

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

**INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED JUNE 30, 2018

HOUSING AUTHORITY OF THE CITY OF SEMINOLE
Seminole, Oklahoma

TABLE OF CONTENTS

	<u>PAGE</u>
FINANCIAL SECTION	
Independent Auditor's Report	1-2
Management's Discussion and Analysis	i-vii
Basic Financial Statements:	
Statement of Net Position	3-4
Statement of Revenue, Expenses and Changes in Net Position	5
Statement of Cash Flows	6-7
Notes to the Basic Financial Statements	8-18
SUPPLEMENTAL INFORMATION	
PHA's Statement of Certification of Actual Modernization Costs	19
Schedule of Expenditures of Federal Awards	20
Financial Data Schedule	21-23
COMPLIANCE SECTION	
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 <i>Government Auditing Standards</i>	24-25
Independent Auditor's Report on Compliance for each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance	26-27
Schedule of Findings and Questioned Costs	28

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of the business-type activities of the Housing Authority of the City of Seminole (Authority), Oklahoma, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 opinions 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 from 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 are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity'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 respective financial position of the business-type activities of the Housing Authority of the City of Seminole, Oklahoma, as of June 30, 2018, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i-vii be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to 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 me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority of the City of Seminole, Oklahoma's basic financial statements. The accompanying PHA's Statement of Certification of Actual Modernization Costs and the Financial Data Schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The accompanying PHA's Statement of Certification of Actual Modernization Costs, the Financial Data Schedule and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the accompanying PHA's Statement of Certification of Actual Modernization Costs, the Financial Data Schedule and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated October 25, 2018, on my consideration of the Housing Authority of the City of Seminole, Oklahoma's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Housing Authority of the City of Seminole, Oklahoma's internal control over financial reporting and compliance.

Audit Solutions, LLC

Chesterfield, Missouri

October 25, 2018

HOUSING AUTHORITY OF THE CITY OF SEMINOLE
Seminole, Oklahoma

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
June 30, 2018

Introduction

This Management's Discussion and Analysis (MD&A) of the Seminole Housing Authority (Authority) provides an introduction and overview to the financial statements of the Seminole Housing Authority for the fiscal year ended June 30, 2018. The Seminole Housing Authority presents this discussion and analysis of its financial performance during the fiscal year ended June 30, 2018, to assist the reader in focusing on significant financial issues.

The primary focus of the Authority's financial statements is on the statements of its single enterprise fund encompassing all programs administered by the Seminole Housing Authority. This information contained herein in this MD&A should be considered in conjunction with the Authority's financial statements and related notes to the financial statements.

The Authority has three significant programs. They include the Low Rent Housing Program, the Capital Fund Program, and the Housing Choice Voucher Program.

The Low Rent Housing Program consists of 120 dwelling units. Funding is provided based on dwelling rents paid by the tenants and operating fund payments received from the Department of Housing & Urban Development based on a formula.

The Capital Fund Program is also a formula-based program from HUD. The purpose of this program is to provide funding for the modernization and improvement of the Low Rent Public Housing Program. These resources allow the Authority to provide capital improvements for the current dwelling structures and assist the Authority in operations.

The Housing Choice Voucher Program provides rental assistance to aid low income families in affording decent, safe and sanitary rental housing. The Authority provides rental assistance in the form of a housing assistance payment to a landlord on behalf of the tenant. The Authority currently has 189 units available. Funds are provided by HUD to provide rental assistance payments. The Authority is provided an administrative fee for the purpose of covering the administrative costs of the program. The administrative fee is computed by HUD on an annual basis.

Overview of the Financial Statements

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

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

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

- *Net Investment in Capital Assets* consists of capital asset balances net of accumulated depreciation less any outstanding balances of related debt associated with these assets.
- *Restricted* component of net position consists of resources that are restricted by limitations placed on these resources by an external source or imposed by law through constitutional provisions.

HOUSING AUTHORITY OF THE CITY OF SEMINOLE
Seminole, Oklahoma

MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
June 30, 2018

Overview of the Financial Statements – (Continued)

- *Unrestricted* component of net position represents the remaining resources available that do not meet the definition of the above categories. The unrestricted component of net position is basically the amount of resources available for future year appropriations.

The Statement of Revenues, Expenses, and Changes in Net Position reports the operating revenues, operating expenses, non-operating revenues, and non-operating expenses of the Authority for the fiscal year ended June 30, 2018, to determine the change in net position for the fiscal year.

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 to financing activities. The net result of these activities represents the increase or decrease of the cash equivalent account balance for the year ended June 30, 2018.

Financial Highlights

- The Authority’s net position increased from \$2,525,920 to \$2,717,151, an increase of \$191,231 or 8%. Total assets increased by \$226,522 or 9%.
- Total liabilities increased by 49% for the current fiscal year, from \$71,345 to \$106,636.
- Total revenues increased from \$1,158,178 to \$1,291,949, an increase of \$133,771 or 12%.
- Total expenses increased by \$20,664, from \$1,080,054 to \$1,100,718 for the current year. This represents a change of 2%.

Authority Activities & Highlights

The Authority’s overall financial position for the past two years is summarized below based on the information in the current and prior financial statements. The table below provides the asset, liability, and net position (equity) comparisons for the years ended June 30, 2018, and June 30, 2017.

***Summary Statement of Net Position
Years Ended June 30, 2018 and 2017***

<u>Category</u>	6/30/2018	6/30/2017	Change \$	Change %
Current Assets	\$ 954,730	\$ 1,216,909	\$ (262,179)	-22%
Fixed Assets (Net of Depreciation)	\$ 1,869,057	\$ 1,380,356	\$ 488,701	35%
Total Assets	\$ 2,823,787	\$ 2,597,265	\$ 226,522	9%
Current Liabilities	\$ 105,879	\$ 66,714	\$ 39,165	59%
Non Current Liabilities	\$ 757	\$ 4,631	\$ (3,874)	-84%
Total Liabilities	\$ 106,636	\$ 71,345	\$ 35,291	49%
Unrestricted	\$ 848,094	\$ 1,072,321	\$ (224,227)	-21%
Restricted	\$ -	\$ 73,243	\$ (73,243)	-100%
Net Investment in Capital Assets	\$ 1,869,057	\$ 1,380,356	\$ 488,701	35%
Total Net Position	\$ 2,717,151	\$ 2,525,920	\$ 191,231	8%

HOUSING AUTHORITY OF THE CITY OF SEMINOLE
Seminole, Oklahoma

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
June 30, 2018

Authority Activities & Highlights – (Continued)

Current Assets

Current assets decreased by \$262,179 or 22%. This decrease is primarily attributed to a decrease in the Authority's cash balance. Total cash changed from \$1,109,433 at June 30, 2017 to \$814,391 at June 30, 2018. The decrease in cash was primarily due to the purchase of capital assets. See capital assets section.

Noncurrent Assets

Noncurrent assets increased by \$488,701 during the year. See the Capital Asset section for additional details.

Current Liabilities

Current liabilities increased by \$39,165 or 59%. This change is primarily attributable to an increase in accounts payable from \$3,330 to \$39,829 at June 30, 2018.

Net Position

The overall net financial position of the Authority increased by \$191,231 over the previous year. The change was due to the excess of total operating revenues over total operating expenses of \$113,107 for the current fiscal year.

The restricted component of the Authority's financial position decreased from \$73,243 to \$0. This decrease is due to an excess of HAP payments over HAP distributions from HUD made to landlords by the Authority.

The Authority's unrestricted component of net position changed from \$1,072,321 to \$848,094, a decrease of \$224,227 for the current year. The unrestricted component of net position is the amount available for future appropriations. This balance is subject to program specific guidelines. Individual program balances that comprise this component of net position are:

Low Rent Housing Program	\$639,961
Housing Choice Voucher Program	<u>208,133</u>
Total Unrestricted Net Financial Position	<u>\$848,094</u>

HOUSING AUTHORITY OF THE CITY OF SEMINOLE
Seminole, Oklahoma

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
June 30, 2018

Authority Activities & Highlights – (Continued)

The table below summarizes the overall operations for the past two years for the years ending June 30, 2018, and June 30, 2017.

Summary Statement of Revenues & Expenses and Changes in Net Position
Years Ended June 30, 2018 and 2017

Category	6/30/2018	6/30/2017	Change \$	Change %
Program Revenues:				
Tenant Revenue	\$ 175,328	\$ 172,257	\$ 3,071	2%
Government Operating Grants	\$ 723,221	\$ 780,587	\$ (57,366)	-7%
Capital Grants	\$ 183,233	\$ 184,059	\$ (826)	0%
Other Revenue	\$ 208,099	\$ 20,438	\$ 187,661	918%
Interest Income	\$ 2,068	\$ 837	\$ 1,231	147%
Total Revenue	\$ 1,291,949	\$ 1,158,178	\$ 133,771	12%
Expenses:				
Administration	\$ 250,716	\$ 247,206	\$ 3,510	1%
Utilities	\$ 50,665	\$ 42,826	\$ 7,839	18%
Ordinary Maintenance	\$ 170,276	\$ 161,219	\$ 9,057	6%
General/Insurance Expense	\$ 58,320	\$ 57,493	\$ 827	1%
Depreciation	\$ 157,767	\$ 162,759	\$ (4,992)	-3%
Housing Assistance Payments	\$ 412,974	\$ 408,551	\$ 4,423	1%
Total Expenses	\$ 1,100,718	\$ 1,080,054	\$ 20,664	2%
Excess (Deficiency) Before Special Items	\$ 191,231	\$ 78,124	\$ 113,107	145%
Change in Net Position	\$ 191,231	\$ 78,124	\$ 113,107	145%
Net Position, Beginning of Year	\$ 2,525,920	\$ 2,447,796	\$ 78,124	3%
Net Position, End of Year	\$ 2,717,151	\$ 2,525,920	\$ 191,231	8%

Results of Operations

Revenues of the Authority are generated principally from dwelling rents and HUD grants. The Authority's revenue increased by \$133,771 during the current fiscal year as compared to previous year amounts. Primary contributing factors to this change includes the following:

- HUD operating grants decreased, from \$780,587 in the previous year to \$723,221 in the current year. This change is primarily attributable to a decrease in funding.
- Other revenue increased by \$187,661 or 918% from the previous year, primarily due to insurance proceeds received in the current year.
- Tenant revenue increased by \$3,071 or 2% from the previous year, primarily due to an increase in average dwelling rent per unit month. Average rent in the previous year was \$117 per unit month compared to \$119 per unit month in the current year.

HOUSING AUTHORITY OF THE CITY OF SEMINOLE
Seminole, Oklahoma

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
June 30, 2018

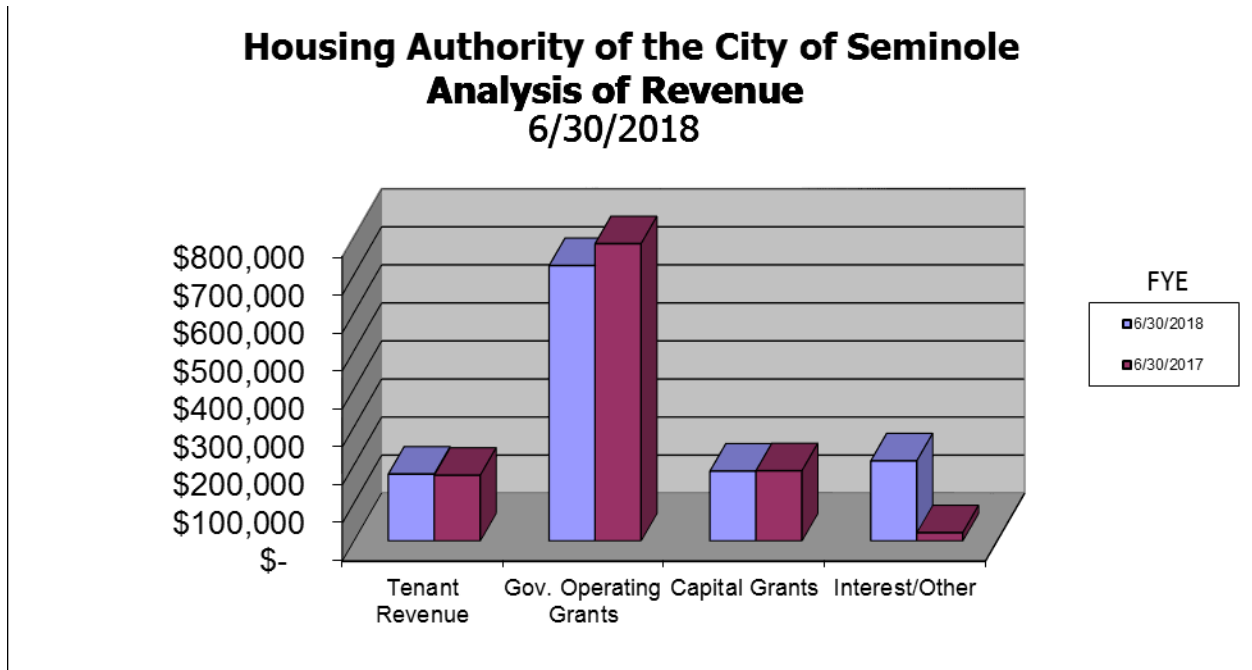
Authority Activities & Highlights – (Continued)

Results of Operations – (Continued)

Total expenses increased by \$20,664 or 2%. Significant differences between the current and previous fiscal years include the following:

- Utilities expense increased by \$7,839, or 18% from the previous year due primarily to increases in water expense of \$3,684 and an increase in sewer of \$2,757. This change was due to an increase in consumption.
- Ordinary maintenance costs increased by \$9,057 or 6% from the previous year due to an increase in maintenance salaries and benefits. Salaries increased by \$3,872 and maintenance benefits increased by \$4,506.
- HAP payments increased by \$4,423, from \$408,511 to \$412,974, primarily due to an increase in average HAP payment from \$317 to \$333.

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

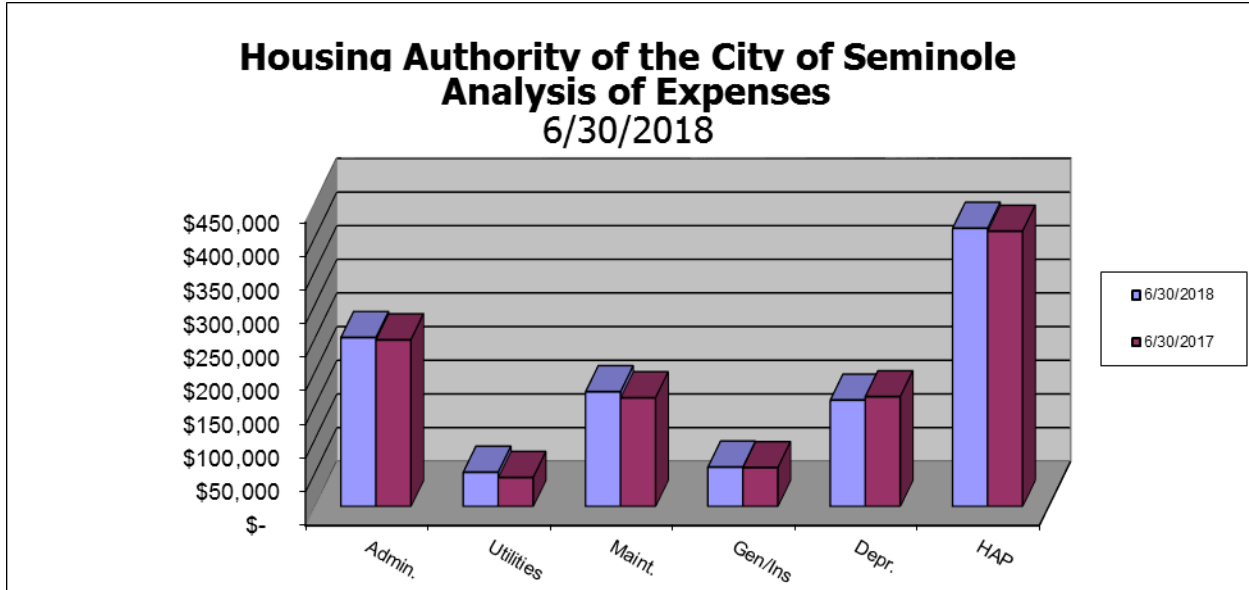


HOUSING AUTHORITY OF THE CITY OF SEMINOLE
Seminole, Oklahoma

MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
June 30, 2018

Authority Activities & Highlights – (Continued)

Results of Operations – (Continued)



Capital Assets

As of June 30, 2018, the Seminole Housing Authority’s net investment in capital assets was \$1,869,057. This investment includes land, buildings, construction in progress and equipment, less accumulated depreciation.

***Summary Statement of Capital Assets
Years Ended June 30, 2018 and 2017***

Category	6/30/2018	6/30/2017	Change \$	Change %
Land	\$ 91,904	\$ 91,904	\$ -	0%
Buildings	\$ 7,279,116	\$ 6,584,235	\$ 694,881	11%
Equipment	\$ 124,873	\$ 124,873	\$ -	0%
Construction in Progress	\$ -	\$ 48,413	\$ (48,413)	-100%
Accumulated Depreciation	\$ (5,626,836)	\$ (5,469,069)	\$ (157,767)	3%
Total Net Fixed Assets	\$ 1,869,057	\$ 1,380,356	\$ 488,701	35%

The addition to the building account is from a bathroom remodel project funded through the 2016 and 2017 Capital Fund Programs along with the Low Rent Program. Another addition was a retaining wall project funded with the 2017 Capital Fund Program and the Low Rent Program. Also, the Authority purchased 72 water heater vents and completed a roofing project funded by the Low Rent Program.

Long Term Debt Liability

The Authority classifies a portion of the employee’s leave as long-term debt. This is because the Authority does not anticipate paying out the total amount accrued in the upcoming fiscal year. The amount estimated as long term was \$757, a net decrease of \$3,874 from the previous year.

HOUSING AUTHORITY OF THE CITY OF SEMINOLE
Seminole, Oklahoma

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
June 30, 2018

Subsequent Events

As of the time of this analysis, HUD has not finalized the funding levels for the 2018 calendar year. The operating subsidy for the Low Rent Housing Program will be funded at an estimated 93.39%.

The amount of funding for the 2018 calendar year for the Housing Choice Voucher Program will include the proration of administrative fees at 80% and HAP funding at 99.75%.

Upon the retirement of the Executive Director, the Authority opted to utilize a third-party management agent to manage the Authority.

The Authority had a completed CFP Contract and the final payment occurred after 06/30/18. In addition, the Authority also had a completed casualty loss contract and the final payment occurred after 06/30/18. The Authority is not aware of any pending litigation or grievances to declare in this report.

Management evaluated the activity of the Authority through June 30, 2018 and has concluded that no subsequent events, other than those listed above, have occurred that would require adjustment to or disclosure within these financial statements.

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:

Seminole Housing Authority
Randy Thomason, Executive Director
P.O. Box 1253
Seminole, OK 74868

HOUSING AUTHORITY OF THE CITY OF SEMINOLE
Seminole, Oklahoma

STATEMENT OF NET POSITION

June 30, 2018

ASSETS

Current Assets:

Cash and cash equivalents	\$	794,957
Cash - restricted		19,434
Investments		90,638
Receivables - net of allowances		34,676
Inventory - net of allowances		3,134
Prepaid expenses		<u>11,891</u>

Total Current Assets		<u>954,730</u>
----------------------	--	----------------

Non-current Assets:

Capital assets:

Land and construction in progress		91,904
Other capital assets, net of depreciation		<u>1,777,153</u>

Total capital assets - net		<u>1,869,057</u>
----------------------------	--	------------------

Total Non-current Assets		<u>1,869,057</u>
--------------------------	--	------------------

Total Assets and Deferred Outflow of Resources	\$	<u><u>2,823,787</u></u>
--	----	-------------------------

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF SEMINOLE
Seminole, Oklahoma

STATEMENT OF NET POSITION – (Continued)
June 30, 2018

LIABILITIES

Current Liabilities:

Accounts payable	\$	69,248
Accrued salaries and benefits		3,088
Tenant security deposit liability		19,434
Accrued compensated absences		3,746
Unearned revenues		<u>10,363</u>

Total Current Liabilities 105,879

Non-current Liabilities:

Compensated absences		<u>757</u>
----------------------	--	------------

Total Non-current Liabilities 757

Total Liabilities 106,636

NET POSITION

Net investment in capital assets		1,869,057
Unrestricted		<u>848,094</u>

Total Net Position 2,717,151

Total Liabilities, Deferred Inflows of Resources and Net Position \$ 2,823,787

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF SEMINOLE
Seminole, Oklahoma

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2018

OPERATING REVENUES	
Tenant revenue	\$ 175,328
Governmental grants and subsidy	723,221
Miscellaneous	<u>208,099</u>
Total operating revenue	<u>1,106,648</u>
OPERATING EXPENSES	
Administrative	250,716
Utilities	50,665
Ordinary maintenance and operations	170,276
Insurance	36,502
General	21,818
Housing assistance payment	412,974
Depreciation expense	<u>157,767</u>
Total operating expenses	<u>1,100,718</u>
Operating income (loss)	<u>5,930</u>
NON-OPERATING REVENUES (EXPENSES)	
Investment income	<u>2,068</u>
Net non-operating revenues (expenses)	<u>2,068</u>
Income (loss) before contributions and transfers	<u>7,998</u>
Capital contributions	<u>183,233</u>
Change in net Position	191,231
Total net Position - beginning of year	<u>2,525,920</u>
Total net Position - end of year	<u>\$ 2,717,151</u>

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF SEMINOLE
Seminole, Oklahoma

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Received from tenants	\$ 176,088
Received from governmental grants and subsidy	680,816
Received from other operating activities	208,099
Payments for goods and services	(164,633)
Payments to employees	(333,398)
Payment in lieu of taxes	(6,202)
Payment for housing assistance	<u>(412,974)</u>

Net cash provided by (used in) operating activities 147,796

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from capital contributions	183,233
Purchases of capital assets	<u>(627,985)</u>

Net cash provided by (used in) capital and related financing activities (444,752)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds (payments) from sale (purchase) of investments	(139)
Receipts of interest and dividends	<u>2,053</u>

Net cash provided by (used in) investing activities 1,914

Net increase (decrease) in cash and cash equivalents	(295,042)
Cash and cash equivalents at beginning of year	<u>1,109,433</u>

Cash and cash equivalents at end of year	<u>\$ 814,391</u>
--	-------------------

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF SEMINOLE
Seminole, Oklahoma

STATEMENT OF CASH FLOWS – (Continued)
For the Year Ended June 30, 2018

Reconciliation of operating income (loss) to net cash provided (used) by operating activities

Operating income (loss)	\$	5,930
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense		157,767
Change in assets and liabilities:		
Receivables, net		(34,218)
Inventories, net		1,944
Prepaid expenses		(435)
Accounts and other payables		36,227
Tenant security deposit		466
Unearned revenues		(7,228)
Compensated absences		(5,644)
Accrued expenses		<u>(7,013)</u>
Net cash provided by (used) by operating activities	\$	<u><u>147,796</u></u>

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF SEMINOLE
Seminole, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

1B. Basis of Presentation – (Continued)

The Authority operates the following programs in the enterprise fund:

Low Rent - The objective of the program is to provide decent, safe and sanitary housing and related facilities for eligible low-income individuals.

Capital Fund Program - The purpose of this program is to provide funds annually to housing authorities for the modernization of the housing development and for management improvements.

Housing Choice Vouchers - The objective of the program is to help low-income families obtain decent, safe, and sanitary housing through a system of rental assistance. HUD reimburses the Authority for the rental supplements paid to private landlords and the administrative costs of managing the program.

1C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus - The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting - In the financial statements, the proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

1D. Budgets

Budgets are prepared for regulatory purposes in accordance with the Authority’s contract with HUD on an annual basis for all operating programs and on a project length basis for capital projects funds which are approved by the Board of Commissioners and submitted to HUD for their approval, if required.

1E. Estimates and assumptions

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could vary from those estimates.

HOUSING AUTHORITY OF THE CITY OF SEMINOLE
Seminole, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

1F. Assets, Liabilities, and Equity

Cash and Investments

For the purpose of the Statement of Net Position, “cash and cash equivalents” includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less. For the purpose of the Statement of Cash Flows, “cash and cash equivalents” include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations, if any, with a remaining maturity at the time of purchase of one year or less. Those investments, if any, are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Notes 2B and 3A.

Inter-fund Receivables and Payables

During the course of operations, numerous transactions occur within individual funds that may result in amounts owed between funds. Inter-fund receivables and payables between funds, if any, are eliminated for financial statement presentation.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances consist of HUD, tenant accounts and accrued interest receivable.

Inventories

Inventories are accounted for under the consumption method and recorded at lower of cost or market. Inventories consist primarily of maintenance materials and supplies held for consumption. The cost of these supplies is regarded as an expenditure at the time the items are consumed. Inventories are classified as current assets on the Statement of Net Position, net of an allowance for obsolete inventory.

Fixed Assets

Fixed assets in the proprietary fund types are stated at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. It is the policy of the Authority to capitalize all assets with a cost of \$750 or greater. The cost of maintenance and repairs are charged to operations as incurred. Costs of major additions, improvements, and betterments are capitalized.

Depreciation of all exhaustible fixed assets is charged as an expense against operations and is recorded in the Statement of Revenues, Expenses and Changes in Net Position with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Building	10-40 years
Furniture, equipment and machinery - administrative	3-5 years

HOUSING AUTHORITY OF THE CITY OF SEMINOLE
Seminole, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

1F. Assets, Liabilities, and Equity – (Continued)

Restricted Assets

Restricted assets include cash of the proprietary fund that are legally restricted as to their use. The primary restricted asset is related to the security deposit fund under the Low Rent program.

Compensated Absences

The Authority's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term and short-term liabilities based on historical trends. Amounts not expected to be paid within the next fiscal year are classified as long-term liabilities.

Equity Classifications

Equity is classified as net position and displayed in two components:

- 1) Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.
- 2) Unrestricted net position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

1G. Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

Operating revenues and expenses are those that result from providing services and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, non-capital financing, or investing activities.

Inter-fund Transfers

Permanent reallocation of resources between programs of the reporting entity is classified as inter-fund transfers. For the purposes of the Statement of Revenues, Expenses and Changes in Net Position, all inter-fund transfers between individual programs, if any, have been eliminated.

HOUSING AUTHORITY OF THE CITY OF SEMINOLE
Seminole, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
June 30, 2018

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The Authority and its component units, if any, are subject to various federal, state, and local laws and contractual regulations. An analysis of the Authority's compliance with significant laws and regulations and demonstration of its stewardship over Authority resources follows.

2A. Program Accounting Requirements

The Authority's complies with all state and local laws and regulations requiring the use of separate programs. The programs used by the Authority are as follows:

<u>Program</u>	<u>Required By</u>
Public and Indian Housing	U.S. Department of Housing and Urban Development
Capital Fund Program	U.S. Department of Housing and Urban Development
Housing Choice Vouchers	U.S. Department of Housing and Urban Development

2B. Deposits and Investments Laws and Regulations

It is the Authority's policy for deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation (FDIC) insurance. The Authority must maintain a written collateral agreement from all financial institutions pledging collateral to the Authority. As reflected in Note 3A, all deposits were fully insured or collateralized.

Investing is performed in accordance with HUD regulations and State Statutes. Funds may be invested in the following type of investments:

- Direct obligations of the U.S. Government pledged by its full faith and credit.
- Demand, savings, money-market and certificates of deposit at commercial banks, mutual savings banks, savings and loan associations and credit unions provided that the entire deposit be insured by the FDIC and any deposits in excess of insured amounts are adequately collateralized.

2C. Revenue Restrictions

The Authority has various restrictions placed over certain revenue sources. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Capital Fund Program	Modernization
Housing Choice Voucher	Housing assistance payments

For the year ended June 30, 2018, the Authority complied, in all material respects, with these revenue restrictions.

HOUSING AUTHORITY OF THE CITY OF SEMINOLE
Seminole, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
June 30, 2018

NOTE 3 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3A. Cash and Investments

As of June 30, 2018, the Authority had the following cash and investments deposits:

Cash deposits	\$	814,391
Certificate of deposit		<u>90,638</u>
Total	\$	<u><u>905,029</u></u>

Following is a reconciliation of the Authority's deposit balances as of June 30, 2018:

Cash and cash equivalents	\$	794,957
Restricted assets		19,434
Investments		<u>90,638</u>
Total	\$	<u><u>905,029</u></u>

Deposits

Custodial Credit Risk - Deposits

The custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, the Authority will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. At June 30, 2018, the Authority's bank balances of \$820,675 were entirely covered by FDIC insurance or by pledged collateral held by the Authority's agent bank in the Authority's name.

Investments

Custodial Credit Risk - Investments

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. At June 30, 2018, the Authority's investment balance of \$90,638 was entirely covered by FDIC insurance or by pledged collateral held by the Authority's agent bank in the Authority's name.

Interest Rate Risk

The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

State law limits investment in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organization. As the Authority's investments consist entirely of certificate of deposits, credit risk is not applicable to the Housing Authority.

HOUSING AUTHORITY OF THE CITY OF SEMINOLE
Seminole, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
June 30, 2018

NOTE 3 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS – (Continued)

3A. Cash and Investments – (Continued)

Concentration of Credit Risk

The Authority places no limit on the amount the Authority may invest in any one issuer. At June 30, 2018, the concentration of the Authority's investment (excluding cash deposits) was as follows:

<u>Type of Investment</u>	<u>Market Value</u>	<u>Maturity Date</u>
Certificate of Deposit	\$ 10,000	August 1, 2018
Certificate of Deposit	30,000	December 1, 2018
Certificate of Deposit	22,345	December 10, 2018
Certificate of Deposit	<u>28,293</u>	August 23, 2018
Total	<u>\$ 90,638</u>	

3B. Restricted Assets

Restricted assets at June 30, 2018 consist of the following:

<u>Type of Restricted Assets</u>	<u>Cash</u>	<u>Investments</u>	<u>Accrued Interest</u>	<u>Total</u>
Security deposit	<u>\$ 19,434</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 19,434</u>

3C. Accounts Receivable

Receivables at June 30, 2018 consist of the following:

Tenants	\$ 758
Less: Allowance for doubtful account	<u>(108)</u>
Tenants - net of allowance	650
HUD	33,903
Interest	<u>123</u>
Receivable - net of allowance	<u>\$ 34,676</u>

3D. Inventory

Inventory at June 30, 2018 comprised of the following:

Inventory	\$ 3,482
Less: Allowance for obsolete inventory	<u>(348)</u>
Inventory - net of allowance	<u>\$ 3,134</u>

HOUSING AUTHORITY OF THE CITY OF SEMINOLE
Seminole, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
June 30, 2018

NOTE 3 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS – (Continued)

3E. Capital Assets

A summary of capital asset activity for the year ended June 30, 2018 is as follows:

	Balance July 1, 2017	Additions	(Retirement)	Reclass/ Transfers in (out)	Balance June 30, 2018
Non-depreciable assets:					
Land	\$ 91,904	\$ -	\$ -	\$ -	\$ 91,904
Construction in progress	48,413	-	-	(48,413)	-
Total non-depreciable assets	<u>140,317</u>	<u>-</u>	<u>-</u>	<u>(48,413)</u>	<u>91,904</u>
Depreciable assets:					
Building	6,584,235	646,468	-	48,413	7,279,116
Equipment - administration	124,873	-	-	-	124,873
Total depreciable assets	6,709,108	646,468	-	48,413	7,403,989
Accumulated depreciation	<u>(5,469,069)</u>	<u>(157,767)</u>	<u>-</u>	<u>-</u>	<u>(5,626,836)</u>
Total depreciable assets, net	<u>1,240,039</u>	<u>488,701</u>	<u>-</u>	<u>48,413</u>	<u>1,777,153</u>
Capital assets, net	<u>\$ 1,380,356</u>	<u>\$ 488,701</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,869,057</u>

Depreciation expense is charged to programs as follows:

	<u>Business-type Activities</u>
Low Rent	\$ 157,125
CFP	<u>642</u>
Total depreciation expense	<u>\$ 157,767</u>

3F. Accounts Payable

Accounts payable and current liabilities at June 30, 2018 consist of the following:

Vendors & contractors	\$ 39,829
Other current liabilities	18,483
Accrued utilities	5,006
PILOT	<u>5,930</u>
Total Accounts Payable	<u>\$ 69,248</u>

HOUSING AUTHORITY OF THE CITY OF SEMINOLE
Seminole, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
June 30, 2018

NOTE 4 – OTHER NOTES – (Continued)

4B. Risk Management

The Authority is exposed to various risks of losses related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee’s health and life; and natural disasters. Claims liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. The Authority manages these various risks of loss as follows:

<u>Type of Loss</u>	<u>Method Managed</u>
a. Torts, errors and omissions	Purchased insurance with Housing Authority Risk Retention Group Inc.
b. Injuries to employees (workers' compensation)	Purchased insurance with CompSource Oklahoma. Claims are administered by the same company.
c. Physical property loss and natural disasters	Purchased commercial insurance with \$1,000 deductibles.
d. Health and life	Health and life insurance is provided by Oklahoma State & Education Employees Group Insurance Board.

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

4C. Commitments - Construction

At June 30, 2018, the Authority had pending construction projects in progress. The commitments related to these projects are summarized as follows:

	Funds Approved	Funds Expended - Project to Date
501-17	\$ <u>137,633</u>	\$ <u>109,936</u>

4D. Contingencies

The Authority is subject to possible examinations made by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Authority in the current and prior years. No significant violations of finance-related legal or contractual provisions occurred.

HOUSING AUTHORITY OF THE CITY OF SEMINOLE
Seminole, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
June 30, 2018

NOTE 4 – OTHER NOTES – (Continued)

4E. Financial Data Schedule

The Authority prepares its Financial Data Schedule (FDS) in accordance with HUD requirements in a prescribed format which differs from the presentation of the basic financial statements. The FDS format excludes depreciation expense and HAP and includes investment income and capital contributions in operating activities, which differs from the presentation of the basic financial statements.

4F. Subsequent Events

Events that occur after the balance sheet date but before the financial statements were issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events, which provide evidence about conditions that existed after the balance sheet date, require disclosure in the accompanying notes.

The Authority signed an agreement with Shawnee Housing Authority effective July 1, 2018 to provide management services due to the retirement of the Executive Director.

Management evaluated the activity of the Authority through October 25, 2018 and concluded that no subsequent events have occurred except for the one listed above that would require adjustment to or disclosures within these financial statements.

4G. Economic Dependency

The Authority is primarily dependent upon HUD for the funding of operations; therefore, the Authority is affected more by the federal budget than by local economic conditions. The funding of programs could be significantly affected by the 2019 federal budget.

HOUSING AUTHORITY OF THE CITY OF SEMINOLE
Seminole, Oklahoma

PHA'S STATEMENT OF CERTIFICATION OF ACTUAL MODERNIZATION COST
June 30, 2018

1. Actual Capital Fund Program costs are as follows:

	<u>501-16</u>
Funds approved	\$ 131,255
Funds expended	<u>131,255</u>
Excess of Funds Approved	<u><u>\$ ---</u></u>
Funds advanced	\$ 131,255
Funds expended	<u>131,255</u>
Excess (deficiency) of Funds Advanced	<u><u>\$ ---</u></u>

2. The costs as shown on the Actual Cost Certificate dated October 19, 2018 submitted to HUD for approval is in agreement with the Authority's records as of June 30, 2018.
3. All costs have been paid and all related liabilities have been discharged through payments.

HOUSING AUTHORITY OF THE CITY OF SEMINOLE
Seminole, Oklahoma

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2018

<u>Federal Grantor</u>	<u>Federal CFDA #</u>	<u>Total Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>		
Low Rent Program	14.850	\$ 296,694
Capital Fund Program	14.872	183,233
Housing Choice Vouchers	14.871	<u>426,527</u>
Total Expenditures of Federal Awards		\$ <u>906,454</u>

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of the Housing Authority of the City of Seminole, Oklahoma (Authority) under programs of the federal government for the year ended June 30, 2018. 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 of Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

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. The Authority has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

HOUSING AUTHORITY OF THE CITY OF SEMINOLE
Seminole, Oklahoma

FINANCIAL DATA SCHEDULE
Year Ended June 30, 2018

	Project Total	14.871 Housing Choice Vouchers	Subtotal	Total
111 Cash - Unrestricted	\$645,331	\$149,626	\$794,957	\$794,957
114 Cash - Tenant Security Deposits	\$19,434		\$19,434	\$19,434
100 Total Cash	\$664,765	\$149,626	\$814,391	\$814,391
122 Accounts Receivable - HUD Other Projects	\$240	\$33,663	\$33,903	\$33,903
126 Accounts Receivable - Tenants	\$758		\$758	\$758
126.1 Allowance for Doubtful Accounts -Tenants	-\$108		-\$108	-\$108
129 Accrued Interest Receivable	\$94	\$29	\$123	\$123
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$984	\$33,692	\$34,676	\$34,676
131 Investments - Unrestricted	\$62,345	\$28,293	\$90,638	\$90,638
142 Prepaid Expenses and Other Assets	\$10,642	\$1,249	\$11,891	\$11,891
143 Inventories	\$3,482		\$3,482	\$3,482
143.1 Allowance for Obsolete Inventories	-\$348		-\$348	-\$348
150 Total Current Assets	\$741,870	\$212,860	\$954,730	\$954,730
161 Land	\$91,904		\$91,904	\$91,904
162 Buildings	\$7,267,421	\$11,695	\$7,279,116	\$7,279,116
164 Furniture, Equipment & Machinery - Administration	\$102,128	\$22,745	\$124,873	\$124,873
166 Accumulated Depreciation	-\$5,592,396	-\$34,440	-\$5,626,836	-\$5,626,836
160 Total Capital Assets, Net of Accumulated Depreciation	\$1,869,057	\$0	\$1,869,057	\$1,869,057
180 Total Non-Current Assets	\$1,869,057	\$0	\$1,869,057	\$1,869,057
290 Total Assets and Deferred Outflow of Resources	\$2,610,927	\$212,860	\$2,823,787	\$2,823,787
312 Accounts Payable <= 90 Days	\$39,361	\$468	\$39,829	\$39,829
321 Accrued Wage/Payroll Taxes Payable	\$3,088		\$3,088	\$3,088
322 Accrued Compensated Absences - Current Portion	\$3,463	\$283	\$3,746	\$3,746
333 Accounts Payable - Other Government	\$5,930		\$5,930	\$5,930
341 Tenant Security Deposits	\$19,434		\$19,434	\$19,434
342 Unearned Revenue	\$6,422	\$3,941	\$10,363	\$10,363
345 Other Current Liabilities	\$18,483		\$18,483	\$18,483
346 Accrued Liabilities - Other	\$5,006		\$5,006	\$5,006
310 Total Current Liabilities	\$101,187	\$4,692	\$105,879	\$105,879
354 Accrued Compensated Absences - Non Current	\$722	\$35	\$757	\$757
350 Total Non-Current Liabilities	\$722	\$35	\$757	\$757
300 Total Liabilities	\$101,909	\$4,727	\$106,636	\$106,636
508.4 Net Investment in Capital Assets	\$1,869,057		\$1,869,057	\$1,869,057
512.4 Unrestricted Net Position	\$639,961	\$208,133	\$848,094	\$848,094
513 Total Equity - Net Assets / Position	\$2,509,018	\$208,133	\$2,717,151	\$2,717,151
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$2,610,927	\$212,860	\$2,823,787	\$2,823,787

HOUSING AUTHORITY OF THE CITY OF SEMINOLE
Seminole, Oklahoma

FINANCIAL DATA SCHEDULE – (Continued)
Year Ended June 30, 2018

	Project Total	14.871 Housing Choice Vouchers	Subtotal	Total
70300 Net Tenant Rental Revenue	\$169,268		\$169,268	\$169,268
70400 Tenant Revenue - Other	\$6,060		\$6,060	\$6,060
70500 Total Tenant Revenue	\$175,328	\$0	\$175,328	\$175,328
70600 HUD PHA Operating Grants	\$296,694	\$426,527	\$723,221	\$723,221
70610 Capital Grants	\$183,233		\$183,233	\$183,233
71100 Investment Income - Unrestricted	\$1,888	\$180	\$2,068	\$2,068
71400 Fraud Recovery		\$300	\$300	\$300
71500 Other Revenue	\$207,799		\$207,799	\$207,799
70000 Total Revenue	\$864,942	\$427,007	\$1,291,949	\$1,291,949
91100 Administrative Salaries	\$113,447	\$40,859	\$154,306	\$154,306
91200 Auditing Fees	\$5,751	\$1,349	\$7,100	\$7,100
91400 Advertising and Marketing	\$387	\$91	\$478	\$478
91500 Employee Benefit contributions - Administrative	\$39,299	\$12,252	\$51,551	\$51,551
91600 Office Expenses	\$17,080	\$4,209	\$21,289	\$21,289
91800 Travel	\$771	\$164	\$935	\$935
91900 Other	\$12,100	\$2,957	\$15,057	\$15,057
91000 Total Operating - Administrative	\$188,835	\$61,881	\$250,716	\$250,716
93100 Water	\$20,875		\$20,875	\$20,875
93200 Electricity	\$10,499		\$10,499	\$10,499
93300 Gas	\$3,499		\$3,499	\$3,499
93600 Sewer	\$15,792		\$15,792	\$15,792
93000 Total Utilities	\$50,665	\$0	\$50,665	\$50,665
94100 Ordinary Maintenance and Operations - Labor	\$72,663		\$72,663	\$72,663
94200 Ordinary Maintenance and Operations - Materials and Other	\$20,766		\$20,766	\$20,766
94300 Ordinary Maintenance and Operations Contracts	\$50,544		\$50,544	\$50,544
94500 Employee Benefit Contributions - Ordinary Maintenance	\$26,303		\$26,303	\$26,303
94000 Total Maintenance	\$170,276	\$0	\$170,276	\$170,276
96110 Property Insurance	\$20,818		\$20,818	\$20,818
96120 Liability Insurance	\$4,724	\$1,050	\$5,774	\$5,774
96130 Workmen's Compensation	\$4,828	\$238	\$5,066	\$5,066
96140 All Other Insurance	\$3,905	\$939	\$4,844	\$4,844
96100 Total insurance Premiums	\$34,275	\$2,227	\$36,502	\$36,502
96200 Other General Expenses		\$177	\$177	\$177
96210 Compensated Absences	\$12,437	\$2,609	\$15,046	\$15,046
96300 Payments in Lieu of Taxes	\$5,930		\$5,930	\$5,930
96400 Bad debt - Tenant Rents	\$665		\$665	\$665
96000 Total Other General Expenses	\$19,032	\$2,786	\$21,818	\$21,818
96900 Total Operating Expenses	\$463,083	\$66,894	\$529,977	\$529,977
97000 Excess of Operating Revenue over Operating Expenses	\$401,859	\$360,113	\$761,972	\$761,972

HOUSING AUTHORITY OF THE CITY OF SEMINOLE
Seminole, Oklahoma

FINANCIAL DATA SCHEDULE – (Continued)
Year Ended June 30, 2018

	Project Total	14.871 Housing Choice Vouchers	Subtotal	Total
97300 Housing Assistance Payments		\$412,974	\$412,974	\$412,974
97400 Depreciation Expense	\$157,767		\$157,767	\$157,767
90000 Total Expenses	\$620,850	\$479,868	\$1,100,718	\$1,100,718
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$244,092	-\$52,861	\$191,231	\$191,231
11030 Beginning Equity	\$2,264,926	\$260,994	\$2,525,920	\$2,525,920
11170 Administrative Fee Equity		\$208,133	\$208,133	\$208,133
11190 Unit Months Available	1440	1500	2940	2940
11210 Number of Unit Months Leased	1430	1238	2668	2668
11270 Excess Cash	\$588,317		\$588,317	\$588,317
11620 Building Purchases	\$646,468		\$646,468	\$646,468

**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***

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

I have audited, in accordance with the 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 business-type activities of the Housing Authority of the City of Seminole (Authority), Oklahoma, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued my report thereon dated October 25, 2018.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a 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 internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during 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 Authority’s financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instance 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 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Audit Solutions, LLC

Chesterfield, Missouri

October 25, 2018

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

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

Report on Compliance for Each Major Federal Program

I have audited the City of Housing Authority of the City of Seminole (Authority), Oklahoma’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority’s major federal programs for the year ended June 30, 2018. The Authority’s major federal program is 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 Authority’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 types of 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 Authority’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 on compliance for each major federal program. However, my audit does not provide a legal determination of the Authority’s compliance.

Opinion on Each Major Federal Program

In my opinion, the Housing Authority of the City of Seminole, Oklahoma, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management 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 Authority’s internal control over compliance with the types of requirements that could have a direct and material effect on each 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 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 program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a 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 a 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 attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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 that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Audit Solutions, LLC

Chesterfield, Missouri

October 25, 2018

HOUSING AUTHORITY OF THE CITY OF SEMINOLE
Seminole, Oklahoma

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
<u>Internal control over financial reporting:</u>	
➤ Material weakness(es) identified?	No
➤ Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

<u>Internal control over major programs:</u>	
➤ Material weakness(es) identified?	No
➤ Significant deficiency(ies) 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
<u>Identification of Major programs:</u>	
➤ CFDA #14.850 Public and Indian Housing – Low Rent Program	
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

The current audit report for the year ended June 30, 2018 disclosed no Financial Statement audit findings.

Section III - Federal Award Findings and Questioned Costs

The current audit report for the year ended June 30, 2018 disclosed no Federal Awards audit finding and questioned costs.