

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

**BASIC FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT**

FOR THE YEAR ENDED MARCH 31, 2012

HOUSING AUTHORITY OF THE CITY OF TECUMSEH
Tecumseh, Oklahoma

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INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying financial statements of the business-type activities of the Housing Authority of the City of Tecumseh, Oklahoma, (Authority) as of and for the year ended March 31, 2012, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Housing Authority of the City of Tecumseh, Oklahoma, as of March 31, 2012, and the changes in financial position, and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated July 16, 2012, 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* and should be considered in assessing the results of my audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through 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.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements as a whole. The accompanying supplementary information including the Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the financial statements. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Audit Solutions, LLC

Ballwin, Missouri
July 16, 2012

HOUSING AUTHORITY OF THE CITY OF TECUMSEH
Tecumseh, Oklahoma

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
March 31, 2012

Introduction

This Management's Discussion and Analysis (MD&A) of the Tecumseh Housing Authority (Authority) provides an introduction and overview to the financial statements of the Tecumseh Housing Authority for the fiscal year ended March 31, 2012. The Tecumseh Housing Authority presents this discussion and analysis of its financial performance during the fiscal year ended March 31, 2012, 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 Tecumseh Housing Authority. This information contained herein this MD&A should be considered in conjunction with the Authority's basic financial statements and related notes to the financial statements.

The Authority has four individual programs. They include the Low Rent Public Housing Program, the Capital Fund Program, Housing Choice Voucher Program, and the Section 5(h) Homeownership Program.

The Low Rent Program consists of 63 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 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 in affording decent, safe and sanitary rental housing. The Authority provides rental assistance in the form of a Housing Assistance Payment to a landlord on behalf of the tenant. The Authority currently has 31 units available. Funds are provided by HUD for rental assistance payments. The Authority is provided an administrative fee for the purpose of covering the administrative costs of the program. The fee is preset by HUD on an annual basis.

Section 5(h) helps low-income families purchase homes through an arrangement that benefits both the buyer and the public housing authority that sells the unit. It gives the buyer access to an affordable homeownership opportunity and to the many tangible and intangible advantages it brings. The Authority currently has 3 market-rate units funded by rental income only.

Overview of the Financial Statements

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

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

HOUSING AUTHORITY OF THE CITY OF TECUMSEH
Tecumseh, Oklahoma

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)

March 31, 2012

Overview of the Financial Statements – (Continued)

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

- *Investment in Capital Assets, Net of Related Debt* consists of capital asset balances net of accumulated depreciation less any outstanding balances of related debt associated with these assets.
- *Restricted Net Assets* consists of assets that are restricted by limitations placed on these assets by an external source or party.
- *Unrestricted Net Assets* consists of net assets that do not meet the definition of the above categories. Unrestricted net assets is basically the amount of funds available for future year appropriations.

The Statement of Revenues, Expenses, and Changes in Net Assets reports the operating revenues, operating expenses, non-operating revenues, and non-operating expenses of the Authority for the fiscal year ended March 31, 2012, to determine the change in net assets 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 March 31, 2012.

Financial Highlights

- The Tecumseh Housing Authority's total net assets decreased from \$1,780,459 to \$1,655,334, a decrease of \$125,125 or 7%. Total assets decreased by \$126,740 or 7%.
- The unrestricted net asset balance is listed as \$154,546 at March 31, 2012. This represents an increase of \$18,930 or 14% from the previous year.
- Total revenues decreased from \$485,899 to \$475,897, a decrease of \$10,002 or 2%.
- Total expenses increased by \$55,955 from \$545,067 to \$601,022 for the current year. This represents an increase of 10%.

Housing Authority Activities & Highlights

The Housing 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 asset and liability comparisons for the year ended March 31, 2012, and March 31, 2011.

HOUSING AUTHORITY OF THE CITY OF TECUMSEH
Tecumseh, Oklahoma

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
March 31, 2012

Housing Authority Activities & Highlights – (Continued)

Summary Statement of Net Assets

<u>Category</u>	<u>FYE 2012</u>	<u>FYE 2011</u>	<u>Change \$</u>	<u>Change %</u>
Current Assets	\$ 217,677	\$ 214,299	\$ 3,378	2%
Fixed Assets (Net of Depreciation)	\$ 1,473,080	\$ 1,603,198	\$ (130,118)	-8%
Total Assets	\$ 1,690,757	\$ 1,817,497	\$ (126,740)	-7%
Current Liabilities	\$ 33,379	\$ 34,075	\$ (696)	-2%
Long Term Liabilities	\$ 2,044	\$ 2,963	\$ (919)	-31%
Total Liabilities	\$ 35,423	\$ 37,038	\$ (1,615)	-4%
Restricted Net Assets	\$ 27,708	\$ 41,645	\$ (13,937)	-33%
Unrestricted Net Assets	\$ 154,546	\$ 135,616	\$ 18,930	14%
Investment in Net Fixed Assets	\$ 1,473,080	\$ 1,603,198	\$ (130,118)	-8%
Total Net Assets	\$ 1,655,334	\$ 1,780,459	\$ (125,125)	-7%

Current Assets

Current assets increased by \$3,378 from the previous year. Unrestricted cash and investments increased from \$150,829 to \$175,702 an increase of \$24,873 from March 31, 2011 to March 31, 2012. Restricted cash and cash equivalents decreased from \$51,875 to \$38,011, a decrease of \$13,864 due to increased HAP expenses. Prepaid expenses decreased by \$7,703 due to the timing of insurance premium payments.

Fixed Assets

Fixed assets decreased by \$130,118 primarily due to the disposal of equipment and the charging of depreciation expense for the current year. Fixed assets will be discussed in more detail in another section.

Current Liabilities

Current liabilities decreased by \$696 or 2% from the previous year. This was due to a decrease in the amount owed to HUD at the end of the year.

Long-Term Liabilities

Long-term liabilities decreased by \$919 due to a decrease in the long term portion of accrued compensated absences.

Net Assets

The Authority's total net asset balance decreased by \$125,125 from the previous year.

The Authority's unrestricted net assets increased from \$135,616 to \$154,546, an increase of \$18,930, or 14% for the current year. The unrestricted net asset account balance is the amount available for future appropriations. This balance is subject to program specific guidelines. The Authority's individual programs maintain the unrestricted net asset balances as follows:

HOUSING AUTHORITY OF THE CITY OF TECUMSEH
Tecumseh, Oklahoma

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
March 31, 2012

Housing Authority Activities & Highlights – (Continued)

Net Assets – (Continued)

Low Rent Program	\$ 113,996
Housing Choice Voucher Program	514
Section 5(h) Program	<u>40,036</u>
 Total Unrestricted Net Assets	 \$ <u>154,546</u>

Restricted Net Assets

Restricted net assets decreased by \$13,937 from \$41,645 to \$27,708 due to HAP expenditures exceeding HAP funding and restricted interest income in the current year.

***Summary Statement of Revenues & Expenses and Changes in Net Assets
Years Ended March 31, 2012 and 2011***

Category	FYE 2012	FYE 2011	Change \$	Change %
Tenant Revenue	\$ 140,907	\$ 140,311	\$ 596	0%
HUD Operating Grants	\$ 293,720	\$ 274,898	\$ 18,822	7%
Capital Grants	\$ 26,102	\$ 59,462	\$ (33,360)	-56%
Interest Income - Unrestricted	\$ 331	\$ 318	\$ 13	4%
Other Revenue	\$ 14,658	\$ 10,725	\$ 3,933	37%
Interest Income - Restricted	\$ 179	\$ 185	\$ (6)	-3%
Total Revenue	\$ 475,897	\$ 485,899	\$ (10,002)	-2%
Administration	\$ 123,230	\$ 116,271	\$ 6,959	6%
Tenant Services	\$ 1,200	\$ 1,200	\$ -	0%
Utilities	\$ 9,862	\$ 7,678	\$ 2,184	28%
Ordinary Maintenance	\$ 125,501	\$ 103,132	\$ 22,369	22%
General Expense	\$ 36,944	\$ 36,441	\$ 503	1%
Extraordinary Maintenance	\$ -	\$ 640	\$ (640)	-100%
HAP	\$ 145,398	\$ 124,100	\$ 21,298	17%
Depreciation	\$ 158,887	\$ 155,605	\$ 3,282	2%
Total Expenses	\$ 601,022	\$ 545,067	\$ 55,955	10%
Excess of Revenue over Expenses	\$ (125,125)	\$ (59,168)	\$ (65,957)	111%
Net Assets, Beginning of Year	\$ 1,780,459	\$ 1,839,627	\$ (59,168)	-3%
Net Assets, End of Year	\$ 1,655,334	\$ 1,780,459	\$ (125,125)	-7%

HOUSING AUTHORITY OF THE CITY OF TECUMSEH
Tecumseh, Oklahoma

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
March 31, 2012

Housing Authority Activities & Highlights – (Continued)

Results of Operations

Revenues of the Authority are generated principally from dwelling rents and HUD grants (including Operating and Capital Funds). The Authority's revenues decreased by \$10,002 during the current fiscal year. Significant changes noted between the prior and current fiscal years include:

- HUD operating grants increased by \$18,822 due to higher operating subsidy and an increase in CFP expenses that did not meet the capitalization requirements. Low Rent Operating Subsidy increased from \$75,716 in the previous year to \$87,406 in the current year.
- Capital Grants decreased by \$33,360 or 56% due to a reduction in capital activity.
- Other Revenue increased by \$3,933 due primarily to insurance dividends.

Total expenses increased by \$55,955. Significant differences between the years include:

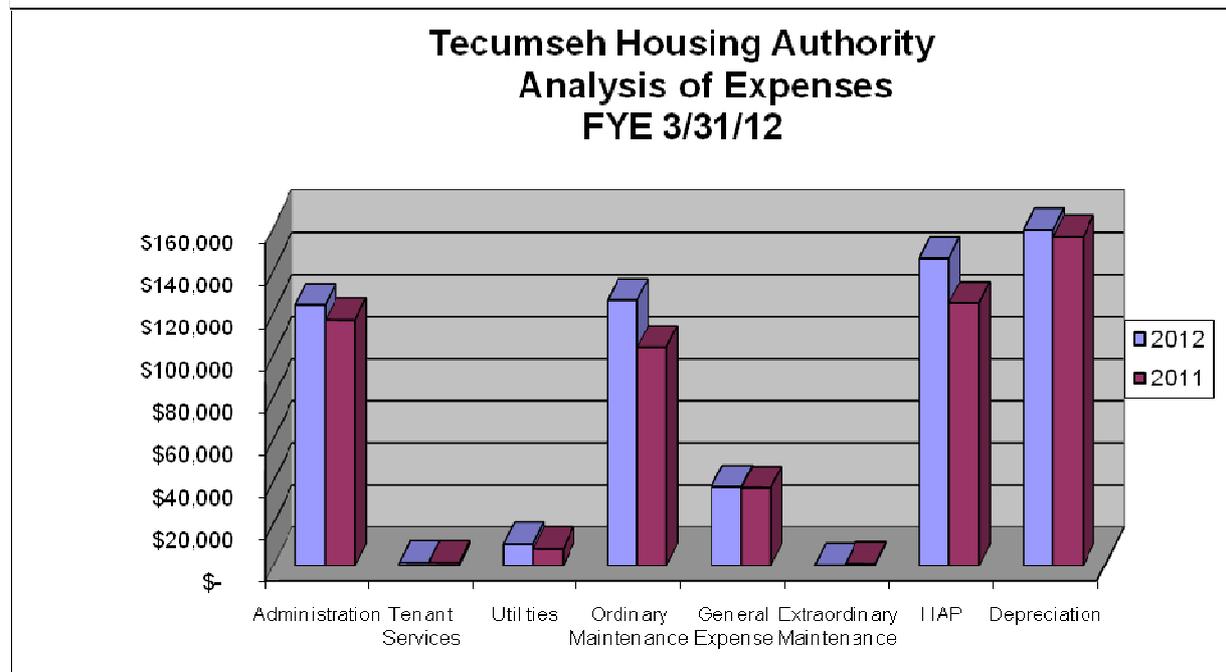
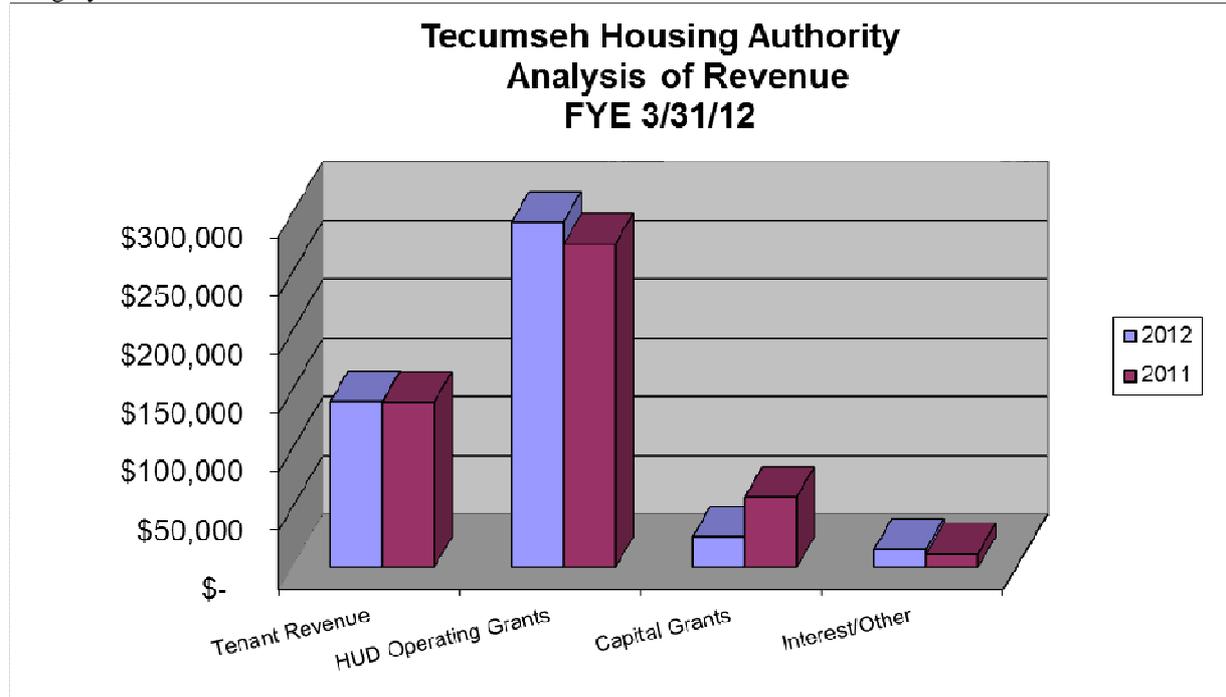
- Administration expenses increased by \$6,959 or 6% primarily due to salary increases in the current year.
- Utilities increased by \$2,184 or 28%. In March of 2012, the Housing Authority received notice from the Tecumseh Utility Authority that there were 5 unpaid accounts on vacant units, some dating as far back as 2008, totaling \$1,132.47. These accounts were paid in March and would have caused an increase in the Housing Authority's utility expenses. There were also small increases in some City utility rates and fees.
- Ordinary maintenance increased by \$22,369 primarily due to more total maintenance hours being worked in the current year and an increase in the amount of maintenance materials used. Maintenance labor and benefits costs increased by \$20,749 and materials expense increased by \$4,261.
- HAP expenses increased by \$21,298 from \$124,100 to \$145,398 due to higher units leased and higher average HAP costs. Units leased increased from the previous year amount from 325 to 359. Average HAP costs increased from \$382 in the previous year to \$405 in the current year.

HOUSING AUTHORITY OF THE CITY OF TECUMSEH
 Tecumseh, Oklahoma

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
 March 31, 2012

Housing Authority Activities & Highlights – (Continued)

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



HOUSING AUTHORITY OF THE CITY OF TECUMSEH
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MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
March 31, 2012

Housing Authority Activities & Highlights – (Continued)

Capital Assets

As of March 31, 2012, the Tecumseh Housing Authority's investment in capital assets was \$1,473,080. This investment includes land, building, construction in progress, and equipment.

Category	FYE 2012	FYE 2011	Change \$	Change %
Land	\$ 275,000	\$ 275,000	\$ -	NA
Buildings	\$ 3,839,005	\$ 3,811,136	\$ 27,869	1%
Equipment	\$ 53,949	\$ 72,767	\$ (18,818)	-26%
Construction in Progress	\$ -	\$ -	\$ -	NA
Accumulated Depreciation	\$ (2,694,874)	\$ (2,555,705)	\$ (139,169)	5%
Total Net Fixed Assets	\$ 1,473,080	\$ 1,603,198	\$ (130,118)	-8%

Significant additions to buildings included work on driveways, sidewalks, porches, and water lines funded through the 2010 Capital Fund Program. Significant reductions to the equipment account include the disposal of a copier and a truck.

Debt Administration

As of year-end, the Authority had no debt outstanding.

The Authority classifies a portion of the employee's leave as long term debt. This is because the Authority does not anticipate paying out the total amount accrued in the upcoming fiscal year. The amount estimated as long term was \$2,044.

Subsequent Event

There are significant economic factors affecting the entity which include:

1. Federal funding of the Department of Housing and Urban Development (or applicable agency).
2. Local labor supply and demand, which can affect salary and wage rates.
3. Local inflationary, recessionary and employment trends, which affect resident incomes and therefore the amount of rental income.
4. Inflationary pressure on utility rates, supplies and other costs.

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:

Tecumseh Housing Authority
Randy Thomason, Executive Director
601 Leisure Drive
Tecumseh, OK 74873

HOUSING AUTHORITY OF THE CITY OF TECUMSEH
Tecumseh, Oklahoma

STATEMENT OF NET ASSETS
March 31, 2012

ASSETS

Current Assets:

Cash and cash equivalents	\$	130,619
Cash - restricted		38,011
Investments		45,083
Receivables - net of allowances		791
Inventory - net of allowances		423
Prepaid expenses		<u>2,750</u>
Total Current Assets		<u>217,677</u>

Non-current Assets:

Capital assets:

Land and construction in progress		275,000
Other capital assets, net of depreciation		<u>1,198,080</u>
Total capital assets - net		<u>1,473,080</u>
Total Non-current Assets		<u>1,473,080</u>

Total Assets	\$	<u><u>1,690,757</u></u>
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See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF TECUMSEH
Tecumseh, Oklahoma

STATEMENT OF NET ASSETS - (Continued)
March 31, 2012

LIABILITIES

Current Liabilities:

Accounts payable	\$	18,509
Accrued salaries and benefits		2,200
Tenant security deposit liability		10,303
Accrued compensated absences		<u>2,367</u>

Total Current Liabilities 33,379

Non-current Liabilities:

Compensated absences		<u>2,044</u>
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Total Non-current Liabilities 2,044

Total Liabilities 35,423

NET ASSETS

Invested in capital assets, net of related debt		1,473,080
Restricted		27,708
Unrestricted		<u>154,546</u>

Total Net Assets 1,655,334

Total Liabilities and Net Assets \$ 1,690,757

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF TECUMSEH
Tecumseh, Oklahoma

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended March 31, 2012

OPERATING REVENUES	
Tenant revenue	\$ 140,907
Governmental grants and subsidy	293,720
Miscellaneous	<u>14,658</u>
Total operating revenue	<u>449,285</u>
OPERATING EXPENSES	
Administrative	123,230
Tenant services	1,200
Utilities	9,862
Ordinary maintenance and operations	125,501
Insurance	19,096
General	17,848
Housing assistance payment	145,398
Depreciation expense	<u>158,887</u>
Total operating expenses	<u>601,022</u>
Operating income (loss)	<u>(151,737)</u>
NON-OPERATING REVENUES (EXPENSES)	
Investment income	<u>510</u>
Net non-operating revenues (expenses)	<u>510</u>
Income (loss) before contributions and transfers	<u>(151,227)</u>
Capital contributions	<u>26,102</u>
Change in net assets	(125,125)
Total net assets - beginning of year	<u>1,780,459</u>
Total net assets - end of year	<u>\$ 1,655,334</u>

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF TECUMSEH
Tecumseh, Oklahoma

STATEMENT OF CASH FLOWS
For the Year Ended March 31, 2012

CASH FLOWS FROM OPERATING ACTIVITIES

Received from tenants	\$ 138,659
Received from governmental grants and subsidy	309,191
Received from other operating activities	14,658
Payments for goods and services	(158,625)
Payments to employees	(133,438)
Payment in lieu of taxes	(11,908)
Payment for housing assistance	<u>(145,398)</u>

Net cash provided by (used in) operating activities 13,139

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from capital contributions	26,102
Purchases of capital assets	<u>(28,769)</u>

Net cash provided by (used in) capital and related financing activities (2,667)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds (payments) from sale (purchase) of investments	(226)
Receipts of interest and dividends	<u>537</u>

Net cash provided by (used in) investing activities 311

Net increase (decrease) in cash and cash equivalents 10,783
Cash and cash equivalents at beginning of year 157,847

Cash and cash equivalents at end of year \$ 168,630

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF TECUMSEH
Tecumseh, Oklahoma

STATEMENT OF CASH FLOWS - (Continued)
For the Year Ended March 31, 2012

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

Operating income (loss)	\$	(151,737)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense		158,887
Change in assets and liabilities:		
Receivables, net		16,444
Inventories, net		565
Prepaid expenses		7,703
Accounts and other payables		(17,720)
Tenant security deposit		73
Deferred revenues		(135)
Compensated absences		(1,112)
Accrued expenses		<u>171</u>
Net cash provided by (used) by operating activities	\$	<u><u>13,139</u></u>

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF TECUMSEH
Tecumseh, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
March 31, 2012

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

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.

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.

Business Activities - The Authority owns a two bedroom house and two one bedroom duplex that it rents at market rate. These properties are funded by rental income only.

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 assets (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 assets.

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

1D. Budgets

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

1E. Estimates and assumptions

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

HOUSING AUTHORITY OF THE CITY OF TECUMSEH
Tecumseh, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
March 31, 2012

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

1F. Assets, Liabilities, and Equity

Cash and Investments

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

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

Inter-fund Receivables and Payables

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

Receivables

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

Inventories

Inventories are valued at the weighted average 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 deferred charges on the balance sheet.

Fixed Assets

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

Depreciation of all exhaustible fixed assets is charged as an expense against operations and is recorded in the Statement of Revenues, Expenses and Changes in Net Assets with accumulated depreciation reflected in the Statement of Net Assets. 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
Site improvements	15 years
Furniture, equipment and machinery - dwelling	5-7 years
Furniture, equipment and machinery - administrative	3-5 years

HOUSING AUTHORITY OF THE CITY OF TECUMSEH
Tecumseh, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
March 31, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (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 under Low Rent program and HAP funds under Housing Choice Voucher 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 assets and displayed in three components:

- 1) Invested in capital assets, net of related debt - 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 assets - Consists of net assets 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 assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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 Assets, all inter-fund transfers between individual programs, if any, have been eliminated.

HOUSING AUTHORITY OF THE CITY OF TECUMSEH
Tecumseh, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
March 31, 2012

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

2A. Program Accounting Requirements

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

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

2B. Deposits and Investments Laws and Regulations

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

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

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

2C. Revenue Restrictions

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

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

For the year ended March 31, 2012, the Authority complied, in all material respects, with these revenue restrictions.

HOUSING AUTHORITY OF THE CITY OF TECUMSEH
Tecumseh, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
March 31, 2012

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 Deposits and Investments

As of March 31, 2012, the Authority had the following cash deposits and investments:

Cash deposits	\$	168,530
Certificate of deposits		45,083
Petty cash		<u>100</u>
Total	\$	<u><u>213,713</u></u>

Following is a reconciliation of the Authority's deposit balances as of March 31, 2012:

Cash and cash equivalents	\$	130,619
Restricted assets		38,011
Investments		<u>45,083</u>
Total	\$	<u><u>213,713</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 March 31, 2012, the Authority's bank balances of \$171,566 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 March 31, 2012, the Authority's investment balance of \$45,083 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 TECUMSEH
Tecumseh, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
March 31, 2012

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

Concentration of Credit Risk

The Authority places no limit on the amount the Authority may invest in any one issuer. At March 31, 2012, the concentration of the Authority's investment (excluding cash deposits) was as follows:

Type of Investment	Market Value	Maturity Date
Certificate of Deposit	\$ 29,411	June 15, 2012
Certificate of Deposit	15,672	April 13, 2012
	\$ 45,083	

3B. Restricted Assets

Restricted assets at March 31, 2012 consist of the following:

Type of Restricted Assets	Cash Including Time Deposits	Investments	Accrued Interest	Total
HAP fund	\$ 27,708	\$ ----	\$ ----	\$ 27,708
Security deposit	10,303	----	----	10,303
	\$ 38,011	\$ ----	\$ ----	\$ 38,011

3C. Accounts Receivable

Receivables at March 31, 2012 consist of the following:

Tenants	\$ 3
HUD	661
Accrued interest	127
Total	\$ 791

3D. Inventory

Inventory at March 31, 2012 comprised of the following:

Inventory	\$ 470
Less: Allowance for obsolete inventory	(47)
Inventory - net of allowance	\$ 423

HOUSING AUTHORITY OF THE CITY OF TECUMSEH
Tecumseh, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
March 31, 2012

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

3E. Capital Assets

A summary of capital asset activity for the year ended March 31, 2012 is as follows:

	Balance April 1, 2011	Additions	(Retirement)	Reclass/ Transfers in (out)	Balance March 31, 2012
Non-depreciable assets:					
Land	\$ 275,000	\$ -	\$ -	\$ -	\$ 275,000
Total non-depreciable assets	<u>275,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>275,000</u>
Depreciable assets:					
Building	3,797,953	27,869	-	13,183	3,839,005
Equipment - dwelling	9,988	-	-	-	9,988
Equipment - administration	62,779	900	(19,718)	-	43,961
Leasehold improvements	13,183	-	-	(13,183)	-
Total depreciable assets	<u>3,883,903</u>	<u>28,769</u>	<u>(19,718)</u>	<u>-</u>	<u>3,892,954</u>
Accumulated depreciation	<u>(2,555,705)</u>	<u>(158,887)</u>	<u>19,718</u>	<u>-</u>	<u>(2,694,874)</u>
Total depreciable assets, net	<u>1,328,198</u>	<u>(130,118)</u>	<u>-</u>	<u>-</u>	<u>1,198,080</u>
Capital assets, net	<u>\$ 1,603,198</u>	<u>\$ (130,118)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,473,080</u>

Depreciation expense is charged to programs as follows:

Business-type Activities	
Low Rent	\$ 151,277
CFP	3,828
Housing Choice Vouchers	659
Business Activities	3,123
Total depreciation expense	<u>\$ 158,887</u>

3F. Accounts Payable

Accounts payable at March 31, 2012 consist of the following:

Vendors & contractors	\$ 6,382
Accrued utilities	544
PILOT	11,583
Total Accounts Payable	<u>\$ 18,509</u>

HOUSING AUTHORITY OF THE CITY OF TECUMSEH
Tecumseh, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
March 31, 2012

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

3G. Long-Term Liability

Long-term liability at March 31, 2012 consists of the following:

Accrued compensated absences \$ 2,044

Changes in long-term liability

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

<u>Description</u>	<u>Balance April 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance March 31, 2012</u>
Accrued compensated absences	\$ 2,963	\$ ---	\$ (919)	\$ 2,044

NOTE 4 – OTHER NOTES

4A. Employee Pension Plan

The Authority provides pension benefits for all of its full-time employees through a defined contribution plan with Edward Jones and Invesco Investments Services Inc. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan requires the Authority to contribute 4% of covered wages.

The following information related to the defined contribution plan at March 31, 2012:

Total payroll	\$ 96,682
Total payroll for eligible participants	\$ 91,241
Employer contributions made	\$ 3,650

4B. Commitments - Construction

At March 31, 2012, the Authority had pending Capital Fund projects in progress. The commitments related to these projects are summarized as follows:

	<u>Funds Approved</u>	<u>Funds Expended - Project to Date</u>
CFP 501-10	\$ 77,915	\$ 70,124

HOUSING AUTHORITY OF THE CITY OF TECUMSEH
Tecumseh, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
March 31, 2012

NOTE 4 – OTHER NOTES - (Continued)

4C. 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 Insurance Services Inc.
b. Injuries to employees (workers' compensation)	Purchased insurance with CompSource Oklahoma. Claims are administered by the same company.
c. Physical property loss and natural disasters	Purchased commercial insurance with \$1,000 deductibles.
d. Health	Health insurance is provided by Blue Cross Blue Shield.

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.

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. 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 July 16, 2012 and concluded that no subsequent events have occurred that would require adjustment to or disclosure within these financial statements.

4F. 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 2013 federal budget.

HOUSING AUTHORITY OF THE CITY OF TECUMSEH
Tecumseh, Oklahoma

PHA'S STATEMENT OF CERTIFICATION OF ACTUAL MODERNIZATION COST
March 31, 2012

1. Actual Capital Fund Program costs are as follows:

	<u>501-09</u>
Funds approved	\$ 78,068
Funds expended	<u>78,068</u>
Excess of Funds Approved	<u><u>\$ ---</u></u>
Funds advanced	\$ 78,068
Funds expended	<u>78,068</u>
Excess (deficiency) of Funds Advanced	<u><u>\$ ---</u></u>

2. The costs as shown on the Actual Cost Certificate dated October 18, 2011 submitted to HUD for approval is in agreement with the Authority's records as of March 31, 2012.
3. All costs have been paid and all related liabilities have been discharged through payments.

HOUSING AUTHORITY OF THE CITY OF TECUMSEH
Tecumseh, Oklahoma

FINANCIAL DATA SCHEDULE
Year Ended March 31, 2012

Line Item No.	Description	Total Projects	Housing Choice Vouchers	Business Activities	Total Programs	Eliminations	Total
Balance Sheet							
111	Cash - unrestricted	\$ 89,521	\$ 1,058	\$ 40,040	\$ 41,098	-\$	130,619
113	Cash - other restricted	-	27,708	-	27,708	-	27,708
114	Cash - tenant security deposits	9,953	-	350	350	-	10,303
100	Total Cash	99,474	28,766	40,390	69,156	-	168,630
122	Accounts receivable - HUD other projects	-	661	-	661	-	661
126	Accounts receivable - tenants	3	-	-	-	-	3
129	Accrued interest receivable	127	-	-	-	-	127
120	Total receivables, net of allowances for doubtful accounts	130	661	-	661	-	791
131	Investments - unrestricted	45,083	-	-	-	-	45,083
142	Prepaid expenses and other assets	2,469	144	137	281	-	2,750
143	Inventories	470	-	-	-	-	470
143.1	Allowance for obsolete inventories	(47)	-	-	-	-	(47)
150	Total Current Assets	147,579	29,571	40,527	70,098	-	217,677
161	Land	270,000	-	5,000	5,000	-	275,000
162	Buildings	3,714,110	-	124,895	124,895	-	3,839,005
163	Equipment - dwellings	9,988	-	-	-	-	9,988
164	Equipment - administration	39,483	1,975	2,503	4,478	-	43,961
166	Accumulated depreciation	(2,652,310)	(1,756)	(40,808)	(42,564)	-	(2,694,874)
160	Total capital assets, net of accumulated depreciation	1,381,271	219	91,590	91,809	-	1,473,080
180	Total Non-Current Assets	1,381,271	219	91,590	91,809	-	1,473,080
190	Total Assets	\$ 1,528,850	\$ 29,790	\$ 132,117	\$ 161,907	-\$	1,690,757
312	Accounts payable < 90 days	\$ 4,892	\$ 1,349	\$ 141	\$ 1,490	-\$	6,382
321	Accrued wage/payroll taxes payable	2,200	-	-	-	-	2,200
322	Accrued compensated absences - current portion	2,367	-	-	-	-	2,367
333	Accounts payable - other government	11,583	-	-	-	-	11,583
341	Tenant security deposits	9,953	-	350	350	-	10,303
346	Accrued liabilities - other	544	-	-	-	-	544
310	Total Current Liabilities	31,539	1,349	491	1,840	-	33,379
354	Accrued compensated absences- non-current	2,044	-	-	-	-	2,044
350	Total Non-Current Liabilities	2,044	-	-	-	-	2,044
300	Total Liabilities	33,583	1,349	491	1,840	-	35,423
508.1	Invested in capital assets, net of related debt	1,381,271	219	91,590	91,809	-	1,473,080
511.1	Restricted net assets	-	27,708	-	27,708	-	27,708
512.1	Unrestricted net assets	113,996	514	40,036	40,550	-	154,546
513	Total Equity/Net Assets	1,495,267	28,441	131,626	160,067	-	1,655,334
600	Total Liabilities and Equity/Net Assets	\$ 1,528,850	\$ 29,790	\$ 132,117	\$ 161,907	-\$	1,690,757

HOUSING AUTHORITY OF THE CITY OF TECUMSEH
Tecumseh, Oklahoma

FINANCIAL DATA SCHEDULE - (Continued)
Year Ended March 31, 2012

Line Item No.	Description	Total Projects	Housing Choice Vouchers	Business Activities	Total Programs	Eliminations	Total
Income Statement							
70300	Net tenant rental revenue	\$ 125,691	\$ -	11,151	11,151	\$ -	136,842
70400	Tenant revenue - other	4,065	-	-	-	-	4,065
70500	Total tenant revenue	129,756	-	11,151	11,151	-	140,907
70600	HUD PHA operating grants	146,425	147,295	-	147,295	-	293,720
70610	Capital grants	26,102	-	-	-	-	26,102
71100	Investment income - unrestricted	315	16	-	16	-	331
71500	Other revenue	14,658	-	-	-	-	14,658
72000	Investment income - restricted	-	179	-	179	-	179
70000	Total Revenue	\$ 317,256	\$ 147,490	\$ 11,151	\$ 158,641	\$ -	\$ 475,897
Administrative							
91100	Administrative salaries	\$ 29,253	\$ -	\$ -	\$ -	\$ -	29,253
91200	Auditing fees	5,568	512	320	832	-	6,400
91300	Management fees	41,187	12,037	-	12,037	-	53,224
91400	Advertising and marketing	551	16	85	101	-	652
91500	Employee benefit contributions	15,641	-	-	-	-	15,641
91600	Office expenses	6,835	442	-	442	-	7,277
91800	Travel	791	22	-	22	-	813
91900	Other	8,216	1,747	7	1,754	-	9,970
91000	Total Operating - Administrative	108,042	14,776	412	15,188	-	123,230
Tenant Services							
92400	Tenant services- other	1,200	-	-	-	-	1,200
92500	Total Tenant Services	1,200	-	-	-	-	1,200
Utilities							
93100	Water	565	-	-	-	-	565
93200	Electricity	4,551	-	-	-	-	4,551
93300	Gas	1,945	-	-	-	-	1,945
93600	Sewer	2,801	-	-	-	-	2,801
93000	Total Utilities	9,862	-	-	-	-	9,862
Maintenance							
94100	Labor	62,897	-	-	-	-	62,897
94200	Materials and other	18,152	-	219	219	-	18,371
94300	Ordinary maintenance & operations contracts	23,668	-	56	56	-	23,724
94500	Employee benefit contribution	20,509	-	-	-	-	20,509
94000	Total Maintenance	125,226	-	275	275	-	125,501
Insurance							
96110	Property insurance	9,806	-	516	516	-	10,322
96120	Liability insurance	2,171	646	156	802	-	2,973
96130	Workmen's compensation	1,674	154	96	250	-	1,924
96140	All other insurance	3,213	483	181	664	-	3,877
96100	Total Insurance Premiums	16,864	1,283	949	2,232	-	19,096

HOUSING AUTHORITY OF THE CITY OF TECUMSEH
Tecumseh, Oklahoma

FINANCIAL DATA SCHEDULE - (Continued)
Year Ended March 31, 2012

Line Item No.	Description	Total Projects	Housing Choice Vouchers	Business Activities	Total Programs	Eliminations	Total
Income Statement - (Continued)							
<u>Other General Expense</u>							
96200	Other general expense	88	-	-	-	-	88
96210	Compensated absences	3,994	-	-	-	-	3,994
96300	Payment in lieu of taxes	11,583	-	-	-	-	11,583
96400	Bad debt - tenant rents	2,183	-	-	-	-	2,183
96000	Total Other General Expenses	17,848	-	-	-	-	17,848
96900	Total Operating Expenses	279,042	16,059	1,636	17,695	-	296,737
97000	Excess (deficit) revenue over operating expenses	38,214	131,431	9,515	140,946	-	179,160
97300	Housing assistance payments	-	145,398	-	145,398	-	145,398
97400	Depreciation expense	155,105	659	3,123	3,782	-	158,887
90000	Total Expenses	434,147	162,116	4,759	166,875	-	601,022
10010	Operating transfers in	59,019	-	-	-	(59,019)	-
10020	Operating transfers out	(59,019)	-	-	-	59,019	-
10100	Total other financing sources (uses)	-	-	-	-	-	-
10000	Excess (deficiency) of revenue over (under) expenses	\$ (116,891)	\$ (14,626)	\$ 6,392	\$ (8,234)	-\$	(125,125)
<u>Memo Account Information:</u>							
11030	Beginning equity	\$ 1,612,158	43,067	125,234	168,301	-\$	1,780,459
11170	Administrative fee equity	-	733	-	733	-	733
11180	Housing assistance payments	-	\$ 27,708	-	27,708	-	27,708
11190-210	Total ACC HCV units	-	372	-	372	-	372
11190	Unit months available	756	372	36	408	-	1,164
11210	Unit months leased	751	359	35	394	-	1,145
11270	Excess cash	\$ 89,895	-\$	-\$	-\$	-\$	89,895
11620	Building purchases	\$ 27,869	-\$	-\$	-\$	-\$	27,869
11640	Furniture & equipment-administrative purchases	\$ 900	-\$	-\$	-\$	-\$	900

**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 Tecumseh
Tecumseh, Oklahoma

I have audited the financial statements of the business-type activities of the Housing Authority of the City of Tecumseh, Oklahoma, (Authority) as of and for the year ended March 31, 2012, which collectively comprise the Authority's basic financial statements and have issued my report thereon dated July 16, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Authority's internal control over financial reporting as a basis for designing my auditing procedures 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 over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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 Authority's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of 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 is required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, others within the entity, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Audit Solutions, LLC

Ballwin, Missouri
July 16, 2012

HOUSING AUTHORITY OF THE CITY OF TECUMSEH
Tecumseh, Oklahoma

SIGNIFICANT DEFICIENCIES COMMUNICATED IN PRIOR YEAR
March 31, 2012

The prior audit report for the year ended March 31, 2011 contained no audit finding.

HOUSING AUTHORITY OF THE CITY OF TECUMSEH
Tecumseh, Oklahoma

CURRENT FINDINGS, RECOMMENDATIONS AND REPLIES
March 31, 2012

The current audit report for the year ended March 31, 2012 disclosed no audit finding.