

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

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

**FOR THE YEAR ENDED DECEMBER 31, 2016**

HOUSING AUTHORITY OF THE CITY OF SHAWNEE  
Shawnee, Oklahoma

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## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Housing Authority of the City of Shawnee  
Shawnee, 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 Shawnee (Authority), Oklahoma, as of and for the year ended December 31, 2016, 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.

### ***Opinions***

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 Shawnee, Oklahoma, as of December 31, 2016, and the respective changes in financial position, and, where applicable, 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 Shawnee, 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 is 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 May 22, 2017, on my consideration of the Housing Authority of the City of Shawnee, 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 Shawnee, Oklahoma’s internal control over financial reporting and compliance.

***Audit Solutions, LLC***

Chesterfield, Missouri

May 22, 2017

HOUSING AUTHORITY OF THE CITY OF SHAWNEE  
Shawnee, Oklahoma

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
December 31, 2016

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**Introduction**

This Management's Discussion and Analysis (MD&A) of the Shawnee Housing Authority (Authority) provides an introduction and overview to the financial statements of the Shawnee Housing Authority for the fiscal year ended December 31, 2016. The Shawnee Housing Authority presents this discussion and analysis of its financial performance during the fiscal year ended December 31, 2016, 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 Shawnee Housing Authority. The 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 five individual programs. They include the Low Rent program, a Centralized Office Cost Center (COCC), the Capital Fund Program (CFP), the Housing Choice Voucher program (HCV), and the Family Self Sufficiency Program (FSS).

- The Low Rent Program consists of 442 dwelling units. Funding is provided based on dwelling rents paid by the tenants and operating fund payments received by the Department of Housing & Urban Development based on a formula. The Low Rent Program is separated into 2 projects (AMPs).
- The COCC operates as a business activity program of the Authority. Revenue is generated through management, bookkeeping, and asset management fees paid by the other programs and other entities.
- 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 Housing Authority to provide capital improvements for the current dwelling structures and assist in their operations.
- The Housing Choice Voucher Program provides rental assistance to aid low income families with affordable, 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 497 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.
- The Family Self Sufficiency Program is a competitive grant provided by HUD, used by the Authority to provide social services to such as economic independence support.

**Overview of the Financial Statements**

This overview of the financial statements 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

HOUSING AUTHORITY OF THE CITY OF SHAWNEE  
Shawnee, Oklahoma

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)**  
December 31, 2016

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**Overview of the Financial Statements – (Continued)**

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

- Net Investment in Capital Assets consists of capital asset balances net of accumulated depreciation less any outstanding balances of related debt associated with the acquisition of these assets.
- Restricted component of net position consists of resources that are restricted by limitations placed on these resources by an external source or imposed by law through enabling legislation.
- 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 December 31, 2016, to determine the net 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 financing activities. The net result of these activities represents the increase or decrease of the cash equivalent account balance for the year ended December 31, 2016.

**Financial Highlights**

The Authority's net position decreased from \$7,869,360 to \$7,681,582, a decrease of \$187,778. Total assets increased by \$142,023.

Total revenue increased from \$6,073,736 to \$6,265,961, an increase of \$192,225 or 3%.

Total expenses increased by \$327,682, from \$6,126,057 to \$6,453,739 for the current year. This represents an increase of 5%.

**Housing Authority Activities & Highlights**

The Authority's overall financial position and operations for the past two years are summarized below based on the information in the current and prior financial statements. The table below lists the summary of net position as of December 31, 2016, and December 31, 2015.

HOUSING AUTHORITY OF THE CITY OF SHAWNEE  
Shawnee, Oklahoma

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)**  
December 31, 2016

**Housing Authority Activities & Highlights – (Continued)**

**Summary Statement of Net Position  
As of December 31, 2016 and 2015**

Category	FYE 2016	FYE 2015	Change \$	Change %
Current Assets	\$ 2,765,215	\$ 2,682,641	\$ 82,574	3%
Noncurrent Assets	\$ 5,653,957	\$ 5,594,508	\$ 59,449	1%
Total Assets	\$ 8,419,172	\$ 8,277,149	\$ 142,023	2%
Current Liabilities	\$ 418,824	\$ 339,514	\$ 79,310	23%
Noncurrent Liabilities	\$ 95,603	\$ 68,275	\$ 27,328	40%
Total Liabilities	\$ 514,427	\$ 407,789	\$ 106,638	26%
Deferred Inflow of Resources	\$ 223,163	\$ -	\$ 223,163	NA
Unrestricted	\$ 1,999,775	\$ 2,207,243	\$ (207,468)	-9%
Restricted	\$ 27,850	\$ 67,609	\$ (39,759)	-59%
Net Investment in Capital Assets	\$ 5,653,957	\$ 5,594,508	\$ 59,449	1%
Total Net Position	\$ 7,681,582	\$ 7,869,360	\$ (187,778)	-2%

**Current Assets**

The Authority's current asset balance increased by \$82,574. Restricted cash and investments increased from \$224,360 to \$545,453, an increase of \$321,093 from December 31, 2015 to December 31, 2016. This was primarily due to the Authority receiving January 2017 HAP and admin funding in the month of December. Restricted cash also increased due to the classification of funds as restricted for the accrual of expenses related to repairs of units damaged by fire/flood. In contrast, unrestricted cash and investments decreased from \$2,263,453 to \$1,990,311, a decrease of \$273,142. This is due to operating expenditures exceeding operating revenues and capital improvement projects funded using operations related to the Low Rent Program.

**Noncurrent Assets**

The Authority's noncurrent asset balance increased primarily due to a HVAC and roofing project associated with AMP 1. Please note the capital asset portion presented in a later section.

**Current Liabilities**

Current liabilities increased by \$79,310. This was primarily due to the accrual of expenses related to the rebuild of a unit. In addition, the Authority received January 2017 admin fees in the month of December in the amount of \$23,552. These fees were reported as unearned revenue at year end.

**Noncurrent Liabilities**

Noncurrent liabilities increased by \$27,328. This was due an increase in the noncurrent portion of FSS liabilities associated with HCV Program.

HOUSING AUTHORITY OF THE CITY OF SHAWNEE  
Shawnee, Oklahoma

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)**  
December 31, 2016

**Housing Authority Activities & Highlights – (Continued)**

*Net Position*

The net position of the Authority decreased by \$187,778 when compared to the previous fiscal year.

The Authority's unrestricted component of net position changed from \$2,207,243 to \$1,999,775, a decrease of \$207,468 or 9% for the current year. This was primarily due to operating expenditures exceeding operating revenues. The unrestricted component of net position is the amount available for future appropriations. This balance is subject to program specific guidelines.

Unrestricted component of net position balance per program is as follows:

Low Rent Housing Program	
AMP 1	\$ 952,520
AMP 2	\$ 425,644
Central Office Cost Center	\$ 428,038
Housing Choice Voucher Program	<u>\$ 193,573</u>
Total Unrestricted	<u>\$ 1,999,775</u>

The Authority's restricted component of net position changed from \$67,609 to \$27,850, a decrease of \$39,759 or 59% for the current year. This was primarily due to HAP related expenditures of \$2,649,989 exceeding HAP revenues of \$2,610,230. Net investment in capital assets increased from \$5,594,508 to \$5,653,957 from December 31, 2015 to December 31, 2016. This was due to HVAC and roofing projects completed in the current year.

**Summary Statement of Revenues & Expenses and Changes in Net Position  
Years Ended December 31, 2016 and 2015**

Category	FYE 2016	FYE 2015	Change \$	Change %
Tenant Revenue	\$ 757,878	\$ 806,761	\$ (48,883)	-6%
HUD Operating Grants	\$ 4,511,379	\$ 4,539,031	\$ (27,652)	-1%
Capital Grants	\$ 524,375	\$ 361,209	\$ 163,166	45%
Interest Income	\$ 4,105	\$ 3,372	\$ 733	22%
Other Revenue	\$ 468,224	\$ 363,363	\$ 104,861	29%
<b>Total Revenue</b>	<b>\$ 6,265,961</b>	<b>\$ 6,073,736</b>	<b>\$ 192,225</b>	<b>3%</b>
Administration	\$ 1,319,482	\$ 1,289,538	\$ 29,944	2%
Tenant Service	\$ 147,559	\$ 122,796	\$ 24,763	20%
Utilities	\$ 226,003	\$ 223,782	\$ 2,221	1%
Ordinary Maintenance	\$ 1,015,019	\$ 911,376	\$ 103,643	11%
General Expense	\$ 452,992	\$ 359,170	\$ 93,822	26%
Extraordinary Maint/Casualty Losses	\$ 81,540	\$ 100,949	\$ (19,409)	-19%
Housing Assistance Payments	\$ 2,647,211	\$ 2,592,486	\$ 54,725	2%
Depreciation	\$ 563,933	\$ 525,960	\$ 37,973	7%
<b>Total Expenses</b>	<b>\$ 6,453,739</b>	<b>\$ 6,126,057</b>	<b>\$ 327,682</b>	<b>5%</b>
<b>Increase (Decrease) in Net Position</b>	<b>\$ (187,778)</b>	<b>\$ (52,321)</b>	<b>\$ (135,457)</b>	<b>259%</b>
Net Position, Beginning of Year	\$ 7,869,360	\$ 7,921,681	\$ (52,321)	-1%
Net Position, End of Year	\$ 7,681,582	\$ 7,869,360	\$ (187,778)	-2%



HOUSING AUTHORITY OF THE CITY OF SHAWNEE  
Shawnee, Oklahoma

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)  
December 31, 2016

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**Housing Authority Activities & Highlights – (Continued)**

*Results of Operations*

Revenues of the Authority are generated principally from Federal and State funding grant income. The Authority's revenue increased by \$192,225 compared to the previous fiscal year. Notable changes as compared to the previous year include:

- Tenant revenue decreased by \$48,883 due to a reduction in the average rent per unit. The average rent per unit decreased from \$150 in the prior year to \$140 in the current year.
- HUD operating grants decreased by \$27,652. This was due to a reduction in HAP funding related to the HCV Program in the amount of \$42,262 and a reduction in operating funds related to the CFP Program in the amount of \$33,437. In contrast, the Low Rent Program had an increase in funding in the amount of \$7,949, the FSS Program had an increase in funding by \$23,368, and the HCV Program had an increase in the administrative funding in the amount of \$16,730.
- Capital grant revenues increased by \$163,166 due to an increase in activity associated with capital improvement projects funded by the Capital Fund Program.
- Other revenue increased by \$104,861 due primarily to insurance proceeds received by the Low Rent Program for the repair of units damaged by fire and flood. In addition, other fees increased due to an increase in management fees charged to other agencies.

Total expenses increased by 327,682. Significant variances include the following:

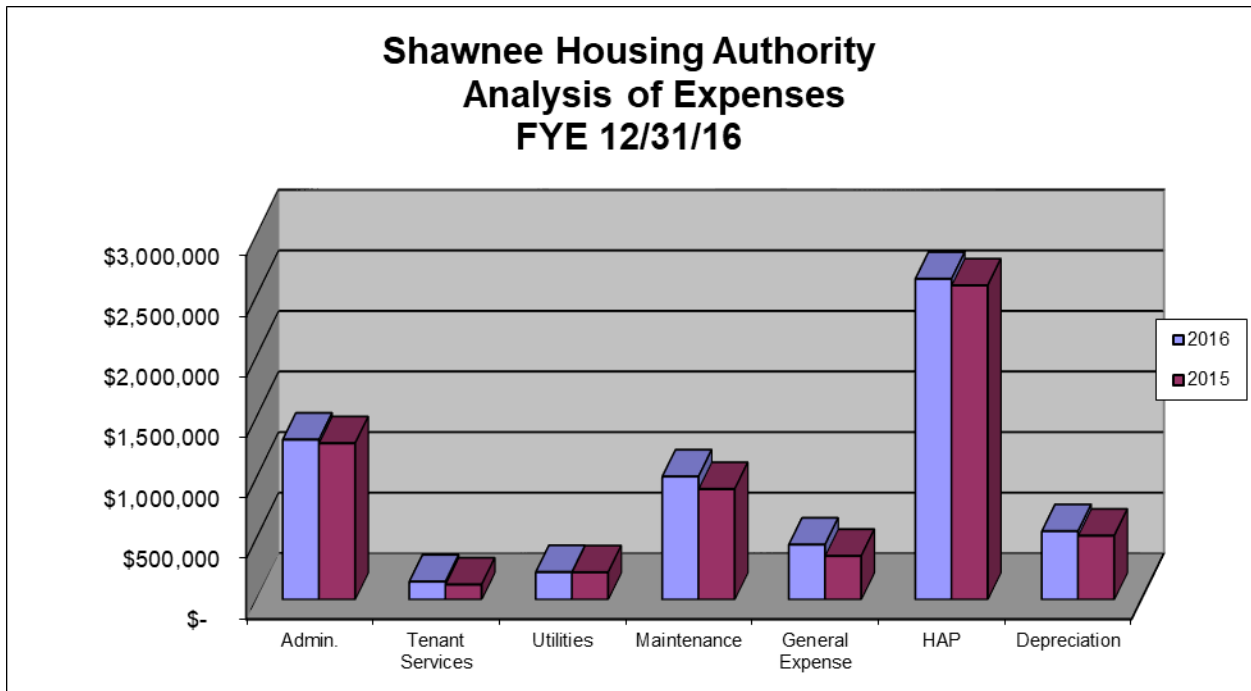
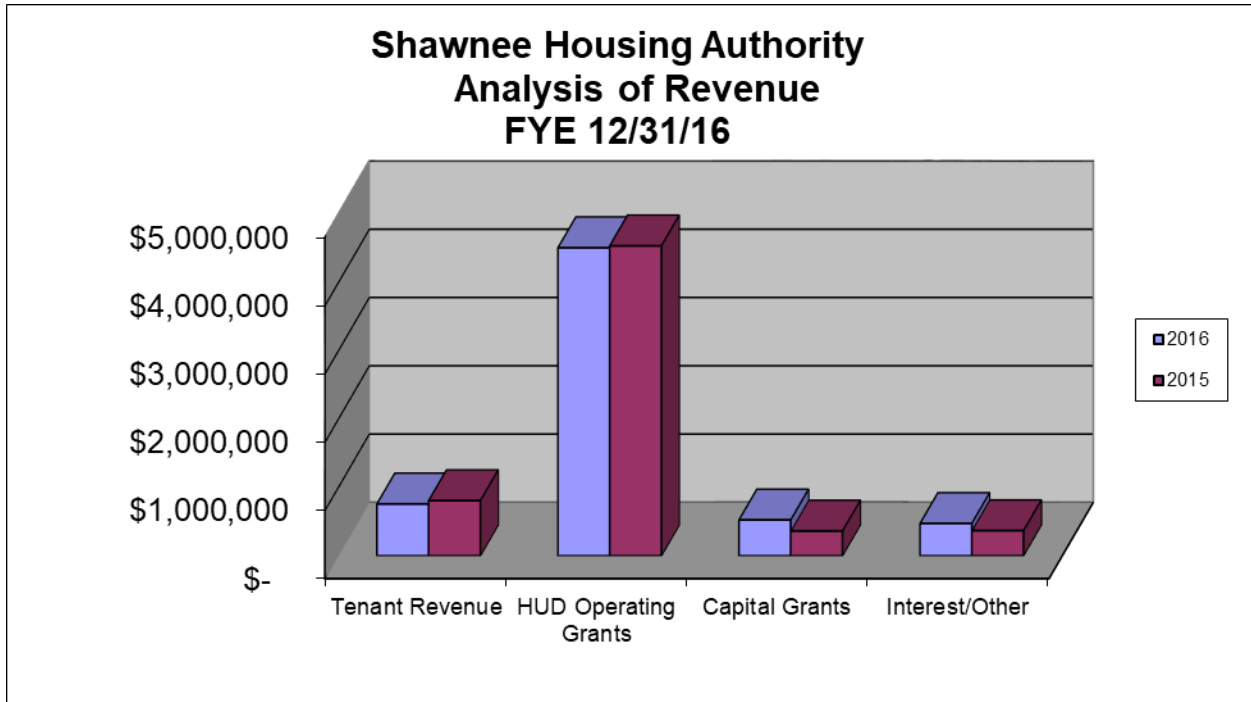
- Tenant services increased by \$24,763. This is due to an increase in salaries and benefits due to the addition of an employee.
- Utilities increased by \$2,221. This is due to an increase in water/sewer expenses by \$7,317 with reduction in electricity by \$1,250, and gas expenses by \$3,846.
- Ordinary maintenance increased by \$103,643. This was due primarily to an increase in maintenance salaries and benefits in the amount of \$53,158. In addition, heating and cooling contracts increased by \$6,890, garbage contracts increased by \$8,511, elevator contracts increased by \$2,980, plumbing contracts increased by \$5,319, and pest control contracts increased by \$22,491.
- Other general expenses increased by \$93,822. This is primarily due to a change in policy concerning compensated absences.
- Extraordinary maintenance/casualty losses consist of the repair of damages to one unit due to a fire and the repair of a retaining wall.
- Housing assistance payments increased by \$54,725. This was due to an increase in vouchers leased from 5,875 voucher unit months leased in the prior year to 5,899 voucher unit months leased in the current year. In addition, the average HAP payment increased by \$4 per voucher.

HOUSING AUTHORITY OF THE CITY OF SHAWNEE  
Shawnee, Oklahoma

**MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A) – (Continued)**  
December 31, 2016

**Housing Authority Activities & Highlights – (Continued)**

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



HOUSING AUTHORITY OF THE CITY OF SHAWNEE  
Shawnee, Oklahoma

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)  
December 31, 2016

**Housing Authority Activities & Highlights – (Continued)**

*Noncurrent Assets*

As of December 31, 2016, the Authority's net investment in capital assets was \$5,653,957. This investment includes building improvements and equipment.

<u>Category</u>	<u>FYE 2016</u>	<u>FYE 2015</u>	<u>Change \$</u>	<u>Change %</u>
Land	\$ 345,053	\$ 345,053	\$ -	0%
Buildings	\$ 21,709,276	\$ 21,166,105	\$ 543,171	3%
Equipment	\$ 522,158	\$ 522,158	\$ -	0%
Construction in Progress	\$ 85,561	\$ 5,350	\$ 80,211	100%
Accumulated Depreciation	\$ (17,008,091)	\$ (16,444,158)	\$ (563,933)	3%
Total Net Fixed Assets	\$ 5,653,957	\$ 5,594,508	\$ 59,449	1%

Buildings increased by \$543,171 due to the completion of a roofing project and the replacement of several HVAC units funded by the 2013, 2014, and 2015 CFPs and AMP 1 Operating Fund.

Construction in progress consists of the rebuilding of a unit damaged by flood.

**Subsequent Event**

Due to the 2017 Congressional Appropriations, the Authority's operating subsidy provided by HUD for the Low Rent Housing Program is estimated to be 85% for the calendar year 2017.

The amount of funding for the 2017 calendar year for the Housing Choice Voucher Program will include the proration of administrative fees at an estimated 75% and HAP funding at 94%.

**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:

Shawnee Housing Authority  
Randy Thomason, Executive Director  
PO Box 3427  
Shawnee, OK 74802

HOUSING AUTHORITY OF THE CITY OF SHAWNEE  
Shawnee, Oklahoma

**STATEMENT OF NET POSITION**  
December 31, 2016

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**ASSETS**

Current Assets:

Cash and cash equivalents	\$	480,947
Cash - restricted		540,299
Investments		1,509,364
Investments - restricted		5,154
Receivables - net of allowances		41,807
Inventory - net of allowances		36,000
Prepaid expenses		151,644

Total Current Assets 2,765,215

Non-current Assets:

Capital assets:

Land and construction in progress		430,614
Other capital assets, net of depreciation		5,223,343

Total capital assets - net 5,653,957

Total Non-current Assets 5,653,957

Total Assets 8,419,172

**DEFERRED OUTFLOWS OF RESOURCES**

Total Assets and Deferred Outflow of Resources \$ 8,419,172

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF SHAWNEE  
Shawnee, Oklahoma

**STATEMENT OF NET POSITION - (Continued)**  
December 31, 2016

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**LIABILITIES**

Current Liabilities:

Accounts payable	\$	205,028
Accrued salaries and benefits		23,894
Tenant security deposit liability		93,410
Accrued compensated absences		58,880
Unearned revenues		<u>37,612</u>

Total Current Liabilities 418,824

Non-current Liabilities:

Compensated absences		36,164
Non-current liabilities - Other		<u>59,439</u>

Total Non-current Liabilities 95,603

Total Liabilities 514,427

**DEFERRED INFLOWS OF RESOURCES**

Unearned HAP fees		<u>223,163</u>
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Total Deferred Inflow of Resources 223,163

**NET POSITION**

Net investment in capital assets		5,653,957
Restricted		27,850
Unrestricted		<u>1,999,775</u>

Total Net Position 7,681,582

Total Liabilities, Deferred Inflows of Resources and Net Position \$ 8,419,172

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF SHAWNEE  
Shawnee, Oklahoma

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
For the Year Ended December 31, 2016

<b>OPERATING REVENUES</b>	
Tenant revenue	\$ 757,878
Governmental grants and subsidy	4,511,379
Miscellaneous	<u>468,224</u>
Total operating revenue	<u>5,737,481</u>
<b>OPERATING EXPENSES</b>	
Administrative	1,319,482
Tenant services	147,559
Utilities	226,003
Ordinary maintenance and operations	1,015,019
Protective services	47,459
Insurance	152,059
General	253,474
Non routine maintenance	81,540
Housing assistance payment	2,647,211
Depreciation expense	<u>563,933</u>
Total operating expenses	<u>6,453,739</u>
Operating income (loss)	<u>(716,258)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Investment income	<u>4,105</u>
Net non-operating revenues (expenses)	<u>4,105</u>
Income (loss) before contributions and transfers	<u>(712,153)</u>
Capital contributions	<u>524,375</u>
Change in net position	(187,778)
Total net position - beginning of year	<u>7,869,360</u>
Total net position - end of year	\$ <u><u>7,681,582</u></u>

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF SHAWNEE  
Shawnee, Oklahoma

**STATEMENT OF CASH FLOWS**  
For the Year Ended December 31, 2016

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Received from tenants	\$ 761,925
Received from governmental grants and subsidy	4,509,249
Received from other operating activities	1,040,158
Payments for goods and services	(1,731,619)
Payments to employees	(1,749,148)
Payment in lieu of taxes	(55,891)
Payment for housing assistance	(2,647,211)

Net cash provided by (used in) operating activities 127,463

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Proceeds from capital contributions	524,375
Purchases of capital assets	(623,382)
Receipts (payments) from deferred credits and escrow deposits	15,560

Net cash provided by (used in) capital and related financing activities (83,447)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds (payments) from sale (purchase) of investments	(3,935)
Receipts of interest and dividends	3,935

Net cash provided by (used in) investing activities -

Net increase (decrease) in cash and cash equivalents 44,016

Cash and cash equivalents at beginning of year 977,230

Cash and cash equivalents at end of year \$ 1,021,246

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF SHAWNEE  
Shawnee, Oklahoma

**STATEMENT OF CASH FLOWS - (Continued)**  
For the Year Ended December 31, 2016

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

Operating income (loss)	\$	(716,258)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense		563,933
Change in assets and liabilities:		
Receivables, net		(4,951)
Inventories, net		(1,050)
Prepaid expenses		(28,452)
Accounts and other payables		70,938
Tenant security deposit		1,045
Deferred revenues		243,554
Compensated absences		5,123
Accrued expenses		<u>(6,419)</u>
Net cash provided by (used) by operating activities	\$	<u><u>127,463</u></u>

See accompanying notes to the basic financial statements



HOUSING AUTHORITY OF THE CITY OF SHAWNEE  
Shawnee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2016

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Housing Authority of the City of Shawnee (Authority) is a public body and a body corporate and politic organized under the laws of the State of Oklahoma that is legally separate, fiscally independent and governed by a Board of Commissioners. The Authority was established to provide low-rent housing for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development (HUD) and other applicable federal agencies. Additionally, HUD has entered into Annual Contributions Contract with the Authority for the purpose of administering housing and housing relating programs described herein. The Authority is not subject to federal or state income taxes and is not required to file federal or state income tax returns.

The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

**1A. Financial Reporting Entity**

The Authority’s financial reporting entity comprises the following:

Primary Government:                                   Housing Authority

In determining the financial reporting entity, the Authority complies with the provisions of GASB Statement No. 14 as amended by GASB No. 39 and No. 61, “The Financial Reporting Entity,” and includes all component units of which the Authority appointed a voting majority of the units’ board; the Authority is either able to impose its will on the unit or a financial benefit or burden relationship exists. On the basis of the application of these criteria, there are no component units which are required to be included in the Authority’s financial statements.

**1B. Basis of Presentation**

The accounts of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. The operations of each fund are reported as a separate set of self-balancing accounts that are comprised of each fund’s assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds consist of three major categories: governmental, proprietary and fiduciary. Funds within each major category are grouped by fund type in the combined financial statements. The Authority uses the following fund:

**Proprietary Fund Types** - This fund is used to account for the Authority’s ongoing activities that are similar to those often found in the private sector. The accounting objectives are a determination of net income, financial position and changes in cash flow. All assets and liabilities associated with a proprietary fund’s activities are included on its statement of net position. Proprietary fund equity is segregated into net investment in capital assets and restricted and unrestricted net position. The following are the Authority’s proprietary fund types:

**Enterprise Fund** - Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes all of the Authority’s programs as an enterprise fund.

HOUSING AUTHORITY OF THE CITY OF SHAWNEE  
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NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)  
December 31, 2016

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**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.

**Family Self Sufficiency Program** – The objective of this program is to promote the development of local strategies to coordinate the use of assistance under the Housing Choice Voucher and Public Housing programs with public and private resources to enable participating families to increase earned income and financial literacy, reduce or eliminate the need for welfare assistance, and make progress toward economic independence and self-sufficiency.

**Central Office Cost Center (COCC)** – Under the Asset Management rule, the purpose of this program is to provide day-to-day operation of other programs of the Housing Authority in lieu of property management, asset management, bookkeeping, program management and fee for service fee.

**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.

HOUSING AUTHORITY OF THE CITY OF SHAWNEE  
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NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)  
December 31, 2016

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

**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.

**1F. Assets, Deferred Outflow, Liabilities, Deferred Inflow 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 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 tenant, fraud recovery, PHA projects and HUD.

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 \$2,500 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	15-40 years
Furniture, equipment and machinery - administrative	3-10 years

HOUSING AUTHORITY OF THE CITY OF SHAWNEE  
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NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)  
December 31, 2016

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

**1F. Assets, Deferred Outflow, Liabilities, Deferred Inflow and Equity – (Continued)**

Restricted Assets

Restricted assets include cash of the proprietary fund that are legally restricted as to their use. The primary restricted assets are related to the security deposit fund, HAP fund, and FSS escrow accounts under the Low Rent and Housing Choice Voucher program.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Statement of Net Position report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources until that time. The Authority has deferred inflows of resources relating to HAP grant received in FY 2016 relating to subsequent year in the Statement of Net Position.

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 three 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) Restricted net position - Consists of net position with constraints placed on the use either by (i) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; (ii) law through constitutional provisions or enabling legislation.
- 3) Unrestricted net position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the Authority's policy is to apply restricted assets first.

HOUSING AUTHORITY OF THE CITY OF SHAWNEE  
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NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)  
December 31, 2016

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

**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.

**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:

<b><u>Program</u></b>	<b><u>Required By</u></b>
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
Family Self Sufficiency Program	U.S. Department of Housing and Urban Development
Central Office Cost Center-COCC	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.

HOUSING AUTHORITY OF THE CITY OF SHAWNEE  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)**  
December 31, 2016

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – (Continued)**

**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
Family Self Sufficiency Program	Resident supportive services
Housing Choice Vouchers	Housing assistance payments

For the year ended December 31, 2016, the Authority complied, in all material respects, with these revenue restrictions.

**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 December 31, 2016, the Authority had the following cash deposits and investments:

Cash deposits	\$ 1,019,896
Certificate of deposit	1,514,518
Petty cash / change fund	<u>1,350</u>
 Total	 \$ <u><u>2,535,764</u></u>

Following is a reconciliation of the Authority's deposit balances as of December 31, 2016:

Cash - unrestricted	\$ 480,947
Cash - restricted	540,299
Investments – unrestricted	1,509,364
Investments – restricted	<u>5,154</u>
 Total	 \$ <u><u>2,535,764</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 December 31, 2016, the Authority's bank balances of \$1,073,863 were entirely covered by FDIC insurance or by pledged collateral held by the Authority's agent bank in the Authority's name.

HOUSING AUTHORITY OF THE CITY OF SHAWNEE  
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NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)  
December 31, 2016

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

**3A. Cash and Investments - (Continued)**

**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 December 31, 2016, the Authority's investment balance of \$1,514,518 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.

Concentration of Credit Risk

The Authority places no limit on the amount the Authority may invest in any one issuer. At December 31, 2016, 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	\$ 64,893	12/31/2017
Certificate of Deposit	102,710	6/22/2017
Certificate of Deposit	259,136	9/28/2017
Certificate of Deposit	279,995	6/20/2017
Certificate of Deposit	28,008	12/31/2017
Certificate of Deposit	102,710	6/22/2017
Certificate of Deposit	152,724	6/20/2017
Certificate of Deposit	171,331	3/29/2017
Certificate of Deposit	114,129	6/22/2017
Certificate of Deposit	101,816	6/20/2017
Certificate of Deposit	<u>137,066</u>	4/8/2017
Total	\$ <u>1,514,518</u>	

HOUSING AUTHORITY OF THE CITY OF SHAWNEE  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)**  
December 31, 2016

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

**3B. Restricted Assets**

Restricted assets at December 31, 2016 consist of the following:

<u>Type of Restricted Assets</u>	<u>Cash</u>	<u>Investments</u>	<u>Accrued Interest</u>	<u>Total</u>
Modernization	\$ 96,134	\$ ----	\$ ----	\$ 96,134
FSS Escrow	81,344	----	----	81,344
HAP funds (equity)	27,850	----	----	27,850
Unearned HAP and Admin fees	246,715	----	----	246,715
Security deposit	<u>88,256</u>	<u>5,154</u>	----	<u>93,410</u>
 Total	 <u>\$ 540,299</u>	 <u>\$ 5,154</u>	 <u>\$ ----</u>	 <u>\$ 545,453</u>

**3C. Receivables**

Receivables at December 31, 2016, consist of the following:

Tenants - net of allowance	\$ 5,869
Less: Allowance for doubtful account - tenants	(1,512)
Fraud recovery	15,740
Less: Allowance for doubtful account - fraud	<u>(10,744)</u>
 Tenants - net of allowance	 9,353
HUD	16,438
PHA projects	* 14,933
Miscellaneous	27
Accrued interest	<u>1,056</u>
 Total Accounts Receivable	 <u>\$ 41,807</u>

\* PHA projects consisted of receivable from other Housing Authorities for management fees.



HOUSING AUTHORITY OF THE CITY OF SHAWNEE  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)**  
December 31, 2016

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

**3D. Capital Assets**

A summary of capital asset activity for the year ended December 31, 2016 is as follows:

	<b>Balance January 1, 2016</b>	<b>Additions</b>	<b>(Retirement)</b>	<b>Reclass/ Transfers in (out)</b>	<b>Balance December 31, 2016</b>
<b>Non-depreciable assets:</b>					
Land	\$ 345,053	\$ -	\$ -	\$ -	\$ 345,053
Construction in progress	5,350	80,211	-	-	85,561
<b>Total non-depreciable assets</b>	<u>350,403</u>	<u>80,211</u>	<u>-</u>	<u>-</u>	<u>430,614</u>
<b>Depreciable assets:</b>					
Building	21,166,105	543,171	-	-	21,709,276
Equipment - administration	522,158	-	-	-	522,158
<b>Total depreciable assets</b>	<u>21,688,263</u>	<u>543,171</u>	<u>-</u>	<u>-</u>	<u>22,231,434</u>
<b>Accumulated depreciation</b>	<u>(16,444,158)</u>	<u>(563,933)</u>	<u>-</u>	<u>-</u>	<u>(17,008,091)</u>
<b>Total depreciable assets, net</b>	<u>5,244,105</u>	<u>(20,762)</u>	<u>-</u>	<u>-</u>	<u>5,223,343</u>
<b>Capital assets, net</b>	<u>\$ 5,594,508</u>	<u>\$ 59,449</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,653,957</u>

Depreciation expense is charged to programs as follows:

<u>Business-type Activities</u>	
Low Rent - AMP 10	\$ 199,190
Low Rent - AMP 20	334,976
Housing Choice Voucher	1,815
COCC	<u>27,952</u>
<b>Total depreciation expense</b>	<u>\$ 563,933</u>

**3E. Accounts Payable**

Accounts payable at December 31, 2016, consist of the following:

Vendors & contractors	\$ 35,476
PILOT	50,767
Accrued utilities	18,939
FSS escrow / Other	<u>99,846</u>
<b>Total Accounts Payable</b>	<u>\$ 205,028</u>

HOUSING AUTHORITY OF THE CITY OF SHAWNEE  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)**  
December 31, 2016

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

**3F. Non-current Liabilities**

Non-current liabilities at December 31, 2016, consist of the following:

Accrued compensated absences	\$ 36,164
FSS escrow	<u>59,439</u>
Total Non-Current Liabilities	<u>\$ 95,603</u>

The following is the summary of changes in long-term liabilities:

	<u>Balance January 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31, 2016</u>	<u>Amounts Due within One Year</u>
Accrued compensated absences	\$ 37,907	\$ ---	\$ 1,743	\$ 36,164	\$ 58,880
FSS escrow	<u>30,368</u>	<u>29,071</u>	<u>---</u>	<u>59,439</u>	<u>21,905</u>
	<u>\$ 68,275</u>	<u>\$ 29,071</u>	<u>\$ 1,743</u>	<u>\$ 95,603</u>	<u>\$ 80,785</u>

**3G. Inter-program Transactions and Balances**

Operating Transfers

Transfers are used to move revenues from one program to the other program in accordance with the budgetary authorizations.

	<u>Transfers In</u>	<u>Transfers Out</u>
Low Rent	\$ 141,695	\$ -
Capital Fund Program	<u>-</u>	<u>141,695</u>
	<u>\$ 141,695</u>	<u>\$ 141,695</u>

Inter-program Receivable/Payable

Inter-program receivable/payable is eliminated for financial statement presentation. The following inter-program receivable/payable existed at December 31, 2016:

	<u>Due From</u>	<u>Due To</u>
COCC	\$ 11,948	\$ -
FSS	<u>-</u>	<u>(11,948)</u>
Total	<u>\$ 11,948</u>	<u>\$ (11,948)</u>

HOUSING AUTHORITY OF THE CITY OF SHAWNEE  
Shawnee, Oklahoma

**NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)**  
December 31, 2016

**NOTE 4 – OTHER NOTES**

**4A. Employee Pension Plan**

The Authority provides pension benefits for all of its full-time employees through a Money Purchase Pension Plan, which is administered by American United Life. The plan was adopted by the Board in 1972. Only the Board has the authority to approve any amendments to the plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible for the plan after six months of service. The plan requires the Authority to contribute 3% plus matching of employee contribution up to 5.5% of covered wages. Benefits are fully vested at the end of 5 years of service.

The employer contributions for the years ended December 31, 2016, 2015 and 2014 were \$105,743, \$97,152, and \$95,182 respectively.

**4B. 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, extraordinary maintenance, casualty losses and Housing Assistance Payment (HAP) expense and includes investment income and capital contributions in operating activities, which differs from the presentation of basic financial statements.

**4C. Commitments**

At December 31, 2016, the Authority had the following pending Capital Fund and ROSS projects in progress. The commitments related to these projects are summarized as follows:

	<b>Funds Approved</b>	<b>Funds Expended - Project to Date</b>
<u>Capital Fund Program:</u>		
CFP 501-15	\$ 500,320	\$ 347,989
	<b>Funds Approved</b>	<b>Funds Expended - Project to Date</b>
<u>FSS:</u>		
FSS 2014	\$ 132,244	\$ 94,174
FSS 2015	133,356	128,808
Total	265,600	\$ 222,982

**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 SHAWNEE  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)**  
December 31, 2016

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**NOTE 4 – OTHER NOTES - (Continued)**

**4E. 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 Property Insurance, A Mutual Co.
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 \$5,000 deductibles.
d. Health and life	Purchased health with Blue Cross Blue Shield of Oklahoma - Life insurance is provided by Dearborn National and Kansas City Life Insurance.

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.

**4F. Affiliated Organizations**

The Authority, through cooperative management service agreements, provides management services to the Housing Authority of the City of Stroud, the Housing Authority of the City of Tecumseh and the Housing Authority of the Town of Prague. Through these activities the Authority earned income of approximately \$149,918 in FY 2016, which is included in other operating revenue in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. Additionally, the Authority provides the Development Enterprises of Central Oklahoma (DECO) management services as documented in the services agreement between the two organizations. The services provided by this agreement are paid based on actual costs incurred. The Authority recognized \$30,272 of fees and \$12,000 rental income in connection with this agreement for FY 2016, which is also included in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. These affiliations do not meet the criteria under GASB 14, as amended by GASB 39 and 61, for the inclusion in the reporting entity of the Authority, nor do they represent related parties.

**4G. 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. Management evaluated the activity of the Authority through May 22, 2017 and concluded that no subsequent events have occurred that would require adjustment to or disclosures within these financial statements.

HOUSING AUTHORITY OF THE CITY OF SHAWNEE  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)**  
December 31, 2016

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**NOTE 4 – OTHER NOTES - (Continued)**

**4H. 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 2017 federal budget.

HOUSING AUTHORITY OF THE CITY OF SHAWNEE  
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**PHA'S STATEMENT OF CERTIFICATION OF ACTUAL MODERNIZATION COST**  
December 31, 2016

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1. Actual Capital Fund Program costs are as follows:

	<u>CFP 501-13</u>
Funds approved	\$ 515,126
Funds expended	<u>515,126</u>
Excess of Funds Approved	<u><u>\$ ---</u></u>
Funds advanced	\$ 515,126
Funds expended	<u>515,126</u>
Excess (deficiency) of Funds Advanced	<u><u>\$ ---</u></u>

2. The costs as shown on the Actual Cost Certificate dated December 12, 2016 submitted to HUD for approval is in agreement with the Authority's records as of December 31, 2016.
3. All costs have been paid and all related liabilities have been discharged through payments.

HOUSING AUTHORITY OF THE CITY OF SHAWNEE  
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**PHA'S STATEMENT OF CERTIFICATION OF ACTUAL MODERNIZATION COST - (Continued)**  
December 31, 2016

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1. Actual Capital Fund Program costs are as follows:

	<u>CFP 501-14</u>
Funds approved	\$ 491,602
Funds expended	<u>491,602</u>
Excess of Funds Approved	<u><u>\$ ---</u></u>
Funds advanced	\$ 491,602
Funds expended	<u>491,602</u>
Excess (deficiency) of Funds Advanced	<u><u>\$ ---</u></u>

2. The costs as shown on the Actual Cost Certificate dated December 12, 2016 submitted to HUD for approval is in agreement with the Authority's records as of December 31, 2016.
3. All costs have been paid and all related liabilities have been discharged through payments.

HOUSING AUTHORITY OF THE CITY OF SHAWNEE  
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**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended December 31, 2016

<u>Federal Grantor</u>	<u>Federal CFDA #</u>	<u>Total Federal Expenditures</u>
<b><u>U.S. Department of Housing and Urban Development</u></b>		
Low Rent Program	14.850	\$ 1,276,611
Capital Fund Program	14.872	715,740
Housing Choice Vouchers	14.871	2,902,696
Family Self-Sufficiency Program	14.896	<u>140,707</u>
<b>Total Expenditures of Federal Awards</b>		<b>\$ <u><u>5,035,754</u></u></b>

**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 Shawnee (Authority) 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 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 SHAWNEE  
Shawnee, Oklahoma

**FINANCIAL DATA SCHEDULE**  
Year Ended December 31, 2016

	Project Total	14.871 Housing Choice Vouchers	14.896 PIH Family Self- Sufficiency Program	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$217,856	\$48,036		\$215,055	\$480,947	\$0	\$480,947
112 Cash - Restricted - Modernization and Development	\$24,973			\$0	\$24,973	\$0	\$24,973
113 Cash - Other Restricted	\$25,319	\$61,970		\$0	\$87,289	\$0	\$87,289
114 Cash - Tenant Security Deposits	\$88,256			\$0	\$88,256	\$0	\$88,256
115 Cash - Restricted for Payment of Current Liabilities	\$82,970	\$256,811		\$0	\$339,781	\$0	\$339,781
100 Total Cash	\$439,374	\$366,817	\$0	\$215,055	\$1,021,246	\$0	\$1,021,246
121 Accounts Receivable - PHA Projects	\$0			\$14,933	\$14,933	\$0	\$14,933
122 Accounts Receivable - HUD Other Projects	\$0	\$4,490	\$11,948	\$0	\$16,438	\$0	\$16,438
125 Accounts Receivable - Miscellaneous	\$0			\$27	\$27	\$0	\$27
126 Accounts Receivable - Tenants	\$5,869			\$0	\$5,869	\$0	\$5,869
126.1 Allowance for Doubtful Accounts -Tenants	-\$1,512			\$0	-\$1,512	\$0	-\$1,512
128 Fraud Recovery	\$2,623	\$13,117		\$0	\$15,740	\$0	\$15,740
128.1 Allowance for Doubtful Accounts - Fraud	-\$1,574	-\$9,170		\$0	-\$10,744	\$0	-\$10,744
129 Accrued Interest Receivable	\$467	\$552		\$37	\$1,056	\$0	\$1,056
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$5,873	\$8,989	\$11,948	\$14,997	\$41,807	\$0	\$41,807
131 Investments - Unrestricted	\$1,156,353	\$137,066		\$215,945	\$1,509,364	\$0	\$1,509,364
132 Investments - Restricted	\$5,154			\$0	\$5,154	\$0	\$5,154
142 Prepaid Expenses and Other Assets	\$102,249	\$10,199		\$39,196	\$151,644	\$0	\$151,644
143 Inventories	\$40,000			\$0	\$40,000	\$0	\$40,000
143.1 Allowance for Obsolete Inventories	-\$4,000			\$0	-\$4,000	\$0	-\$4,000
144 Inter Program Due From	\$0			\$11,948	\$11,948	-\$11,948	\$0
150 Total Current Assets	\$1,745,003	\$523,071	\$11,948	\$497,141	\$2,777,163	-\$11,948	\$2,765,215
161 Land	\$322,140			\$22,913	\$345,053	\$0	\$345,053
162 Buildings	\$20,816,552			\$892,724	\$21,709,276	\$0	\$21,709,276
164 Furniture, Equipment & Machinery - Administration	\$378,169	\$20,691		\$123,298	\$522,158	\$0	\$522,158
166 Accumulated Depreciation	-\$16,500,389	-\$17,364		-\$490,338	-\$17,008,091	\$0	-\$17,008,091
167 Construction in Progress	\$85,561			\$0	\$85,561	\$0	\$85,561

HOUSING AUTHORITY OF THE CITY OF SHAWNEE  
Shawnee, Oklahoma

**FINANCIAL DATA SCHEDULE - (Continued)**  
Year Ended December 31, 2016

	Project Total	14.871 Housing Choice Vouchers	14.896 PIH Family Self- Sufficiency Program	COCC	Subtotal	ELIM	Total
160 Total Capital Assets, Net of Accumulated Depreciation	\$5,102,033	\$3,327	\$0	\$548,597	\$5,653,957	\$0	\$5,653,957
180 Total Non-Current Assets	\$5,102,033	\$3,327	\$0	\$548,597	\$5,653,957	\$0	\$5,653,957
200 Deferred Outflow of Resources	\$0			\$0	\$0	\$0	\$0
290 Total Assets and Deferred Outflow of Resources	\$6,847,036	\$526,398	\$11,948	\$1,045,738	\$8,431,120	-\$11,948	\$8,419,172
312 Accounts Payable <= 90 Days	\$30,883	\$2,039		\$2,554	\$35,476	\$0	\$35,476
321 Accrued Wage/Payroll Taxes Payable	\$0			\$23,894	\$23,894	\$0	\$23,894
322 Accrued Compensated Absences - Current Portion	\$29,619	\$6,040		\$23,221	\$58,880	\$0	\$58,880
333 Accounts Payable - Other Government	\$50,767			\$0	\$50,767	\$0	\$50,767
341 Tenant Security Deposits	\$93,410			\$0	\$93,410	\$0	\$93,410
342 Unearned Revenue	\$14,060	\$23,552		\$0	\$37,612	\$0	\$37,612
345 Other Current Liabilities	\$89,750	\$10,096		\$0	\$99,846	\$0	\$99,846
346 Accrued Liabilities - Other	\$18,274			\$665	\$18,939	\$0	\$18,939
347 Inter Program - Due To	\$0		\$11,948	\$0	\$11,948	-\$11,948	\$0
310 Total Current Liabilities	\$326,763	\$41,727	\$11,948	\$50,334	\$430,772	-\$11,948	\$418,824
353 Non-current Liabilities - Other	\$25,319	\$34,120		\$0	\$59,439	\$0	\$59,439
354 Accrued Compensated Absences - Non Current	\$14,757	\$2,638		\$18,769	\$36,164	\$0	\$36,164
350 Total Non-Current Liabilities	\$40,076	\$36,758	\$0	\$18,769	\$95,603	\$0	\$95,603
300 Total Liabilities	\$366,839	\$78,485	\$11,948	\$69,103	\$526,375	-\$11,948	\$514,427
400 Deferred Inflow of Resources		\$223,163			\$223,163		\$223,163
508.4 Net Investment in Capital Assets	\$5,102,033	\$3,327	\$0	\$548,597	\$5,653,957		\$5,653,957
511.4 Restricted Net Position	\$0	\$27,850	\$0		\$27,850		\$27,850
512.4 Unrestricted Net Position	\$1,378,164	\$193,573	\$0	\$428,038	\$1,999,775		\$1,999,775
513 Total Equity - Net Assets / Position	\$6,480,197	\$224,750	\$0	\$976,635	\$7,681,582	\$0	\$7,681,582
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$6,847,036	\$526,398	\$11,948	\$1,045,738	\$8,431,120	-\$11,948	\$8,419,172

HOUSING AUTHORITY OF THE CITY OF SHAWNEE  
Shawnee, Oklahoma

**FINANCIAL DATA SCHEDULE - (Continued)**  
Year Ended December 31, 2016

	Project Total	14.871 Housing Choice Vouchers	14.896 PIH Family Self- Sufficiency Program	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$722,561			\$0	\$722,561	\$0	\$722,561
70400 Tenant Revenue - Other	\$35,317			\$0	\$35,317	\$0	\$35,317
70500 Total Tenant Revenue	\$757,878	\$0	\$0	\$0	\$757,878	\$0	\$757,878
70600 HUD PHA Operating Grants	\$1,467,976	\$2,902,696	\$140,707	\$0	\$4,511,379	\$0	\$4,511,379
70610 Capital Grants	\$524,375			\$0	\$524,375	\$0	\$524,375
70710 Management Fee				\$397,767	\$397,767	-\$397,767	\$0
70720 Asset Management Fee				\$53,040	\$53,040	-\$53,040	\$0
70730 Book Keeping Fee				\$83,212	\$83,212	-\$83,212	\$0
70750 Other Fees				\$200,198	\$200,198	-\$8,008	\$192,190
70700 Total Fee Revenue				\$734,217	\$734,217	-\$542,027	\$192,190
71100 Investment Income - Unrestricted	\$2,921	\$788		\$396	\$4,105	\$0	\$4,105
71400 Fraud Recovery	\$0	\$7,542		\$0	\$7,542	\$0	\$7,542
71500 Other Revenue	\$239,224	\$2,520		\$58,064	\$299,808	-\$31,316	\$268,492
70000 Total Revenue	\$2,992,374	\$2,913,546	\$140,707	\$792,677	\$6,839,304	-\$573,343	\$6,265,961
91100 Administrative Salaries	\$294,336	\$85,120		\$415,454	\$794,910	\$0	\$794,910
91200 Auditing Fees	\$5,610	\$5,860		\$1,630	\$13,100	\$0	\$13,100
91300 Management Fee	\$326,979	\$70,788			\$397,767	-\$397,767	\$0
91310 Book-keeping Fee	\$38,970	\$44,242			\$83,212	-\$83,212	\$0
91400 Advertising and Marketing	\$1,215			\$867	\$2,082	\$0	\$2,082
91500 Employee Benefit contributions - Administrative	\$135,881	\$20,372		\$112,103	\$268,356	\$0	\$268,356
91600 Office Expenses	\$53,105	\$9,437		\$50,898	\$113,440	-\$21,000	\$92,440
91700 Legal Expense	\$62			\$488	\$550	\$0	\$550
91800 Travel	\$11,763	\$773		\$20,431	\$32,967	-\$8,008	\$24,959
91900 Other	\$53,742	\$11,383		\$57,960	\$123,085	\$0	\$123,085
91000 Total Operating - Administrative	\$921,663	\$247,975	\$0	\$659,831	\$1,829,469	-\$509,987	\$1,319,482

HOUSING AUTHORITY OF THE CITY OF SHAWNEE  
Shawnee, Oklahoma

**FINANCIAL DATA SCHEDULE - (Continued)**  
Year Ended December 31, 2016

	Project Total	14.871 Housing Choice Vouchers	14.896 PIH Family Self- Sufficiency Program	COCC	Subtotal	ELIM	Total
92000 Asset Management Fee	\$53,040				\$53,040	-\$53,040	\$0
92100 Tenant Services - Salaries	\$0		\$105,368	\$0	\$105,368	\$0	\$105,368
92300 Employee Benefit Contributions - Tenant Services	\$0		\$35,339	\$0	\$35,339	\$0	\$35,339
92400 Tenant Services - Other	\$6,852			\$0	\$6,852	\$0	\$6,852
92500 Total Tenant Services	\$6,852	\$0	\$140,707	\$0	\$147,559	\$0	\$147,559
93100 Water	\$48,888			\$584	\$49,472	\$0	\$49,472
93200 Electricity	\$98,654			\$8,339	\$106,993	\$0	\$106,993
93300 Gas	\$32,368			\$1,793	\$34,161	\$0	\$34,161
93600 Sewer	\$34,975			\$402	\$35,377	\$0	\$35,377
93000 Total Utilities	\$214,885	\$0	\$0	\$11,118	\$226,003	\$0	\$226,003
94100 Ordinary Maintenance and Operations - Labor	\$423,969			\$2,472	\$426,441	\$0	\$426,441
94200 Ordinary Maintenance and Operations - Materials and Other	\$147,892	\$1,290		\$3,254	\$152,436	\$0	\$152,436
94300 Ordinary Maintenance and Operations Contracts	\$273,556	\$1,280		\$11,941	\$286,777	-\$10,316	\$276,461
94500 Employee Benefit Contributions - Ordinary Maintenance	\$159,492			\$189	\$159,681	\$0	\$159,681
94000 Total Maintenance	\$1,004,909	\$2,570	\$0	\$17,856	\$1,025,335	-\$10,316	\$1,015,019
95200 Protective Services - Other Contract Costs	\$46,917			\$542	\$47,459	\$0	\$47,459
95000 Total Protective Services	\$46,917	\$0	\$0	\$542	\$47,459	\$0	\$47,459
96110 Property Insurance	\$71,080			\$3,050	\$74,130	\$0	\$74,130
96120 Liability Insurance	\$16,696	\$2,595		\$10,437	\$29,728	\$0	\$29,728
96130 Workmen's Compensation	\$15,361	\$5,112		\$7,794	\$28,267	\$0	\$28,267
96140 All Other Insurance	\$6,940	\$3,051		\$9,943	\$19,934	\$0	\$19,934
96100 Total insurance Premiums	\$110,077	\$10,758	\$0	\$31,224	\$152,059	\$0	\$152,059
96200 Other General Expenses	\$0	\$4,480		\$274	\$4,754	\$0	\$4,754
96210 Compensated Absences	\$101,948	\$19,840		\$54,286	\$176,074	\$0	\$176,074
96300 Payments in Lieu of Taxes	\$50,767			\$0	\$50,767	\$0	\$50,767
96400 Bad debt - Tenant Rents	\$16,323			\$0	\$16,323	\$0	\$16,323
96600 Bad debt - Other	\$0	\$5,556		\$0	\$5,556	\$0	\$5,556

HOUSING AUTHORITY OF THE CITY OF SHAWNEE  
Shawnee, Oklahoma

**FINANCIAL DATA SCHEDULE - (Continued)**  
Year Ended December 31, 2016

	Project Total	14.871 Housing Choice Vouchers	14.896 PIH Family Self- Sufficiency Program	COCC	Subtotal	ELIM	Total
96000 Total Other General Expenses	\$169,038	\$29,876	\$0	\$54,560	\$253,474	\$0	\$253,474
96900 Total Operating Expenses	\$2,527,381	\$291,179	\$140,707	\$775,131	\$3,734,398	-\$573,343	\$3,161,055
97000 Excess of Operating Revenue over Operating Expenses	\$464,993	\$2,622,367	\$0	\$17,546	\$3,104,906	\$0	\$3,104,906
97100 Extraordinary Maintenance	\$6,500			\$0	\$6,500	\$0	\$6,500
97200 Casualty Losses - Non-capitalized	\$75,040			\$0	\$75,040	\$0	\$75,040
97300 Housing Assistance Payments	\$0	\$2,647,211		\$0	\$2,647,211	\$0	\$2,647,211
97400 Depreciation Expense	\$534,166	\$1,815		\$27,952	\$563,933	\$0	\$563,933
90000 Total Expenses	\$3,143,087	\$2,940,205	\$140,707	\$803,083	\$7,027,082	-\$573,343	\$6,453,739
10010 Operating Transfer In	\$141,695			\$0	\$141,695	-\$141,695	\$0
10020 Operating transfer Out	-\$141,695			\$0	-\$141,695	\$141,695	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$150,713	-\$26,659	\$0	-\$10,406	-\$187,778	\$0	-\$187,778
11030 Beginning Equity	\$6,630,910	\$251,409	\$0	\$987,041	\$7,869,360	\$0	\$7,869,360
11170 Administrative Fee Equity		\$196,900			\$196,900		\$196,900
11180 Housing Assistance Payments Equity		\$27,850			\$27,850		\$27,850
11190 Unit Months Available	5259	5964		0	11223	0	11223
11210 Number of Unit Months Leased	5151	5899		0	11050	0	11050
11270 Excess Cash	\$1,018,070				\$1,018,070		\$1,018,070
11620 Building Purchases	\$617,386			\$0	\$617,386		\$617,386

**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 Shawnee  
Shawnee, 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 Shawnee (Authority), Oklahoma, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued my report thereon dated May 22, 2017.

**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 opinion 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 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 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

May 22, 2017

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

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

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

I have audited the Housing Authority of the City of Shawnee (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 December 31, 2016. The Authority’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 federal statutes, regulations, and the terms and conditions of its federal awards 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 Shawnee, 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 December 31, 2016.

**Report on Internal Control Over Compliance**

Management of the Authority, 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

May 22, 2017

HOUSING AUTHORITY OF THE CITY OF SHAWNEE  
Shawnee, Oklahoma

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
December 31, 2016

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**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?	No
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?	No
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	
➤ CFDS #14.872      Capital Fund 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 December 31, 2016 disclosed no Financial Statement audit finding.

**Section III - Federal Award Findings and Questioned Costs**

The current audit report for the year ended December 31, 2016 disclosed no Federal Awards audit finding and questioned costs.