
Cash Provided (Used) by Operating Activities:		
Depreciation	575,764	58,543
Change in Assets and Liabilities:		
Accounts Receivable and Due from Other Governments	(88,030)	3,382
Prepaid Expenses	(22,985)	(1,415)
Inventory	14,885	4,316
Accounts Payable	15,099	(8,423)
Tenant Security Deposits	3,658	(121)
Accrued Liabilities	(40,190)	(36)
Deferred Revenues	<u>321,737</u>	<u>(104)</u>
Total Adjustments	<u>779,938</u>	<u>56,142</u>
Net Cash Provided (Used) by Operating Activities	\$ <u><u>393,672</u></u>	\$ <u><u>72,898</u></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, 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 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 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, 2016, 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, 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 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, 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.

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, 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 December 31, 2016, 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	\$ 1,538,943	\$ 321,376
Cash on Hand	<u>200</u>	<u>0</u>
Total Deposit Accounts	1,539,143	321,376
Investments:		
Certificates of Deposit	<u>1,030,314</u>	<u>0</u>
Total Deposits and Investments	\$ <u>2,569,457</u>	\$ <u>321,376</u>
Reconciliation to Statement of Net Assets:		
Cash and Cash Equivalents	1,005,312	316,550
Cash and Cash Equivalents, Restricted	533,831	4,826
Investments	<u>1,030,314</u>	<u>0</u>
	\$ <u>2,569,457</u>	\$ <u>321,376</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 \$2,966,933 at December 31, 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 MUSKOGEE
MUSKOGEE, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 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 December 31, 2016, 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 \$8,922 less an allowance of \$3,022 for a net accounts receivable of \$5,900 at December 31, 2016. Also included is the Fraud Recovery for the Public Housing Program and Housing Choice Voucher program which is \$204,688 less an allowance of \$117,360 for a net fraud receivable of \$87,328. The total net receivable of all programs, including Muskogee Housing Assistance Corporation, is \$93,228.

**HOUSING AUTHORITY OF THE CITY OF MUSKOGEE
MUSKOGEE, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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>12/31/2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>12/31/2016</u>
Non-depreciable Capital Assets:				
Land	\$ 151,286	\$ 0	\$ 0	\$ 151,286
Construction in Progress	18,550	231,410	0	249,960
	<u>169,836</u>	<u>231,410</u>	<u>0</u>	<u>401,246</u>
Depreciable Capital Assets:				
Buildings and Improvements	19,221,015	0	0	19,221,015
Furniture & Equipment	636,042	52,750	0	688,792
	<u>19,857,057</u>	<u>52,750</u>	<u>0</u>	<u>19,909,807</u>
Less Accumulated Depreciation:				
Buildings and Improvements	13,030,191	524,540	0	13,554,731
Furniture & Equipment	491,935	51,224	0	543,159
	<u>13,522,126</u>	<u>575,764</u>	<u>0</u>	<u>14,097,890</u>
Net Depreciable Capital Assets	<u>6,334,931</u>	<u>(523,014)</u>	<u>0</u>	<u>5,811,917</u>
Total	<u>\$ 6,504,767</u>	<u>\$ (291,604)</u>	<u>\$ 0</u>	<u>\$ 6,213,163</u>
Component Unit				
	Balance			Balance
<i>Muskogee Housing Assistance Corp</i>	<u>12/31/2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>12/31/2016</u>
Non-depreciable Capital Assets:				
Land	\$ 82,147	\$ 0	\$ 0	\$ 82,147
Depreciable Capital Assets:				
Buildings and Improvements	1,252,370	100,150	0	1,352,520
Furniture and Equipment	138,127	19,900	0	158,027
Depreciation Capital Assets	<u>1,390,497</u>	<u>120,050</u>	<u>0</u>	<u>1,510,547</u>
Less Accumulated Depreciation:				
Buildings and Improvements	111,730	39,007	0	150,737
Furniture and Equipment	97,331	19,536	0	116,867
Accumulated Depreciation	<u>209,061</u>	<u>58,543</u>	<u>0</u>	<u>267,604</u>
Net Depreciable Capital Assets	<u>1,181,436</u>	<u>61,507</u>	<u>0</u>	<u>1,242,943</u>
Total	<u>\$ 1,263,583</u>	<u>\$ 61,507</u>	<u>\$ 0</u>	<u>\$ 1,325,090</u>

Depreciation expense for the year ending December 31, 2016 is \$575,764 and \$58,543 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, 2016**

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 \$39,011 of which \$27,668 is current and \$11,343 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 liability.

	Balance			Balance		Due Within
<i>Accrued Compensated Absences</i>	<u>12/31/2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>12/31/2016</u>	<u>One Year</u>	
Muskogee Housing Authority	\$ 34,948	\$ 94,609	\$ 93,159	\$ 36,398	\$	25,950
Muskogee Housing Assistance Corp	<u>2,177</u>	<u>5,644</u>	<u>5,208</u>	<u>2,613</u>	<u></u>	<u>1,718</u>
	<u>\$ 37,125</u>	<u>\$ 100,253</u>	<u>\$ 98,367</u>	<u>\$ 39,011</u>	<u>\$</u>	<u>27,668</u>

NOTE 7 – OTHER NON-CURRENT LIABILITIES

Other Non-current Liabilities includes the FSS Escrow Liability for both the Low Rent Program and the Housing Choice Vouchers Program in the total amount of \$65,196. The liability for these programs is \$61,245 and \$3,951, respectively for the Low Rent Program and Housing Choice Voucher Program, respectively.

NOTE 8 - INTER-PROGRAM TRANSFERS

During the year ending December 31, 2016, the Capital Fund Program transferred \$128,186 to the Low Rent Program for operations. For presentation of financial statements, this transfer has been eliminated.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

The Housing Authority has an active construction project as of December 31, 2016. This capital project is a modernization of the housing units. This project is being funded by the Capital Fund Program. As of December 31, 2016, \$249,960 has been expended 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.

**HOUSING AUTHORITY OF THE CITY OF MUSKOGEE
MUSKOGEE, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 10 - 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 11 - 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% and the Housing Authority contributes the same. Employees may voluntarily make additional contributions.

The annual contribution requirement for the year ending December 31, 2016 for the Housing Authority and the participants are \$41,917 and \$42,062, respectively or a total of \$83,979. Annual Contributions for the year ending December 31, 2015 total \$71,780.

NOTE 12 - 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, 2016**

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA #</u>	<u>Federal Expenditures</u>
<u><i>Muskogee Housing Authority</i></u>		
Direct Program:		
U.S. Department of Housing and Urban Development		
Public & Indian Housing	* 14.850	\$ 1,219,410
Resident Opportunity and Supportive Services	14.870	50,180
Housing Choice Vouchers	14.871	3,826,140
Capital Fund Program	14.872	<u>435,483</u>
Total		<u>\$ 5,531,213</u>

* Major Program

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 DECEMBER 31, 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 Muskogee under programs of the federal government for the year ended December 31, 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 Muskogee.

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 MUSKOGEE
MUSKOGEE, OKLAHOMA
FINANCIAL DATA SCHEDULE
DECEMBER 31, 2016**

	Project Total	14.228 Community Development Block Grants/State's Program	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	14.239 HOME Investment Partnerships Program
111 Cash - Unrestricted	\$248,978	\$200,109	\$4,701	\$307,277	\$195,952	\$120,598
113 Cash - Other Restricted	\$61,245	\$52,543		\$24,005		
114 Cash - Tenant Security Deposits	\$46,357	\$7,350			\$1,400	\$3,426
115 Cash - Restricted for Payment of Current Liabilities	\$15,311			\$327,020		
100 Total Cash	\$371,891	\$260,002	\$4,701	\$658,302	\$197,352	\$124,024
122 Accounts Receivable - Other Projects	\$20,383		\$4,143	\$8,469		
125 Accounts Receivable - Miscellaneous	\$6,813			\$260		
126 Accounts Receivable - Tenants	\$3,592	\$3,375				\$1,955
126.1 Allow for Doubtful Accounts - Tenants	-\$676	-\$1,191				-\$1,155
128 Fraud Recovery	\$8,844			\$195,844		
128.1 Allow for Doubtful Accounts - Fraud	-\$468			-\$116,892		
129 Accrued Interest Receivable	\$247					
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$38,735	\$2,184	\$4,143	\$87,681	\$0	\$800
131 Investments - Unrestricted	\$758,036					
142 Prepaid Expenses and Other Assets	\$72,985	\$6,723		\$5,946	\$3,116	\$635
143 Inventories	\$26,454	\$1,260			\$11,211	\$480
143.1 Allowance for Obsolete Inventories	-\$2,645	-\$126			-\$1,121	-\$48
144 Inter Program Due From	\$14,249					
150 Total Current Assets	\$1,279,705	\$270,043	\$8,844	\$751,929	\$210,558	\$125,891
161 Land	\$137,815	\$8,117			\$31,995	\$50,152
162 Buildings	\$16,609,021	\$2,607,026		\$2,981	\$407,470	\$945,050
164 Furn, Equipment & Machinery - Admin	\$496,034			\$51,362	\$158,027	
166 Accumulated Depreciation	-\$13,565,315	-\$364,803		-\$46,508	-\$152,769	-\$114,835
167 Construction in Progress	\$249,961					
160 Total Capital Assets, Net of Accumulated Depreciation	\$3,927,516	\$2,250,340	\$0	\$7,835	\$444,723	\$880,367
180 Total Non-Current Assets	\$3,927,516	\$2,250,340	\$0	\$7,835	\$444,723	\$880,367
290 Total Assets and Deferred Outflow of Resources	\$5,207,221	\$2,520,383	\$8,844	\$759,764	\$655,281	\$1,006,258

**HOUSING AUTHORITY OF THE CITY OF MUSKOGEE
MUSKOGEE, OKLAHOMA
FINANCIAL DATA SCHEDULE
DECEMBER 31, 2016**

	97.109 Disaster Housing Assistance Grant	2 State/Local	1 Business Activities	Subtotal	ELIM	Total
111 Cash - Unrestricted		\$14,502	\$229,745	\$1,321,862		\$1,321,862
113 Cash - Other Restricted				\$137,793		\$137,793
114 Cash - Tenant Security Deposits				\$58,533		\$58,533
115 Cash - Restricted for Payment of Current Liabilities				\$342,331		\$342,331
100 Total Cash	\$0	\$14,502	\$229,745	\$1,860,519	\$0	\$1,860,519
122 Accounts Receivable - Other Projects				\$32,995		\$32,995
125 Accounts Receivable - Miscellaneous			\$5,172	\$12,245		\$12,245
126 Accounts Receivable - Tenants				\$8,922		\$8,922
126.1 Allow for Doubtful Accounts -Tenants				-\$3,022		-\$3,022
128 Fraud Recovery				\$204,688		\$204,688
128.1 Allow for Doubtful Accounts - Fraud				-\$117,360		-\$117,360
129 Accrued Interest Receivable			\$90	\$337		\$337
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$0	\$0	\$5,262	\$138,805	\$0	\$138,805
131 Investments - Unrestricted			\$272,278	\$1,030,314		\$1,030,314
142 Prepaid Expenses and Other Assets			\$1,496	\$90,901		\$90,901
143 Inventories				\$39,405		\$39,405
143.1 Allowance for Obsolete Inventories				-\$3,940		-\$3,940
144 Inter Program Due From				\$14,249	-\$14,249	\$0
150 Total Current Assets	\$0	\$14,502	\$508,781	\$3,170,253	-\$14,249	\$3,156,004
161 Land			\$5,353	\$233,432		\$233,432
162 Buildings			\$1,987	\$20,573,535		\$20,573,535
164 Furniture, Equipment & Machinery - Admin			\$141,397	\$846,820		\$846,820
166 Accumulated Depreciation			-\$121,265	-\$14,365,495		-\$14,365,495
167 Construction in Progress				\$249,961		\$249,961
160 Total Capital Assets, Net of Accumulated Depreciation	\$0	\$0	\$27,472	\$7,538,253	\$0	\$7,538,253
180 Total Non-Current Assets	\$0	\$0	\$27,472	\$7,538,253	\$0	\$7,538,253
290 Total Assets and Deferred Outflow of Resources	\$0	\$14,502	\$536,253	\$10,708,506	-\$14,249	\$10,694,257

**HOUSING AUTHORITY OF THE CITY OF MUSKOGEE
MUSKOGEE, OKLAHOMA
FINANCIAL DATA SCHEDULE
DECEMBER 31, 2016**

	Project Total	14.228 Community Development Block Grants/State's Program	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	14.239 HOME Investment Partnerships Program
312 Accounts Payable <= 90 Days	\$28,971	\$1,049		\$544	\$10	\$220
321 Accrued Wage/Payroll Taxes Payable	\$20,117	\$200		\$2,926	\$907	\$178
322 Accrued Compensated Absences - Current Portion	\$20,248	\$255		\$4,107	\$1,575	\$143
333 Accounts Payable - Other Government	\$20,014					
341 Tenant Security Deposits	\$46,357	\$7,350			\$1,400	\$3,426
342 Unearned Revenue	\$17,496	\$63	\$689	\$33,509	\$11	\$121
345 Other Current Liabilities	\$15,311			\$988		
346 Accrued Liabilities - Other	\$10,751					
347 Inter Program - Due To		\$1,643	\$8,155	\$2,289	\$408	\$101
310 Total Current Liabilities	\$179,265	\$10,560	\$8,844	\$44,363	\$4,311	\$4,189
353 Non-current Liabilities - Other	\$61,245			\$3,951		
354 Accrued Compensated Absences - Non Current	\$8,740	\$53		\$1,047	\$862	\$33
350 Total Non-Current Liabilities	\$69,985	\$53	\$0	\$4,998	\$862	\$33
300 Total Liabilities	\$249,250	\$10,613	\$8,844	\$49,361	\$5,173	\$4,222
400 Deferred Inflow of Resources				\$292,523		
508.4 Net Investment in Capital Assets	\$3,927,516	\$2,250,340	\$0	\$7,835	\$444,723	\$880,367
511.4 Restricted Net Position	\$0	\$52,543	\$0	\$20,054	\$0	\$0
512.4 Unrestricted Net Position	\$1,030,455	\$206,887	\$0	\$389,991	\$205,385	\$121,669
513 Total Equity - Net Assets / Position	\$4,957,971	\$2,509,770	\$0	\$417,880	\$650,108	\$1,002,036
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$5,207,221	\$2,520,383	\$8,844	\$759,764	\$655,281	\$1,006,258

**HOUSING AUTHORITY OF THE CITY OF MUSKOGEE
MUSKOGEE, OKLAHOMA
FINANCIAL DATA SCHEDULE
DECEMBER 31, 2016**

	97.109 Disaster Housing Assistance Grant	2 State/Local	1 Business Activities	Subtotal	ELIM	Total
312 Accounts Payable <= 90 Days			\$1,974	\$32,768		\$32,768
321 Accrued Wage/Payroll Taxes Payable				\$24,328		\$24,328
322 Accrued Compensated Absences - Current Portion			\$1,340	\$27,668		\$27,668
333 Accounts Payable - Other Government				\$20,014		\$20,014
341 Tenant Security Deposits				\$58,533		\$58,533
342 Unearned Revenue				\$51,889		\$51,889
345 Other Current Liabilities				\$16,299		\$16,299
346 Accrued Liabilities - Other				\$10,751		\$10,751
347 Inter Program - Due To			\$1,653	\$14,249	-\$14,249	\$0
310 Total Current Liabilities	\$0	\$0	\$4,967	\$256,499	-\$14,249	\$242,250
353 Non-current Liabilities - Other				\$65,196		\$65,196
354 Accrued Compensated Absences - Non Current			\$608	\$11,343		\$11,343
350 Total Non-Current Liabilities	\$0	\$0	\$608	\$76,539	\$0	\$76,539
300 Total Liabilities	\$0	\$0	\$5,575	\$333,038	-\$14,249	\$318,789
400 Deferred Inflow of Resources				\$292,523		\$292,523
508.4 Net Investment in Capital Assets	\$0		\$27,472	\$7,538,253		\$7,538,253
511.4 Restricted Net Position	\$0		\$0	\$72,597		\$72,597
512.4 Unrestricted Net Position	\$0	\$14,502	\$503,206	\$2,472,095		\$2,472,095
513 Total Equity - Net Assets / Position	\$0	\$14,502	\$530,678	\$10,082,945	\$0	\$10,082,945
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$0	\$14,502	\$536,253	\$10,708,506	-\$14,249	\$10,694,257

**HOUSING AUTHORITY OF THE CITY OF MUSKOGEE
MUSKOGEE, OKLAHOMA
FINANCIAL DATA SCHEDULE
DECEMBER 31, 2016**

	Project Total	14.228 Community Development Block Grants/State's Program	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	HAC 6.1 Component Unit - Discretely Presented	HAC 14.239 HOME Investment Partnerships Program
70300 Net Tenant Rental Revenue	\$656,844	\$163,187			\$32,054	\$52,177
70400 Tenant Revenue - Other	\$20,203	\$2,224			\$435	\$1,225
70500 Total Tenant Revenue	\$677,047	\$165,411	\$0	\$0	\$32,489	\$53,402
70600 HUD PHA Operating Grants	\$1,403,718		\$50,180	\$3,826,140		
70610 Capital Grants	\$251,175					
71100 Investment Income - Unrestricted	\$5,395	\$117	\$2	\$296		\$57
71400 Fraud Recovery				\$37,214		
71500 Other Revenue	\$87,228	\$496		\$60,534	\$179,362	\$168
71600 Gain or Loss on Sale of Capital Assets	\$2,204			\$1,600		
70000 Total Revenue	\$2,426,767	\$166,024	\$50,182	\$3,925,784	\$211,851	\$53,627
91100 Administrative Salaries	\$198,292	\$3,281		\$110,505	\$1,108	\$2,612
91200 Auditing Fees	\$11,610	\$443		\$3,215	\$714	\$146
91300 Management Fee		\$12,357			\$777	\$3,150
91400 Advertising and Marketing	\$9,794	\$648				
91500 Employee Benefit contributions - Administrative	\$16,360	\$6,989		\$37,246	\$2,796	\$193
91600 Office Expenses	\$60,828	\$1,507		\$18,262	\$3,733	\$409
91700 Legal Expense	\$3,837					\$1,337
91800 Travel	\$6,315	\$1,800		\$135	\$501	
91810 Allocated Overhead	\$404,463			\$112,005	\$24,890	
91900 Other	\$38,311	\$2,162		\$23,197	\$3,791	\$299
91000 Total Operating - Administrative	\$749,810	\$29,187	\$0	\$304,565	\$38,310	\$8,146
92100 Tenant Services - Salaries	\$50,572		\$39,008			
92200 Relocation Costs						
92300 Employee Benefit Contributions - Tenant Services	\$11,918		\$11,174			
92400 Tenant Services - Other	\$15,450			\$190		\$86
92500 Total Tenant Services	\$77,940	\$0	\$50,182	\$190	\$0	\$86

**HOUSING AUTHORITY OF THE CITY OF MUSKOGEE
MUSKOGEE, OKLAHOMA
FINANCIAL DATA SCHEDULE
DECEMBER 31, 2016**

	97.109 Disaster Housing Assistance Grant	2 State/Local	1 Business Activities	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue				\$904,262		\$904,262
70400 Tenant Revenue - Other				\$24,087		\$24,087
70500 Total Tenant Revenue	\$0	\$0	\$0	\$928,349	\$0	\$928,349
70600 HUD PHA Operating Grants				\$5,280,038		\$5,280,038
70610 Capital Grants				\$251,175		\$251,175
71100 Investment Income - Unrestricted			\$1,629	\$7,496		\$7,496
71400 Fraud Recovery				\$37,214		\$37,214
71500 Other Revenue			\$147,895	\$475,683	-\$133,835	\$341,848
71600 Gain or Loss on Sale of Capital Assets				\$3,804		\$3,804
70000 Total Revenue	\$0	\$0	\$149,524	\$6,983,759	-\$133,835	\$6,849,924
91100 Administrative Salaries				\$315,798		\$315,798
91200 Auditing Fees			\$2,322	\$18,450		\$18,450
91300 Management Fee				\$16,284	-\$16,284	\$0
91400 Advertising and Marketing				\$10,442		\$10,442
91500 Employee Benefit contributions - Administrative				\$63,584		\$63,584
91600 Office Expenses			\$4,121	\$88,860		\$88,860
91700 Legal Expense				\$5,174		\$5,174
91800 Travel				\$8,751		\$8,751
91810 Allocated Overhead			\$74,914	\$616,272		\$616,272
91900 Other			\$7,654	\$75,414		\$75,414
91000 Total Operating - Administrative	\$0	\$0	\$89,011	\$1,219,029	-\$16,284	\$1,202,745
92100 Tenant Services - Salaries				\$89,580		\$89,580
92200 Relocation Costs			\$340	\$340		\$340
92300 Employee Benefit Contributions - Tenant Services				\$23,092		\$23,092
92400 Tenant Services - Other				\$15,726		\$15,726
92500 Total Tenant Services	\$0	\$0	\$340	\$128,738	\$0	\$128,738

**HOUSING AUTHORITY OF THE CITY OF MUSKOGEE
MUSKOGEE, OKLAHOMA
FINANCIAL DATA SCHEDULE
DECEMBER 31, 2016**

	Project Total	14.228 Community Development Block Grants/State's Program	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	HAC 6.1 Component Unit - Discretely Presented	HAC 14.239 HOME Investment Partnerships Program
93100 Water	\$31,334	\$104			\$57	\$83
93200 Electricity	\$177,658	\$827			\$156	\$325
93300 Gas	\$29,674	\$294			\$157	\$183
93600 Sewer	\$17,898	\$145			\$46	\$92
93000 Total Utilities	\$256,564	\$1,370	\$0	\$0	\$416	\$683
94100 Ordinary Maintenance and Operations - Labor	\$241,173	\$11,500			\$42,827	\$9,916
94200 Ordinary Maintenance and Operations - Materials and Other	\$168,727	\$22,380		\$549	\$31,199	\$448
94300 Ordinary Maintenance and Operations Contracts	\$270,076	\$10,101		\$30	\$5,239	\$2,294
94500 Employee Benefit Contributions - Ordinary Maintenance	\$43,139	\$16,102			\$11,479	\$751
94000 Total Maintenance	\$723,115	\$60,083	\$0	\$579	\$90,744	\$13,409
95100 Protective Services - Labor	\$37,893					
95300 Protective Services - Other	\$18,616	\$80			\$1,034	
95500 Employee Benefit Contributions - Protective Services	\$2,735					
95000 Total Protective Services	\$59,244	\$80	\$0	\$0	\$1,034	\$0
96110 Property Insurance	\$99,370	\$7,085			\$8,316	\$3,176
96120 Liability Insurance	\$21,196	\$854		\$3,262	\$709	\$304
96130 Workmen's Compensation	\$14,789	\$1,643		\$4,816	\$910	\$101
96140 All Other Insurance	\$26,613				\$1,892	
96100 Total insurance Premiums	\$161,968	\$9,582	\$0	\$8,078	\$11,827	\$3,581
96200 Other General Expenses	\$42,668			\$25,433	\$21	
96210 Compensated Absences	\$69,206	\$1,449		\$19,228	\$4,756	\$889
96300 Payments in Lieu of Taxes	\$40,028					
96400 Bad debt - Tenant Rents	\$7,421					
96000 Total Other General Expenses	\$159,323	\$1,449	\$0	\$44,661	\$4,777	\$889
96900 Total Operating Expenses	\$2,187,964	\$101,751	\$50,182	\$358,073	\$147,108	\$26,794

**HOUSING AUTHORITY OF THE CITY OF MUSKOGEE
MUSKOGEE, OKLAHOMA
FINANCIAL DATA SCHEDULE
DECEMBER 31, 2016**

	97.109 Disaster Housing Assistance Grant	2 State/Local	1 Business Activities	Subtotal	ELIM	Total
93100 Water				\$31,578		\$31,578
93200 Electricity				\$178,966		\$178,966
93300 Gas				\$30,308		\$30,308
93600 Sewer				\$18,181		\$18,181
93000 Total Utilities	\$0	\$0	\$0	\$259,033	\$0	\$259,033
94100 Ordinary Maintenance and Operations - Labor				\$305,416		\$305,416
94200 Ordinary Maintenance and Operations - Materials and Other			\$333	\$223,636		\$223,636
94300 Ordinary Maintenance and Operations Contracts				\$287,740	-\$117,551	\$170,189
94500 Employee Benefit Contributions - Ordinary Maintenance				\$71,471		\$71,471
94000 Total Maintenance	\$0	\$0	\$333	\$888,263	-\$117,551	\$770,712
95100 Protective Services - Labor				\$37,893		\$37,893
95300 Protective Services - Other				\$19,730		\$19,730
95500 Employee Benefit Contributions - Protective Services				\$2,735		\$2,735
95000 Total Protective Services	\$0	\$0	\$0	\$60,358	\$0	\$60,358
96110 Property Insurance			\$154	\$118,101		\$118,101
96120 Liability Insurance			\$749	\$27,074		\$27,074
96130 Workmen's Compensation			\$3,021	\$25,280		\$25,280
96140 All Other Insurance				\$28,505		\$28,505
96100 Total insurance Premiums	\$0	\$0	\$3,924	\$198,960	\$0	\$198,960
96200 Other General Expenses			\$205	\$68,327		\$68,327
96210 Compensated Absences			\$4,726	\$100,254		\$100,254
96300 Payments in Lieu of Taxes				\$40,028		\$40,028
96400 Bad debt - Tenant Rents				\$7,421		\$7,421
96000 Total Other General Expenses	\$0	\$0	\$4,931	\$216,030	\$0	\$216,030
96900 Total Operating Expenses	\$0	\$0	\$98,539	\$2,970,411	-\$133,835	\$2,836,576

**HOUSING AUTHORITY OF THE CITY OF MUSKOGEE
MUSKOGEE, OKLAHOMA
FINANCIAL DATA SCHEDULE
DECEMBER 31, 2016**

	Project Total	14.228 Community Development Block Grants/State's Program	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	HAC 6.1 Component Unit - Discretely Presented	HAC 14.239 HOME Investment Partnerships Program
97000 Excess of Operating Revenue over Operating Expenses	\$238,803	\$64,273	\$0	\$3,567,711	\$64,743	\$26,833
97200 Casualty Losses - Non-capitalized	\$26,256				\$16,220	
97300 Housing Assistance Payments				\$3,443,600		
97400 Depreciation Expense	\$488,514	\$71,071		\$4,168	\$33,580	\$24,963
90000 Total Expenses	\$2,702,734	\$172,822	\$50,182	\$3,805,841	\$196,908	\$51,757
10010 Operating Transfer In	\$128,186					
10020 Operating transfer Out	-\$128,186					
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$275,967	-\$6,798	\$0	\$119,943	\$14,943	\$1,870
11030 Beginning Equity	\$5,233,938	\$2,516,568	\$0	\$297,937	\$635,165	\$1,000,166
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors						
11170 Administrative Fee Equity				\$397,826		
11180 Housing Assistance Payments Equity				\$20,054		
11190 Unit Months Available	4799	252		9301	43	96
11210 Number of Unit Months Leased	4762	250		8722	41	94
11270 Excess Cash	\$764,748					
11620 Building Purchases	\$231,411					
11640 Furniture & Equipment - Administrative Purchases	\$45,878					

**HOUSING AUTHORITY OF THE CITY OF MUSKOGEE
MUSKOGEE, OKLAHOMA
FINANCIAL DATA SCHEDULE
DECEMBER 31, 2016**

	97.109 Disaster Housing Assistance Grant	2 State/Local	1 Business Activities	Subtotal	ELIM	Total
97000 Excess of Operating Revenue over Operating Expenses	\$0	\$0	\$50,985	\$4,013,348	\$0	\$4,013,348
97200 Casualty Losses - Non-capitalized				\$42,476		\$42,476
97300 Housing Assistance Payments				\$3,443,600		\$3,443,600
97400 Depreciation Expense			\$12,011	\$634,307		\$634,307
90000 Total Expenses	\$0	\$0	\$110,550	\$7,090,794	-\$133,835	\$6,956,959
10010 Operating Transfer In				\$128,186	-\$128,186	\$0
10020 Operating transfer Out				-\$128,186	\$128,186	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$0	\$0	\$38,974	-\$107,035	\$0	-\$107,035
11030 Beginning Equity	\$14,502	\$0	\$496,354	\$10,194,630		\$10,194,630
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-\$14,502	\$14,502	-\$4,650	-\$4,650		-\$4,650
11170 Administrative Fee Equity				\$397,826		\$397,826
11180 Housing Assistance Payments Equity				\$20,054		\$20,054
11190 Unit Months Available				14491		14491
11210 Number of Unit Months Leased				13869		13869
11270 Excess Cash				\$764,748		\$764,748
11620 Building Purchases				\$231,411		\$231,411
11640 Furniture & Equipment - Administrative Purchases				\$45,878		\$45,878

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

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.

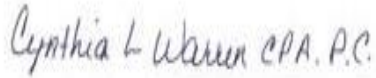
Compliance and Other Matters

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 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 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 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, 2016. 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 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 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, 2016.

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 requirements 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 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
September 15, 2017

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

SCHEDULE OF SUMMARY STATUS OF PRIOR AUDIT FINDINGS

The prior report on the audit of the financial statements as of and for the twelve months ended December 31, 2015, contained no findings.