

**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, 2019

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, 2019, 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 Authority, as of December 31, 2019, 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 Authority's basic financial statements. The supplemental information, as described in the table of contents and the Schedule of Expenditures of Federal Awards, which is required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information, as described in the table of contents, is 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 supplemental information, as described in the table of contents, is 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 September 15, 2020, on my consideration of the Authority'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 the Authority's internal control over financial reporting and compliance.

Audit Solutions, LLC

Chesterfield, Missouri

September 15, 2020

HOUSING AUTHORITY OF THE CITY OF SHAWNEE
Shawnee, Oklahoma

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
December 31, 2019

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, 2019. The Shawnee Housing Authority presents this discussion and analysis of its financial performance during the fiscal year ended December 31, 2019, 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.

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

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

The Statement of Net Position presents information on the assets, deferred outflows 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:

HOUSING AUTHORITY OF THE CITY OF SHAWNEE
Shawnee, Oklahoma

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
December 31, 2019

Overview of the Financial Statements – (Continued)

- 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, 2019, 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, 2019.

Financial Highlights

The Authority's net position decreased from \$7,058,052 to \$6,970,014, a decrease of \$88,038. Total assets decreased by \$125,312.

Total revenue decreased from \$6,735,758 to \$6,509,074, a decrease of \$226,684 or 3%.

Total expenses decreased by \$60,882, from \$6,657,994 to \$6,597,112 for the current year.

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, 2019, and December 31, 2018.

**Summary Statement of Net Position
As of December 31, 2019 and 2018**

<u>Category</u>	<u>FYE 2019</u>	<u>FYE 2018</u>	<u>Change \$</u>	<u>Change %</u>
Current Assets	\$ 2,449,881	\$ 2,159,795	\$ 290,086	13%
Noncurrent Assets	\$ 4,949,172	\$ 5,364,570	\$ (415,398)	-8%
Total Assets	\$ 7,399,053	\$ 7,524,365	\$ (125,312)	-2%
Current Liabilities	\$ 336,726	\$ 358,230	\$ (21,504)	-6%
Noncurrent Liabilities	\$ 92,313	\$ 108,083	\$ (15,770)	-15%
Total Liabilities	\$ 429,039	\$ 466,313	\$ (37,274)	-8%
Unrestricted	\$ 1,962,394	\$ 1,664,711	\$ 297,683	18%
Restricted	\$ 58,448	\$ 28,771	\$ 29,677	103%
Net Investment in Capital Assets	\$ 4,949,172	\$ 5,364,570	\$ (415,398)	-8%
Total Net Position	\$ 6,970,014	\$ 7,058,052	\$ (88,038)	-1%

HOUSING AUTHORITY OF THE CITY OF SHAWNEE
Shawnee, Oklahoma

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
December 31, 2019

Housing Authority Activities & Highlights – (Continued)

Current Assets

The Authority's current asset balance increased by \$290,086. This was primarily due to an increase in unrestricted cash and investment balances in the amount of \$352,830. This increase was due to operating revenues exceeding operating expenditures. In contrast, restricted cash and investments decreased by \$68,945, prepaid expenses decreased by \$10,868, and maintenance inventories, net of allowance, decreased by \$9,569.

Noncurrent Assets

The Authority's noncurrent asset balance decreased by \$415,398 primarily due to the recording of depreciation. Please note the capital asset portion presented in a later section.

Current Liabilities

Current liabilities decreased by \$21,504. This was primarily due to the accrual of expenses, in the prior year, related to the rebuild of a unit on AMP 2. This resulted in a decrease in other current liabilities in the amount of \$27,983. In addition, accrued wages/payroll taxes payable decreased by \$14,379. In contrast, accounts payable – other government increased by \$12,610 and accounts payable increased by \$9,108.

Noncurrent Liabilities

Noncurrent liabilities decreased by \$15,770. This was due to a reduction in the amount of FSS liabilities.

Net Position

The net position of the Authority decreased by \$88,038 when compared to the previous fiscal year.

The Authority's unrestricted component of net position changed from \$1,664,711 to \$1,962,394, an increase of \$297,683 or 18% 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.

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

Low Rent Housing Program	
AMP 1	\$ 816,396
AMP 2	\$ 473,678
Central Office Cost Center	\$ 517,970
Housing Choice Voucher Program	<u>\$ 154,350</u>
Total Unrestricted	<u>\$ 1,962,394</u>

The Authority's restricted component of net position changed from \$28,771 to \$58,448. This was due to HAP related revenues of \$2,849,390 exceeding HAP expenditures of \$2,819,713.

HOUSING AUTHORITY OF THE CITY OF SHAWNEE
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MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
December 31, 2019

Housing Authority Activities & Highlights – (Continued)

**Summary Statement of Revenues & Expenses and Changes in Net Position
Years Ended December 31, 2019 and 2018**

Category	FYE 2019	FYE 2018	Change \$	Change %
Tenant Revenue	\$ 880,793	\$ 770,651	\$ 110,142	14%
HUD Operating Grants	\$ 5,155,444	\$ 4,923,411	\$ 232,033	5%
Capital Grants	\$ 70,040	\$ 555,862	\$ (485,822)	-87%
Interest Income	\$ 14,705	\$ 8,420	\$ 6,285	75%
Other Revenue	\$ 388,092	\$ 477,414	\$ (89,322)	-19%
Total Revenue	\$ 6,509,074	\$ 6,735,758	\$ (226,684)	-3%
Administration	\$ 1,364,230	\$ 1,358,073	\$ 6,157	0%
Tenant Service	\$ 139,477	\$ 146,786	\$ (7,309)	-5%
Utilities	\$ 225,062	\$ 239,439	\$ (14,377)	-6%
Ordinary Maintenance	\$ 959,411	\$ 974,655	\$ (15,244)	-2%
General Expense	\$ 505,841	\$ 482,474	\$ 23,367	5%
Extraordinary Maint/Casualty Losses	\$ 82,823	\$ 140,878	\$ (58,055)	-41%
Housing Assistance Payments	\$ 2,819,713	\$ 2,813,594	\$ 6,119	0%
Depreciation	\$ 500,555	\$ 502,095	\$ (1,540)	0%
Total Expenses	\$ 6,597,112	\$ 6,657,994	\$ (60,882)	-1%
Increase (Decrease) in Net Position	\$ (88,038)	\$ 77,764	\$ (165,802)	-213%
Net Position, Beginning of Year	\$ 7,058,052	\$ 6,980,288	\$ 77,764	1%
Net Position, End of Year	\$ 6,970,014	\$ 7,058,052	\$ (88,038)	-1%

Results of Operations

Revenues of the Authority are generated principally Federal and State funding grant income. The Authority's revenue decreased by \$226,684 compared to the previous fiscal year. Notable changes as compared to the previous year include:

- Tenant revenue increased by \$110,142. This was primarily due to an increase in the average rent per unit. The average rent per unit increased from \$144 in the prior year to \$165 in the current year. The unit months leased also increased from 5,149 to 5,182.
- HUD operating grants increased by \$232,033. This was due to an increase in operating funding related to the Low Rent Program in the amount of \$102,347 and CFP Program in the amount of \$126,250.
- Capital grant revenues decreased by \$485,822 due to a decrease in activity associated with capital improvement projects funded by the Capital Fund Program.
- Interest income increased by \$6,285 due to interest rate increases.

HOUSING AUTHORITY OF THE CITY OF SHAWNEE
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MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
December 31, 2019

Housing Authority Activities & Highlights – (Continued)

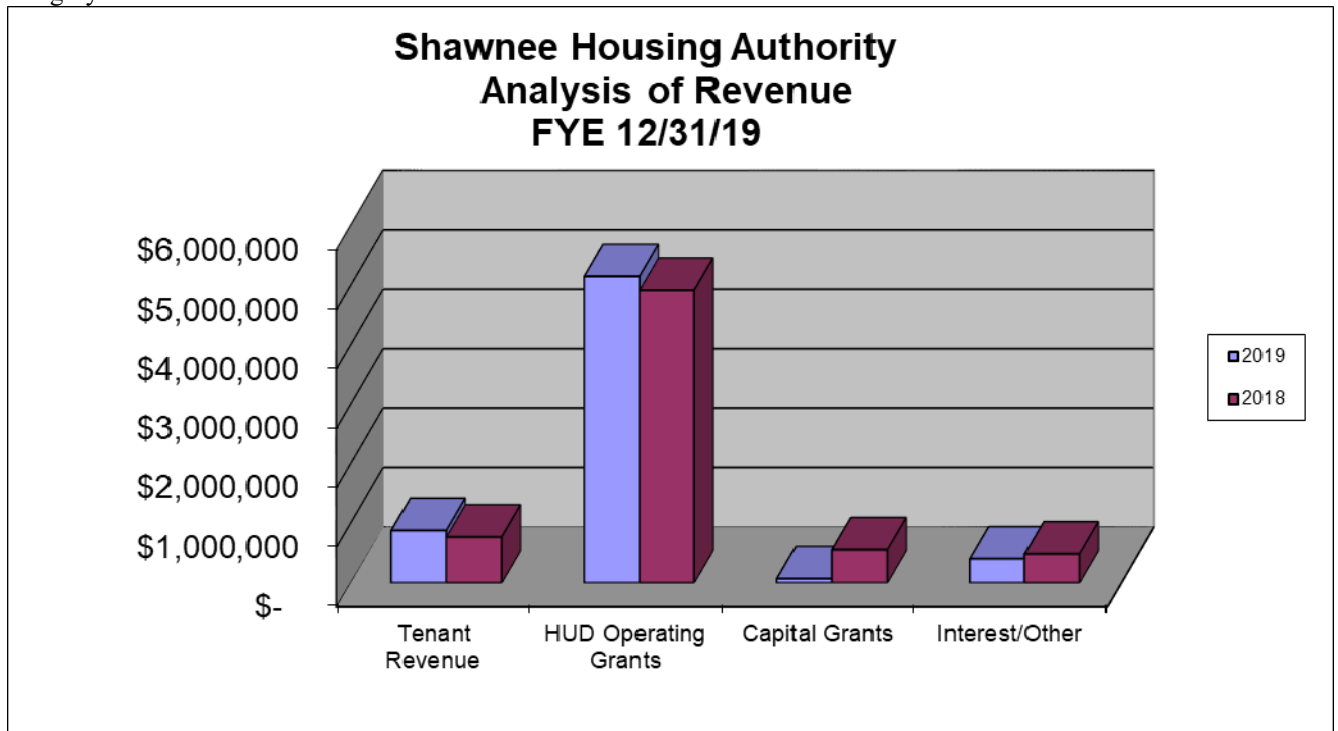
Results of Operations – (Continued)

- Other revenue decreased by \$89,322 due primarily to insurance proceeds received by the Low Rent Program for the repair of units damaged by a fire in the prior year.

Total expenses decreased by \$60,882. Significant variances include the following:

- Utilities decreased by \$14,377. This is due to a reduction in electric expenses by \$12,395 and gas expenses in the amount of \$3,701.
- Ordinary maintenance decreased by \$15,244. This was primarily due to a reduction in maintenance salaries and benefits in the amount of \$50,687. Other decreased include maintenance materials in the amount of \$34,071, pest control in the amount of \$23,155, and elevator maintenance in the amount of \$8,433. Increases to ordinary maintenance include misc. maintenance contracts in the amount of \$39,649, maintenance materials in the amount of \$29,168, plumbing contracts in the amount of \$10,004, and heating and cooling costs in the amount of \$8,954.
- Other general expenses increased by \$23,367. This was primarily due to an increase in payment in lieu of taxes by \$12,610. This increase was due to an increase in tenant dwelling rent charged. Other increases include worker’s compensation insurance in the amount of \$9,865, protective services contracts in the amount of \$8,322, and property insurance in the amount of \$7,884.
- Extraordinary maintenance/casualty loss expenses decreased by \$58,055 due to fire damage in the prior year.

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

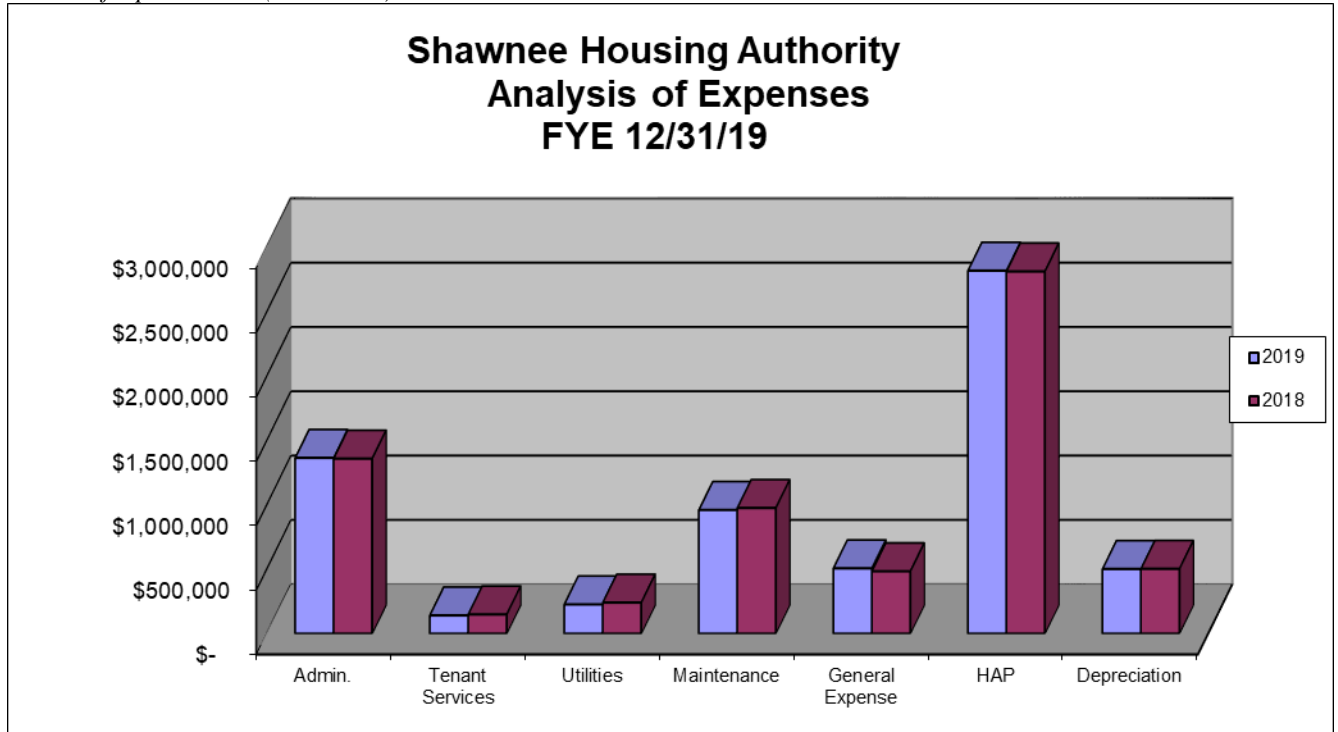


HOUSING AUTHORITY OF THE CITY OF SHAWNEE
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MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
December 31, 2019

Housing Authority Activities & Highlights – (Continued)

Results of Operations – (Continued)



Non-current Assets

As of December 31, 2019, the Authority's net investment in capital assets was \$4,949,172. This investment includes building improvements and equipment.

<u>Category</u>	<u>FYE 2019</u>	<u>FYE 2018</u>	<u>Change \$</u>	<u>Change %</u>
Land	\$ 345,053	\$ 345,053	\$ -	0%
Buildings	\$ 22,678,519	\$ 22,540,262	\$ 138,257	1%
Equipment	\$ 489,742	\$ 489,742	\$ -	0%
Construction in Progress	\$ 5,455	\$ 58,555	\$ (53,100)	-91%
Accumulated Depreciation	\$ (18,569,597)	\$ (18,069,042)	\$ (500,555)	3%
Total Net Fixed Assets	\$ 4,949,172	\$ 5,364,570	\$ (415,398)	-8%

Buildings increased by \$138,257 due to the completion of a HVAC replacement project, generator replacement, and call service upgrade for the elevator funded by the 2016, 2017, and 2018 CFP and AMP 1 and AMP 2 operations.

Construction in progress consists of a A&E fees for a weatherization project funded by the 2017 CFP.

HOUSING AUTHORITY OF THE CITY OF SHAWNEE
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MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
December 31, 2019

Subsequent Event

As of the time of this analysis, HUD has not finalized the funding levels for the 2020 calendar year. The operating subsidy for the Low Rent Housing Program is estimated to be funded at 96.64%.

The amount of funding for the 2020 calendar year for the Housing Choice Voucher Program will include an estimated proration of administrative fees at 80% and HAP funding at 99.5%. HUD has obligated \$2,883,465 in HAP funding for the 2020 calendar year.

On March 27th, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law. This act provided additional funding to the Authority. The Low Rent Program received an additional \$241,018 in operating subsidy and the HCV Program received an additional \$60,056 in administrative fee funding. On July 31, 2020, HUD announced a second round of CARES funding for the HCV program. The HCV Program will receive an additional \$74,203.

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 74801

HOUSING AUTHORITY OF THE CITY OF SHAWNEE
Shawnee, Oklahoma

STATEMENT OF NET POSITION
December 31, 2019

ASSETS

Current Assets:

Cash and cash equivalents	\$	376,254
Cash - restricted		259,353
Investments		1,538,743
Receivables - net of allowances		77,787
Inventory - net of allowances		36,381
Prepaid expenses		<u>161,363</u>

Total Current Assets 2,449,881

Non-current Assets:

Capital assets:

Land and construction in progress		350,508
Other capital assets, net of depreciation		<u>4,598,664</u>

Total capital assets - net 4,949,172

Total Non-current Assets 4,949,172

Total Assets 7,399,053

Total Assets and Deferred Outflow of Resources \$ 7,399,053

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF SHAWNEE
Shawnee, Oklahoma

STATEMENT OF NET POSITION - (Continued)
December 31, 2019

LIABILITIES

Current Liabilities:

Accounts payable	\$	164,135
Accrued salaries and benefits		10,321
Tenant security deposit liability		94,201
Accrued compensated absences		55,993
Unearned revenues		<u>12,076</u>

Total Current Liabilities 336,726

Non-current Liabilities:

Compensated absences		34,598
Non-current liabilities - Other		<u>57,715</u>

Total Non-current Liabilities 92,313

Total Liabilities 429,039

NET POSITION

Net investment in capital assets		4,949,172
Restricted		58,448
Unrestricted		<u>1,962,394</u>

Total Net Position 6,970,014

Total Liabilities, Deferred Inflows of Resources and Net Position \$ 7,399,053

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, 2019

OPERATING REVENUES	
Tenant revenue	\$ 880,793
Governmental grants and subsidy	5,155,444
Miscellaneous	<u>388,092</u>
Total operating revenue	<u>6,424,329</u>
OPERATING EXPENSES	
Administrative	1,364,230
Tenant services	139,477
Utilities	225,062
Ordinary maintenance and operations	959,411
Protective services	62,340
Insurance	192,066
General	251,435
Non routine maintenance	82,823
Housing assistance payment	2,819,713
Depreciation expense	<u>500,555</u>
Total operating expenses	<u>6,597,112</u>
Operating income (loss)	<u>(172,783)</u>
NON-OPERATING REVENUES (EXPENSES)	
Investment income	<u>14,705</u>
Net non-operating revenues (expenses)	<u>14,705</u>
Income (loss) before contributions and transfers	<u>(158,078)</u>
Capital contributions	<u>70,040</u>
Change in net position	(88,038)
Total net position - beginning of year	<u>7,058,052</u>
Total net position - end of year	<u><u>\$ 6,970,014</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, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Received from tenants	\$ 855,327
Received from governmental grants and subsidy	5,134,645
Received from other operating activities	990,193
Payments for goods and services	(1,839,969)
Payments to employees	(1,965,501)
Payment in lieu of taxes	(51,148)
Payment for housing assistance	<u>(2,819,713)</u>

Net cash provided by (used in) operating activities 303,834

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from capital contributions	70,040
Purchases of capital assets	(85,157)
Receipts (payments) from deferred credits and escrow deposits	<u>(17,087)</u>

Net cash provided by (used in) capital and related financing activities (32,204)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds (payments) from sale (purchase) of investments	(124,474)
Receipts of interest and dividends	<u>12,255</u>

Net cash provided by (used in) investing activities (112,219)

Net increase (decrease) in cash and cash equivalents	159,411
Cash and cash equivalents at beginning of year	<u>476,196</u>

Cash and cash equivalents at end of year	<u><u>\$ 635,607</u></u>
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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, 2019

Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ (172,783)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	500,555
Change in assets and liabilities:	
Receivables, net	(24,188)
Inventories, net	9,569
Prepaid expenses	10,868
Accounts and other payables	(6,265)
Tenant security deposit	313
Unearned revenues	474
Compensated absences	452
Accrued expenses	<u>(15,161)</u>
Net cash provided by (used) by operating activities	\$ <u><u>303,834</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, 2019

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
Shawnee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
December 31, 2019

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

1B. Basis of Presentation - (Continued)

The Authority operates the following programs in the enterprise fund:

Public and Indian Housing – The objective of the program is to provide decent, safe and sanitary housing and related facilities for eligible low-income individuals.

Public Housing Capital Fund – The purpose of this program is to provide funds annually to Housing Authorities for the modernization of the housing development and for management improvements.

Section 8 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 – 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
Shawnee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
December 31, 2019

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, 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 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 PHA projects, HUD, tenants, fraud recovery, miscellaneous and accrued interest.

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
Shawnee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
December 31, 2019

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 assets are related to the security deposit fund, resident council fund, HAP fund and FSS escrow accounts under the Public and Indian Housing and Section 8 Housing Choice Vouchers 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 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 are available, the Authority's policy is to apply restricted assets to fund restricted costs and then unrestricted as they are needed.

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 SHAWNEE
Shawnee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
December 31, 2019

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
Public Housing Capital Fund	U.S. Department of Housing and Urban Development
Section 8 Housing Choice Vouchers	U.S. Department of Housing and Urban Development
Family Self-Sufficiency	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.

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>
Public Housing Capital Fund	Modernization
Family Self-Sufficiency	Resident supportive services
Section 8 Housing Choice Vouchers	Housing assistance payments

For the year ended December 31, 2019, the Authority complied, in all material respects, with these revenue restrictions.

HOUSING AUTHORITY OF THE CITY OF SHAWNEE
Shawnee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
December 31, 2019

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, 2019, the Authority had the following cash deposits and investments:

Cash deposits	\$ 634,257
Certificate of deposits	1,538,743
Petty cash / change fund	<u>1,350</u>
 Total	 <u>\$ 2,174,350</u>

Following is a reconciliation of the Authority's deposit balances as of December 31, 2019:

Cash - unrestricted	\$ 376,254
Cash - restricted	259,353
Investments – unrestricted	<u>1,538,743</u>
 Total	 <u>\$ 2,174,350</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, 2019, the Authority's bank balances of \$741,273 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 December 31, 2019, the Authority's investment balance of \$1,538,743 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 SHAWNEE
Shawnee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
December 31, 2019

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 December 31, 2019, 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	\$ 65,907	12/31/2020
Certificate of Deposit	105,330	6/22/2020
Certificate of Deposit	265,665	9/28/2020
Certificate of Deposit	282,103	6/20/2020
Certificate of Deposit	28,446	12/31/2020
Certificate of Deposit	105,330	6/22/2020
Certificate of Deposit	153,874	6/20/2020
Certificate of Deposit	173,050	3/28/2020
Certificate of Deposit	117,040	6/22/2020
Certificate of Deposit	102,583	6/20/2020
Certificate of Deposit	139,415	4/8/2020
Total	\$ <u>1,538,743</u>	

3B. Restricted Assets

Restricted assets at December 31, 2019 consist of the following:

<u>Type of Restricted Assets</u>	<u>Cash</u>	<u>Investments</u>	<u>Total</u>
Security deposit	\$ 94,201	\$ ---	\$ 94,201
HAP fund set aside	58,448	---	58,448
Payment of non-current liability - FSS	57,715	---	57,715
Payment of current liability – Modernization / Other	48,989	---	48,989
Total	\$ <u>259,353</u>	\$ <u>---</u>	\$ <u>259,353</u>

3C. Inventory

Inventory at December 31, 2019 comprised of the following:

Inventory	\$ 40,424
Less: Allowance for obsolete inventory	<u>(4,043)</u>
Inventory - net of allowance	\$ <u>36,381</u>

HOUSING AUTHORITY OF THE CITY OF SHAWNEE
Shawnee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
December 31, 2019

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

3D. Receivables

Receivables at December 31, 2019, consist of the following:

Tenants	\$	2,857		
Less: Allowance for doubtful account - tenants		<u>(352)</u>	\$	2,505
Fraud recovery		25,409		
Less: Allowance for doubtful account - fraud		<u>(16,661)</u>		8,748
HUD				36,305
PHA projects			*	21,492
Miscellaneous				3,788
Accrued interest				<u>4,949</u>
Total Accounts Receivable – net of allowance				<u>\$ 77,787</u>

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

3E. Capital Assets

A summary of capital asset activity for the year ended December 31, 2019 is as follows:

	Balance January 1, 2019	Additions	(Retirement)	Reclass/ Transfers in (out)	Balance December 31, 2019
Non-depreciable assets:					
Land	\$ 345,053	\$ -	\$ -	\$ -	\$ 345,053
Construction in progress	<u>58,555</u>	<u>-</u>	<u>-</u>	<u>(53,100)</u>	<u>5,455</u>
Total non-depreciable assets	<u>403,608</u>	<u>-</u>	<u>-</u>	<u>(53,100)</u>	<u>350,508</u>
Depreciable assets:					
Building	22,540,262	85,157	-	53,100	22,678,519
Equipment - administration	<u>489,742</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>489,742</u>
Total depreciable assets	23,030,004	85,157	-	53,100	23,168,261
Accumulated depreciation	<u>(18,069,042)</u>	<u>(500,555)</u>	<u>-</u>	<u>-</u>	<u>(18,569,597)</u>
Total depreciable assets, net	<u>4,960,962</u>	<u>(415,398)</u>	<u>-</u>	<u>53,100</u>	<u>4,598,664</u>
Capital assets, net	<u>\$ 5,364,570</u>	<u>\$ (415,398)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,949,172</u>

Depreciation expense is charged to programs as follows:

	Business-type Activities
Low Rent - AMP 10	\$ 196,333
Low Rent - AMP 20	282,404
COCC	<u>21,818</u>
Total depreciation expense	<u>\$ 500,555</u>

HOUSING AUTHORITY OF THE CITY OF SHAWNEE
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NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
December 31, 2019

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

3F. Accounts Payable

Accounts payable at December 31, 2019, consist of the following:

Vendors & contractors	\$ 36,684
PILOT	63,758
Accrued utilities	14,704
FSS escrow / Other	<u>48,989</u>
 Total Accounts Payable	 \$ <u>164,135</u>

3G. Non-current Liabilities

Non-current liabilities at December 31, 2019, consist of the following:

Accrued compensated absences	\$ 34,598
FSS escrow	<u>57,715</u>
 Total Non-Current Liabilities	 \$ <u>92,313</u>

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

	<u>Balance January 1, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31, 2019</u>	<u>Amounts Due within One Year</u>
Accrued compensated absences	\$ 33,281	\$ 1,317	\$ ---	\$ 34,598	\$ 55,993
FSS escrow	<u>74,802</u>	<u>---</u>	<u>17,087</u>	<u>57,715</u>	<u>40,244</u>
	<u>\$ 108,083</u>	<u>\$ 1,317</u>	<u>\$ 17,087</u>	<u>\$ 92,313</u>	<u>\$ 96,237</u>

3H. 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>
Public and Indian Housing	\$ 228,697	\$ -
Public Housing Capital Fund	<u>-</u>	<u>228,697</u>
	<u>\$ 228,697</u>	<u>\$ (228,697)</u>

HOUSING AUTHORITY OF THE CITY OF SHAWNEE
Shawnee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
December 31, 2019

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

3H. Inter-program Transactions and Balances – (Continued)

Inter-program Receivable/Payable

Inter-program receivable/payable is eliminated for financial statement presentation. The following inter-program receivable/payable existed at June 30, 2019:

	Due From	Due To
COCC	\$ 35,676	\$ -
ROSS	-	(35,676)
Total	\$ 35,676	\$ (35,676)

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, 2019, 2018 and 2017 were \$107,044, \$109,099 and \$106,178 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, 2019, the Authority had the following pending Capital Fund project in progress. The commitments related to these projects are summarized as follows:

	Funds Approved	Funds Expended - Project to Date
CFP 501-17	\$ 506,741	\$ 464,497
CFP 501-18	844,150	313,112
FSS 2018	136,979	136,979
Total	\$ 1,487,870	\$ 914,588

HOUSING AUTHORITY OF THE CITY OF SHAWNEE
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NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
December 31, 2019

NOTE 4 – OTHER NOTES - (Continued)

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.

4E. 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, Housing Authority of the Town of Prague, Linden-Shawnee Partners, LP and the Housing Authority of the City of Seminole. Through these activities the Authority earned income of approximately \$230,830 in FY 2019, 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 \$28,113 of fees and \$12,000 rental income in connection with this agreement for FY 2019, 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.

4F. 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.

HOUSING AUTHORITY OF THE CITY OF SHAWNEE
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NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
December 31, 2019

NOTE 4 – OTHER NOTES - (Continued)

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.

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. There has been no immediate impact to the Authority's operations. Future potential impacts may include disruptions or restrictions on our employees' ability to work or the tenants ability to pay the required monthly rent. Operating functions that may be changed include intake, recertifications and maintenance. Changes to the operating environment may increase operating costs. Additional impacts may include the ability of tenants to continue making rental payments as a result of job loss or other pandemic related issues. The future effects of these issues are unknown.

Management evaluated the activity of the Authority through September 15, 2020 and concluded that no additional subsequent events have occurred that would require adjustment to or disclosures within these financial statements except for the one noted above.

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 2020 federal budget.

HOUSING AUTHORITY OF THE CITY OF SHAWNEE
Shawnee, Oklahoma

PHA'S STATEMENT OF CERTIFICATION OF ACTUAL MODERNIZATION COST
December 31, 2019

1. Actual Capital Fund Program costs are as follows:

	<u>501-16</u>
Funds approved	\$ 524,297
Funds expended	<u>524,297</u>
Excess of Funds Approved	<u><u>\$ ---</u></u>
Funds advanced	\$ 524,297
Funds expended	<u>524,297</u>
Excess (deficiency) of Funds Advanced	<u><u>\$ ---</u></u>

2. The costs as shown on the Actual Cost Certificate dated April 22, 2020, submitted to HUD for approval is in agreement with the Authority's records as of December 31, 2019.
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, 2019

<u>Federal Grantor</u>	<u>Federal CFDA #</u>	<u>Total Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>		
Public and Indian Housing	14.850	\$ 1,579,995
Public Housing Capital Fund	14.872	383,152
Housing Voucher Cluster: Section 8 Housing Choice Vouchers	14.871	3,125,358
Family Self-Sufficiency Program	14.896	<u>136,979</u>
Total Expenditures of Federal Awards		\$ <u><u>5,225,484</u></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 Shawnee (Authority) under programs of the federal government for the year ended December 31, 2019. 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 not 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, 2019

	Project Total	14,871 Housing Choice Vouchers	14,896 PIH Family Self- Sufficiency Program	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$100,620	\$14,192		\$261,442	\$376,254	\$0	\$376,254
113 Cash - Other Restricted	\$19,834	\$96,329		\$0	\$116,163	\$0	\$116,163
114 Cash - Tenant Security Deposits	\$94,201	\$0		\$0	\$94,201	\$0	\$94,201
115 Cash - Restricted for Payment of Current Liabilities	\$30,726	\$18,263		\$0	\$48,989	\$0	\$48,989
100 Total Cash	\$245,381	\$128,784	\$0	\$261,442	\$635,607	\$0	\$635,607
121 Accounts Receivable - PHA Projects	\$0	\$0		\$21,492	\$21,492	\$0	\$21,492
122 Accounts Receivable - HUD Other Projects	\$0	\$629	\$35,676	\$0	\$36,305	\$0	\$36,305
125 Accounts Receivable - Miscellaneous	\$0	\$0		\$3,788	\$3,788	\$0	\$3,788
126 Accounts Receivable - Tenants	\$2,857	\$0		\$0	\$2,857	\$0	\$2,857
126.1 Allowance for Doubtful Accounts -Tenants	-\$352	\$0		\$0	-\$352	\$0	-\$352
128 Fraud Recovery	\$18,337	\$7,072		\$0	\$25,409	\$0	\$25,409
128.1 Allowance for Doubtful Accounts - Fraud	-\$11,003	-\$5,658		\$0	-\$16,661	\$0	-\$16,661
129 Accrued Interest Receivable	\$3,361	\$1,275		\$313	\$4,949	\$0	\$4,949
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$13,200	\$3,318	\$35,676	\$25,593	\$77,787	\$0	\$77,787
131 Investments - Unrestricted	\$1,179,705	\$139,415		\$219,623	\$1,538,743	\$0	\$1,538,743
142 Prepaid Expenses and Other Assets	\$115,388	\$8,053		\$37,922	\$161,363	\$0	\$161,363
143 Inventories	\$40,424	\$0		\$0	\$40,424	\$0	\$40,424
143.1 Allowance for Obsolete Inventories	-\$4,043	\$0		\$0	-\$4,043	\$0	-\$4,043
144 Inter Program Due From	\$0	\$0		\$35,676	\$35,676	-\$35,676	\$0
150 Total Current Assets	\$1,590,055	\$279,570	\$35,676	\$580,256	\$2,485,557	-\$35,676	\$2,449,881
161 Land	\$322,140	\$0		\$22,913	\$345,053	\$0	\$345,053
162 Buildings	\$21,785,795	\$0		\$892,724	\$22,678,519	\$0	\$22,678,519
164 Furniture, Equipment & Machinery - Administration	\$365,105	\$19,097		\$105,540	\$489,742	\$0	\$489,742
166 Accumulated Depreciation	-\$18,003,157	-\$19,097		-\$547,343	-\$18,569,597	\$0	-\$18,569,597
167 Construction in Progress	\$5,455	\$0		\$0	\$5,455	\$0	\$5,455
160 Total Capital Assets, Net of Accumulated Depreciation	\$4,475,338	\$0	\$0	\$473,834	\$4,949,172	\$0	\$4,949,172
180 Total Non-Current Assets	\$4,475,338	\$0	\$0	\$473,834	\$4,949,172	\$0	\$4,949,172
290 Total Assets and Deferred Outflow of Resources	\$6,065,393	\$279,570	\$35,676	\$1,054,090	\$7,434,729	-\$35,676	\$7,399,053

HOUSING AUTHORITY OF THE CITY OF SHAWNEE
Shawnee, Oklahoma

FINANCIAL DATA SCHEDULE - (Continued)
Year Ended December 31, 2019

	Project Total	14,871 Housing Choice Vouchers	14,896 PIH Family Self- Sufficiency Program	COCC	Subtotal	ELIM	Total
312 Accounts Payable <= 90 Days	\$31,588	\$683		\$4,413	\$36,684	\$0	\$36,684
321 Accrued Wage/Payroll Taxes Payable	\$0	\$0		\$10,321	\$10,321	\$0	\$10,321
322 Accrued Compensated Absences - Current Portion	\$23,158	\$6,590		\$26,245	\$55,993	\$0	\$55,993
333 Accounts Payable - Other Government	\$63,758	\$0		\$0	\$63,758	\$0	\$63,758
341 Tenant Security Deposits	\$94,201	\$0		\$0	\$94,201	\$0	\$94,201
342 Unearned Revenue	\$12,076	\$0		\$0	\$12,076	\$0	\$12,076
345 Other Current Liabilities	\$30,726	\$18,263		\$0	\$48,989	\$0	\$48,989
346 Accrued Liabilities - Other	\$14,201	\$0		\$503	\$14,704	\$0	\$14,704
347 Inter Program - Due To	\$0	\$0	\$35,676	\$0	\$35,676	-\$35,676	\$0
310 Total Current Liabilities	\$269,708	\$25,536	\$35,676	\$41,482	\$372,402	-\$35,676	\$336,726
353 Non-current Liabilities - Other	\$19,834	\$37,881		\$0	\$57,715	\$0	\$57,715
354 Accrued Compensated Absences - Non Current	\$10,439	\$3,355		\$20,804	\$34,598	\$0	\$34,598
350 Total Non-Current Liabilities	\$30,273	\$41,236	\$0	\$20,804	\$92,313	\$0	\$92,313
300 Total Liabilities	\$299,981	\$66,772	\$35,676	\$62,286	\$464,715	-\$35,676	\$429,039
508.4 Net Investment in Capital Assets	\$4,475,338	\$0	\$0	\$473,834	\$4,949,172		\$4,949,172
511.4 Restricted Net Position	\$0	\$58,448	\$0	\$0	\$58,448		\$58,448
512.4 Unrestricted Net Position	\$1,290,074	\$154,350	\$0	\$517,970	\$1,962,394		\$1,962,394
513 Total Equity - Net Assets / Position	\$5,765,412	\$212,798	\$0	\$991,804	\$6,970,014	\$0	\$6,970,014
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$6,065,393	\$279,570	\$35,676	\$1,054,090	\$7,434,729	-\$35,676	\$7,399,053

HOUSING AUTHORITY OF THE CITY OF SHAWNEE
Shawnee, Oklahoma

FINANCIAL DATA SCHEDULE - (Continued)
Year Ended December 31, 2019

	Project Total	14,871 Housing Choice Vouchers	14,896 PIH Family Self- Sufficiency Program	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$852,506	\$0		\$0	\$852,506	\$0	\$852,506
70400 Tenant Revenue - Other	\$28,287	\$0		\$0	\$28,287	\$0	\$28,287
70500 Total Tenant Revenue	\$880,793	\$0	\$0	\$0	\$880,793	\$0	\$880,793
70600 HUD PHA Operating Grants	\$1,893,107	\$3,125,358	\$136,979	\$0	\$5,155,444	\$0	\$5,155,444
70610 Capital Grants	\$70,040	\$0		\$0	\$70,040	\$0	\$70,040
70710 Management Fee				\$439,442	\$439,442	-\$439,442	\$0
70720 Asset Management Fee				\$53,040	\$53,040	-\$53,040	\$0
70730 Book Keeping Fee				\$82,349	\$82,349	-\$82,349	\$0
70750 Other Fees				\$278,437	\$278,437	-\$7,494	\$270,943
70700 Total Fee Revenue				\$853,268	\$853,268	-\$582,325	\$270,943
71100 Investment Income - Unrestricted	\$10,849	\$1,538		\$2,318	\$14,705	\$0	\$14,705
71400 Fraud Recovery	\$0	\$5,054		\$0	\$5,054	\$0	\$5,054
71500 Other Revenue	\$93,186	\$9,743		\$31,426	\$134,355	-\$22,260	\$112,095
70000 Total Revenue	\$2,947,975	\$3,141,693	\$136,979	\$887,012	\$7,113,659	-\$604,585	\$6,509,074
91100 Administrative Salaries	\$271,027	\$92,880		\$476,815	\$840,722	\$0	\$840,722
91200 Auditing Fees	\$5,957	\$5,805		\$1,758	\$13,520	\$0	\$13,520
91300 Management Fee	\$370,178	\$69,264			\$439,442	-\$439,442	\$0
91310 Book-keeping Fee	\$39,059	\$43,290			\$82,349	-\$82,349	\$0
91400 Advertising and Marketing	\$1,052	\$0		\$719	\$1,771	\$0	\$1,771
91500 Employee Benefit contributions - Administrative	\$108,899	\$28,595		\$145,498	\$282,992	\$0	\$282,992
91600 Office Expenses	\$67,466	\$19,943		\$42,952	\$130,361	-\$21,000	\$109,361
91700 Legal Expense	\$2,311	\$0		\$700	\$3,011	\$0	\$3,011
91800 Travel	\$9,792	\$1,048		\$26,743	\$37,583	-\$7,494	\$30,089
91900 Other	\$32,528	\$11,195	\$2	\$39,039	\$82,764	\$0	\$82,764
91000 Total Operating - Administrative	\$908,269	\$272,020	\$2	\$734,224	\$1,914,515	-\$550,285	\$1,364,230
92000 Asset Management Fee	\$53,040	\$0			\$53,040	-\$53,040	\$0
92100 Tenant Services - Salaries	\$0	\$0	\$97,488	\$0	\$97,488	\$0	\$97,488
92300 Employee Benefit Contributions - Tenant Services	\$0	\$0	\$39,489	\$0	\$39,489	\$0	\$39,489
92400 Tenant Services - Other	\$2,500	\$0		\$0	\$2,500	\$0	\$2,500
92500 Total Tenant Services	\$2,500	\$0	\$136,977	\$0	\$139,477	\$0	\$139,477

HOUSING AUTHORITY OF THE CITY OF SHAWNEE
Shawnee, Oklahoma

FINANCIAL DATA SCHEDULE - (Continued)
Year Ended December 31, 2019

	Project Total	14,871 Housing Choice Vouchers	14,896 PIH Family Self- Sufficiency Program	COCC	Subtotal	ELIM	Total
93100 Water	\$50,360	\$0		\$574	\$50,934	\$0	\$50,934
93200 Electricity	\$97,194	\$0		\$7,240	\$104,434	\$0	\$104,434
93300 Gas	\$38,616	\$0		\$1,867	\$40,483	\$0	\$40,483
93600 Sewer	\$28,755	\$0		\$456	\$29,211	\$0	\$29,211
93000 Total Utilities	\$214,925	\$0	\$0	\$10,137	\$225,062	\$0	\$225,062
94100 Ordinary Maintenance and Operations - Labor	\$385,067	\$0		\$2,651	\$387,718	\$0	\$387,718
94200 Ordinary Maintenance and Operations - Materials and Other	\$160,411	\$2,112		\$2,926	\$165,449	\$0	\$165,449
94300 Ordinary Maintenance and Operations Contracts	\$252,267	\$1,083		\$8,518	\$261,868	-\$1,260	\$260,608
94500 Employee Benefit Contributions - Ordinary Maintenance	\$145,433	\$0		\$203	\$145,636	\$0	\$145,636
94000 Total Maintenance	\$943,178	\$3,195	\$0	\$14,298	\$960,671	-\$1,260	\$959,411
95200 Protective Services - Other Contract Costs	\$61,719	\$0		\$621	\$62,340	\$0	\$62,340
95000 Total Protective Services	\$61,719	\$0	\$0	\$621	\$62,340	\$0	\$62,340
96110 Property Insurance	\$89,477	\$0		\$3,747	\$93,224	\$0	\$93,224
96120 Liability Insurance	\$19,504	\$2,743		\$13,323	\$35,570	\$0	\$35,570
96130 Workmen's Compensation	\$23,404	\$3,221		\$16,891	\$43,516	\$0	\$43,516
96140 All Other Insurance	\$12,817	\$4,335		\$2,604	\$19,756	\$0	\$19,756
96100 Total insurance Premiums	\$145,202	\$10,299	\$0	\$36,565	\$192,066	\$0	\$192,066
96200 Other General Expenses	\$0	\$1,352		\$3,120	\$4,472	\$0	\$4,472
96210 Compensated Absences	\$76,080	\$19,476		\$61,973	\$157,529	\$0	\$157,529
96300 Payments in Lieu of Taxes	\$63,758	\$0		\$0	\$63,758	\$0	\$63,758
96400 Bad debt - Tenant Rents	\$25,676	\$0		\$0	\$25,676	\$0	\$25,676
96000 Total Other General Expenses	\$165,514	\$20,828	\$0	\$65,093	\$251,435	\$0	\$251,435
96900 Total Operating Expenses	\$2,494,347	\$306,342	\$136,979	\$860,938	\$3,798,606	-\$604,585	\$3,194,021
97000 Excess of Operating Revenue over Operating Expenses	\$453,628	\$2,835,351	\$0	\$26,074	\$3,315,053	\$0	\$3,315,053

HOUSING AUTHORITY OF THE CITY OF SHAWNEE
Shawnee, Oklahoma

FINANCIAL DATA SCHEDULE - (Continued)
Year Ended December 31, 2019

	Project Total	14,871 Housing Choice Vouchers	14,896 PIH Family Self- Sufficiency Program	COCC	Subtotal	ELIM	Total
97100 Extraordinary Maintenance	\$7,800	\$0		\$0	\$7,800	\$0	\$7,800
97200 Casualty Losses - Non-capitalized	\$75,023	\$0		\$0	\$75,023	\$0	\$75,023
97300 Housing Assistance Payments	\$0	\$2,819,713		\$0	\$2,819,713	\$0	\$2,819,713
97400 Depreciation Expense	\$478,737	\$0		\$21,818	\$500,555	\$0	\$500,555
90000 Total Expenses	\$3,055,907	\$3,126,055	\$136,979	\$882,756	\$7,201,697	-\$604,585	\$6,597,112
10010 Operating Transfer In	\$228,697	\$0		\$0	\$228,697	-\$228,697	\$0
10020 Operating transfer Out	-\$228,697	\$0		\$0	-\$228,697	\$228,697	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$107,932	\$15,638	\$0	\$4,256	-\$88,038	\$0	-\$88,038
11030 Beginning Equity	\$5,873,344	\$197,160	\$0	\$987,548	\$7,058,052	\$0	\$7,058,052
11170 Administrative Fee Equity		\$154,350			\$154,350		\$154,350
11180 Housing Assistance Payments Equity		\$58,448			\$58,448		\$58,448
11190 Unit Months Available	5278	5964		0	11242	0	11242
11210 Number of Unit Months Leased	5182	5772		0	10954	0	10954
11270 Excess Cash	\$947,917				\$947,917		\$947,917
11620 Building Purchases	\$85,157			\$0	\$85,157		\$85,157

**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, 2019, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued my report thereon dated September 15, 2020.

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

September 15, 2020

**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, 2019. 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 Authority 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, 2019.

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

September 15, 2020

HOUSING AUTHORITY OF THE CITY OF SHAWNEE
Shawnee, Oklahoma

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2019

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 #14.871 Section 8 Housing Choice Vouchers	
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, 2019 disclosed no Financial Statement audit finding.

Section III - Federal Award Findings and Questioned Costs

The current audit report for the year ended December 31, 2019 disclosed no Federal Awards audit finding and questioned costs.