

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

**REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND
SUPPLEMENTAL DATA FOR THE
TWELVE MONTHS ENDED JUNE 30, 2017**

CYNTHIA L WARREN CPA, P.C.

Eufaula, Oklahoma 74432

**HOUSING AUTHORITY OF THE CITY OF WEWOKA
WEWOKA, OKLAHOMA
JUNE 30, 2017**

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CYNTHIA L WARREN CPA, P.C.

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P.O. Box 189
Eufaula, OK 74432

(918) 452-2116
Fax (918) 452-3509

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of the Housing Authority of the City of Wewoka as of June 30, 2017, and for the year then ended, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of the City of Wewoka as of June 30, 2017, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 5 through 11 be presented to supplement the financial statements. Such information, although not a required part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operations, economic, or historical context. I have applied certain limited procedures on the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the method of preparing the information and comparing the information for consistency with management's responses to my inquiries, the financial statements, and other knowledge I obtained during my audit of the financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide sufficient evidence to express an opinion or provide any assurance.


Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental information, the Financial Data Schedule and Schedule of Actual Modernization Cost, is presented for purposes of additional analysis as required by the by the U.S. Department of Housing and Urban Development, and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and is not a required part of the financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Report Issued in Accordance with *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued a report dated March 15, 2018 on my consideration of the Housing Authority of the City of Wewoka's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the internal control over financial reporting and compliance.



Cynthia L Warren CPA, P.C.
Eufaula, Oklahoma
March 15, 2018

**WEWOKA HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Introduction

This Management's Discussion and Analysis (MD&A) of the Wewoka Housing Authority (Authority) provides an introduction and overview to the financial statements of the Wewoka Housing Authority for the fiscal year ended June 30, 2017. The Wewoka Housing Authority presents this discussion and analysis of its financial performance during the fiscal year ended June 30, 2017, 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 Wewoka Housing Authority. The information contained herein this MD&A should be considered in conjunction with the Authority's 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 (CFP), the Housing Choice Voucher Program (HCV), and a Management Program (Business Activities).

- The Low Rent Program consists of 91 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 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 154 units available. Funds are provided by HUD to provided 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.
- Management Fund that manages the leasing activities of a home owned by the Authority.

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 in 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:

- 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 June 30, 2017, 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 June 30, 2017.

Financial Highlights

The Wewoka Housing Authority's net position decreased from \$1,351,296 to \$1,262,867, a decrease of \$88,429 or 7%. Total assets also decreased by \$90,218 or 6%.

Total revenue increased from \$946,114 to \$1,004,336, an increase of \$58,222 or 6%.

Total expenses increased by \$63,706, from \$1,029,059 to \$1,092,765 for the current year. This represents an increase of 6%.

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 for the year ended June 30, 2017, and 2016.

**Summary Statement of Net Position
As of June 30, 2017, and 2016**

<u>Category</u>	<u>FYE 2017</u>	<u>FYE 2016</u>	<u>Change \$</u>	<u>Change %</u>
Current Assets	\$ 217,844	\$ 268,425	\$ (50,581)	-19%
Noncurrent Assets	\$ 1,096,285	\$ 1,135,922	\$ (39,637)	-3%
Total Assets	\$ 1,314,129	\$ 1,404,347	\$ (90,218)	-6%
Current Liabilities	\$ 46,814	\$ 51,093	\$ (4,279)	-8%
Noncurrent Liabilities	\$ 4,448	\$ 1,958	\$ 2,490	127%
Total Liabilities	\$ 51,262	\$ 53,051	\$ (1,789)	-3%
Unrestricted	\$ 139,264	\$ 211,477	\$ (72,213)	-34%
Restricted	\$ 27,318	\$ 3,897	\$ 23,421	601%
Net Investment in Capital Assets	\$ 1,096,285	\$ 1,135,922	\$ (39,637)	-3%
Total Net Position	\$ 1,262,867	\$ 1,351,296	\$ (88,429)	-7%

Current Assets

The Authority's current asset balances decreased by \$50,581. Unrestricted cash and investments decreased from \$220,151 as of June 30, 2016 to \$169,660 on June 30, 2017. This was primarily due to purchase of safe rooms funded by the Low Rent Program. In addition, prepaid insurance decreased by \$20,860 due to the timing of payments for property and liability insurance. In contrast, restricted cash and investments increased by \$23,421. This was due to HAP revenues of \$455,501 exceeding HAP expenses in the amount of \$432,080.

Noncurrent Assets

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

Current Liabilities

Current liabilities decreased by \$4,279 primarily due to a reduction in other current liabilities. This decrease in the amount of \$10,495 was due to the accrual of the cost of the completion of a storm shelter in the 2016 fiscal year. In contrast, unearned revenue increased by \$4,389 due to an increase in tenant prepaid rents on the Low Rent Program and a calculation of overpayment of admin fees on the HCV Program. Other increases include security deposits in the amount of \$1,477 and accrued compensated absences in the amount of \$957.

Noncurrent Liabilities

Noncurrent liabilities increased by \$2,490 due to an increase in non-current accrued compensated absences.

Net Position

The net position of the Authority decreased by \$88,429 compared to the previous fiscal year. The Authority's unrestricted component of net position changed from \$211,477 to \$139,264, a decrease of \$72,213 or 34% for the current year. This was due to capital improvement projects funded by the Low Rent Program. The unrestricted component of net position is the amount available for future appropriations. This balance is subject to program specific guidelines.

Low Rent Housing Program	\$ 66,993
Housing Choice Voucher	\$ 42,669
Business Activities	\$ 29,602
Total Unrestricted	\$ 139,264

**Summary Statement of Revenues & Expenses and Changes in Net Position
Years Ended June 30, 2017 and 2016**

<u>Category</u>	<u>FYE 2017</u>	<u>FYE 2016</u>	<u>Change \$</u>	<u>Change %</u>
Tenant Revenue	\$ 154,677	\$ 153,262	\$ 1,415	1%
HUD Operating Grants	\$ 763,529	\$ 694,785	\$ 68,744	10%
Capital Grants	\$ 74,804	\$ 93,964	\$ (19,160)	-20%
Interest Income	\$ 598	\$ 591	\$ 7	1%
Other Revenue	\$ 10,728	\$ 3,512	\$ 7,216	205%
Total Revenue	\$ 1,004,336	\$ 946,114	\$ 58,222	6%
Administration	\$ 194,461	\$ 188,484	\$ 5,977	3%
Utilities	\$ 39,118	\$ 36,600	\$ 2,518	7%
Ordinary Maintenance	\$ 200,451	\$ 167,464	\$ 32,987	20%
General Expense	\$ 67,189	\$ 57,518	\$ 9,671	17%
Housing Assistance Payments	\$ 428,718	\$ 400,051	\$ 28,667	7%
Depreciation	\$ 162,828	\$ 178,942	\$ (16,114)	-9%
Total Expenses	\$ 1,092,765	\$ 1,029,059	\$ 63,706	6%
Increase (Decrease) in Net Position	\$ (88,429)	\$ (82,945)	\$ (5,484)	7%
Net Position, Beginning of Year	\$ 1,351,296	\$ 1,434,241	\$ (82,945)	-6%
Net Position, End of Year	\$ 1,262,867	\$ 1,351,296	\$ (88,429)	-7%

Results of Operations

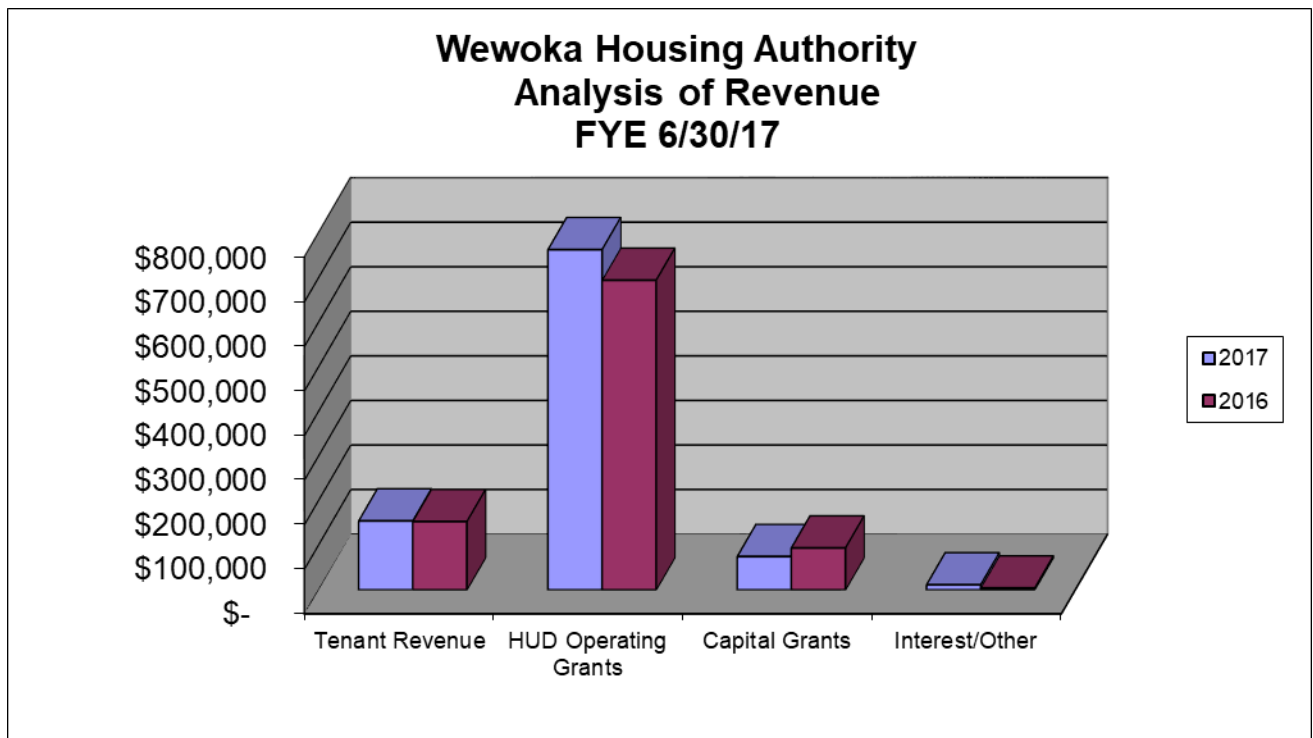
Revenues of the Authority are principally generated from tenant rents and Federal funding. The Authority's revenue increased by \$58,222 compared to the previous fiscal year. Significant variances include the following:

- HUD operating grants increased by \$68,744. This was primarily due to an increase in HCV HAP funding in the amount of \$49,972. Other increases include Low Rent operating subsidy in the amount of \$9,709 and CFP operating grants in the amount of \$9,797.
- Capital grants decreased by \$19,160 due to a reduction in activity associated with capital improvements.
- Other revenues increased by \$7,216 due to an increase in amounts reported for fraud recovery.

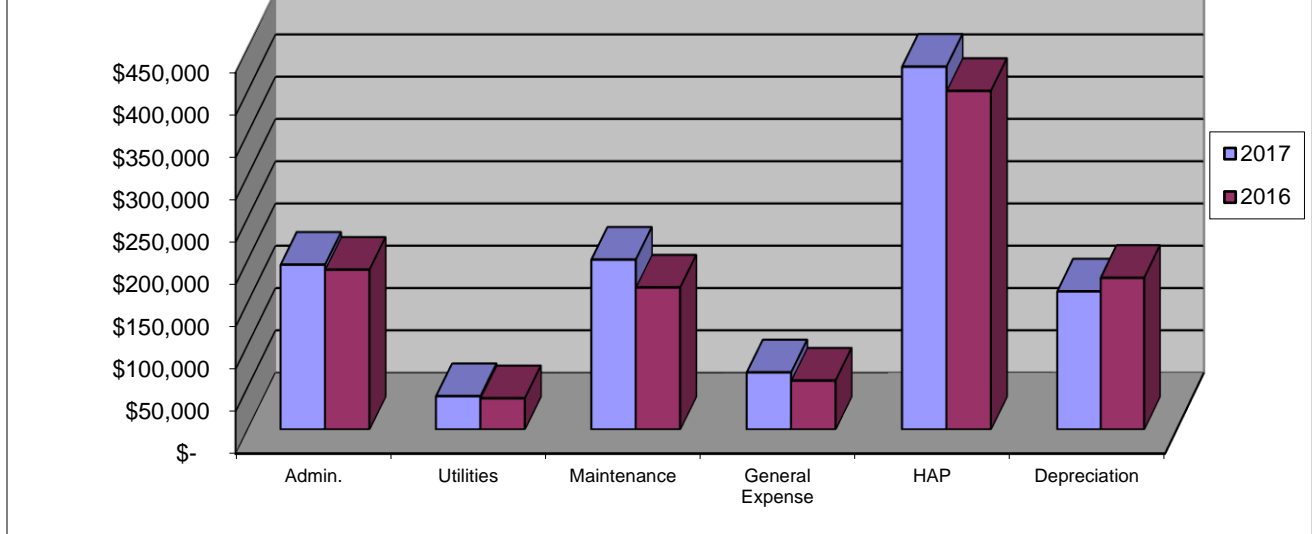
Total expenses increased by \$63,706. Significant variances include the following:

- Ordinary maintenance increased by \$32,987. This was primarily due to an increase in maintenance wages and benefits in the amount of \$12,812. Other increases include materials in the amount of \$12,180, pest control in the amount of \$5,030, heating and cooling contracts in the amount \$3,384, and landscaping contracts in the amount of \$1,350.
- General expenses increased by \$9,671. This was primarily due to an increase in bad debt related to fraud recovery associated with the HCV Program in the amount of \$6,724. In addition, other general expenses increased by \$1,910 and compensated absences increased by \$1,551.
- Housing assistance payments increased by \$28,667 due to an increase in the number of vouchers leased. The Authority leased 1,248 voucher unit months in the previous year as compared to 1,276 in the current year. In addition, the average housing assistance payment increased from \$321 in 2016 to \$336 in 2017.

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



Wewoka Housing Authority Analysis of Expenses FYE 6/30/17



Capital Assets

As of June 30, 2017, the Wewoka Housing Authority’s net investment in capital assets was \$1,096,285. This investment includes land, buildings, construction in progress, and equipment, net of accumulated depreciation and notes payable.

<u>Category</u>	<u>FYE 2017</u>	<u>FYE 2016</u>	<u>Change \$</u>	<u>Change %</u>
Land	\$ 78,667	\$ 78,667	\$ -	0%
Buildings	\$ 4,730,791	\$ 4,633,187	\$ 97,604	2%
Equipment	\$ 128,174	\$ 126,213	\$ 1,961	2%
Accumulated Depreciation	\$ (3,841,347)	\$ (3,702,145)	\$ (139,202)	4%
Total Net Fixed Assets	\$ 1,096,285	\$ 1,135,922	\$ (39,637)	-3%

Additions noted in the building account consist of HVAC, cabinet, flooring, and safe room projects funded by the 2016 CFP and the Low Rent Program.

Additions noted in the equipment account consist of the purchase of a mower using 2016 CFP funds.

Long Term Debt

The Authority classifies a portion of accrued leave as long term liabilities. As of June 30, 2017, the amount of accrued leave designated as long term was \$4,448.

Subsequent Event

Due to the 2017 Congressional Appropriations, the Authority’s operating subsidy provided by HUD for the Low Rent Housing Program was prorated to 92% for the calendar year 2017.

The amount of funding for the 2017 calendar year for the Housing Choice Voucher Program will include the proration of administrative fees at an estimated 77% and HAP funding at 97%.

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:

Wewoka Housing Authority
Terry Mantooh, Executive Director
PO Box 877
Wewoka, OK 74884

**HOUSING AUTHORITY OF THE CITY OF WEWOKA
WEWOKA, OKLAHOMA
STATEMENT OF NET POSITION
JUNE 30, 2017**

ASSETS

Current Assets:

Cash and Cash Equivalents	\$	84,377
Cash and Cash Equivalents, Restricted for Security Deposits		6,180
Cash and Cash Equivalents, Restricted		27,318
Tenant Accounts Receivable, Net		522
Accrued Interest Receivable		42
Investments		85,283
Prepaid Expenses		5,657
Inventory		8,465
Total Current Assets		217,844

Noncurrent Assets:

Capital Assets, Non-depreciable		78,667
Capital Assets, Net of Depreciation		1,017,618
Total Capital Assets		1,096,285
Total Assets	\$	1,314,129

LIABILITIES

Current Liabilities:

Accounts Payable, Vendors	\$	9,184
Due to Other Government - PILOT Taxes		11,058
Accrued Wages and Payroll Taxes Payable		5,513
Accrued Compensated Absences		5,521
Unearned Revenues		5,833
Other Current Liabilities		3,525
Tenant Security Deposits		6,180
Total Current Liabilities		46,814

Long-term Liabilities:

Accrued Compensated Absences		4,448
Total Liabilities		51,262

NET POSITION

Invested in Capital Assets		1,096,285
Restricted - Housing Assistance Payments		27,318
Unrestricted		139,264
Total Net Position		1,262,867
Total Liabilities and Net Position	\$	1,314,129

The accompanying notes to the financial statements are an integral part hereof.

**HOUSING AUTHORITY OF THE CITY OF WEWOKA
WEWOKA, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2017**

Operating Revenue:	
Tenant Revenue	\$ 154,677
Operating Grants and Subsidies	763,529
Other Income	10,728
Total Operating Revenue	<u>928,934</u>
Operating Expenses:	
Housing Assistance Payments	428,718
Administration	194,461
Utilities	39,118
Maintenance	200,451
General Expense	67,189
Depreciation	162,828
Total Operating Expenses	<u>1,092,765</u>
Operating Income (Loss)	(163,831)
Non-operating Revenue (Expense)	
Investment Income	<u>598</u>
Net Income (Loss) Before Capital Grants	(163,233)
Capital Grants	<u>74,804</u>
Change in Net Position	(88,429)
Total Net Position, Beginning	<u>1,351,296</u>
Total Net Position, Ending	<u>\$ 1,262,867</u>

The accompanying notes to the financial statements are an integral part hereof.

HOUSING AUTHORITY OF THE CITY OF WEWOKA
WEWOKA, OKLAHOMA
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2017

Cash Flows from Operating Activities:

Receipts from Tenants	\$	168,756
Receipts from Operating Grants		766,846
Receipts from Other Operating Activities		3,223
Payments to Employees		(255,173)
Payments to Suppliers and Vendors		(221,547)
Payments for Housing Assistance		(428,718)
Payments for PILOT Taxes		(11,214)
Net Cash Provided (Used) by Operating Activities		22,173

Cash Flows from Capital and Related Financing Activities:

Receipts from Capital Grants		74,804
Purchases of Land, Structures and Equipment		(123,192)
Net Cash Provided (Used) by Capital and Related Financing Activities		(48,388)

Cash Flows from Investing Activities:

Receipts of Interest Income		622
Maturity of Investments		56,927
Net Cash Provided (Used) from Investing Activities		57,549

Net Increase (Decrease) in Cash and Cash Equivalents		31,334
Cash and Cash Equivalents, Beginning		86,541

Cash and Cash Equivalents, Ending	\$	117,875
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Reconciliation to Statement of Net Position

Cash and Cash Equivalents		84,377
Cash and Cash Equivalents, Restricted		33,498
	\$	117,875

The accompanying notes to the financial statements are an integral part hereof.

HOUSING AUTHORITY OF THE CITY OF WEWOKA
WEWOKA, OKLAHOMA
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2017

Reconciliation of Operating Income to Net Cash

Provided (Used) by Operating Activities:

Operating Income (Loss) \$ (163,831)

Adjustments to reconcile Operating Income (Loss) to Net

Cash Provided (Used) by Operating Activities:

Depreciation 162,828

Change in Assets and Liabilities:

Accounts Receivable and Due from Other Governments 4,025

Prepaid Expenses 20,860

Inventory 80

Accounts Payable 448

Tenant Security Deposits 1,477

Accrued Liabilities 2,822

Unearned Revenues (6,536)

Total Adjustments 186,004

Net Cash Provided (Used) by Operating Activities \$ 22,173

Non-cash Capital Items:

Disposal of Capital Assets (cost of \$23,627, book value of \$0)

The accompanying notes to the financial statements are an integral part hereof.

HOUSING AUTHORITY OF THE CITY OF WEWOKA
WEWOKA, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - REPORTING ENTITY

The agency was created under the provisions of the laws of the State of Oklahoma. The purpose of the agency is to administer Public Housing Programs authorized by the United States Housing Act. The governing board is appointed by the Mayor of the City of Wewoka. The governing board employs executives; authorizes contracts of subsidy with the U.S. Department of Housing and Urban Development (Annual Contributions Contract) pursuant to that agency's regulations and statutory authorizations; and causes the agency to construct, own, and operate public housing facilities.

The Housing Authority's financial statements include all organizations, activities, and functions that comprise the Housing Authority. Component units are legally separate entities for which the Housing Authority is financially accountable. Financial accountability is defined as the ability to appoint a voting majority of the organization's governing body and either (1) the Housing Authority's ability to impose its will over the organization or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, the Housing Authority. As of June 30, 2017, and for the fiscal year then ended, the Housing Authority had no component units required to be blended in these financial statements or discretely presented.

Programs Administered by the Authority

The Housing Authority administers an annual contributions contract to provide low-income housing with primary financial support from the U.S. Department of Housing and Urban Development (HUD). Contracts administered by the Housing Authority are as follow:

Public Housing - The Housing Authority owns, operates and maintains 91 units of Public Housing. The properties were acquired through bonds and notes guaranteed by HUD and through grants, subject to the terms of an Annual Contributions Contract with HUD. Revenues consist primarily of rents and other fees collected from tenants, and an Operating Subsidy from HUD.

Capital Fund Program - Funds from the Capital Fund Program provided by HUD are used to maintain and improve the Housing Authority. Substantially all additions to land, structures and equipment of the Housing Authority are accomplished through these capital fund grants.

Housing Choice Vouchers - The Housing Authority administers Housing Choice Vouchers to assist low-income families, elderly and disabled to afford decent, safe and sanitary housing in the private market. Revenues consist primarily of Annual Contribution for Housing Assistance Payments from HUD.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Measurement Focus

The Housing Authority's financial statements are presented on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized when earned and become measurable and expenses are recognized when incurred, if measurable.

HOUSING AUTHORITY OF THE CITY OF WEWOKA
WEWOKA, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

The Housing Authority applies all Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board (FASB) statements and interpretations, and the Accounting Principles Board (APB) of the Committee on Accounting Procedures unless those pronouncements conflict with or contradict GASB pronouncements.

The Housing Authority has adopted GASB Statement #63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The objective of this Statement is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The adoption of GASB 63 has had no material effect on the Authority's financial statements.

For accounting and financial reporting purposes, the Housing Authority of the City of Wewoka is considered a special purpose government engaged solely in business-type activities. As such, the accounting and financial reporting treatment is similar to enterprise funds of a general purpose government. Enterprise funds are accounted for on the economic resources measurement focus and report all assets and liabilities, both current and noncurrent, in the Statement of Net Position. Net Position are segregated into Investment in Capital Assets, Restricted and Unrestricted components, to the extent applicable.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the accounting period. Actual results could differ from those estimates.

Budgetary Process

The Housing Authority adopts an operating budget for each fiscal year which is approved by the Board of Commissioners with revisions being prepared as needed. However, the budget does not establish legal spending limits and is instead designed to serve as a financial plan.

Cash and Cash Equivalents

Cash and Cash Equivalents consist of amounts deposited in checking, money market and investments accounts with an original maturity of three months or less. Cash equivalents, if any, are carried at fair value.

Investments

Investments consist of certificates of deposit, which are considered money market type investments as defined by the Governmental Accounting Standards Board. The investments are reported at cost, which approximates fair market value.

**HOUSING AUTHORITY OF THE CITY OF WEWOKA
WEWOKA, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Restricted Cash and Cash Equivalents

Restricted Cash and Cash Equivalents consist of amounts deposited in a checking account for the restricted purpose of Housing Choice Voucher payments. These funds were obtained from excess funding of Housing Choice Voucher payments. Also included as Restricted Cash and Cash Equivalents are amounts deposited in a separate checking account for Tenant Security Deposits.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future periods. These payments are recorded as prepaid expenses.

Inventory

Inventory balances consist of expendable supplies held for consumption. The inventory is valued at cost. The Housing Authority uses the first-in, first-out basis in determination of cost.

Capital Assets

Capital assets acquired are valued at historical cost. It is the policy of the Housing Authority to capitalize all assets with a cost of \$1,000 or greater. Donated capital assets are valued at the estimated fair value at the date of the donation. Depreciation of all exhaustible capital assets is charged as an expense against operations. Accumulated depreciation is reported on the statement of Net Position. Depreciation is provided over the estimated useful lives using the straight-line method. Estimated useful lives, in years, for depreciable assets are as follow:

Buildings and Improvements	15 - 40 years
Equipment	3 - 5 years

Compensated Absences

It is the Housing Authority's policy to allow employees to accumulate earned but unused vacation and sick pay benefits up to certain limits. These amounts accrued, for which the employee is vested that would be paid upon termination, are charged to expense and a corresponding liability is established when earned. The portion of the liability that is anticipated to be paid within the next fiscal year is reported as a current liability, while the remainder is reported as a long-term liability.

Operating and Non-operating Revenues and Expenses

The statement of revenues, expenses, and changes in Net Position distinguishes operating revenues and expenses from non-operating. Operating revenues and expenses generally include revenues resulting from the providing of housing services to tenants, including housing assistance grants and subsidies, and the costs associated with providing those services, including depreciation of capital assets. These activities are consistent with those classified as "operating activities" in the statement of cash flows. All other revenues and expenses are classified as either non-operating revenues and expenses or separately reported activities, such as capital grants, that are reported following operating income or loss.

**HOUSING AUTHORITY OF THE CITY OF WEWOKA
WEWOKA, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

It is the Housing Authority's policy to invest in those securities which are authorized by HUD. Such investments generally consist of obligation of the U.S. government and its agencies and instrumentalities, collateralized or insured certificates of deposit, or other bank deposits, and certain other commercial instruments. The deposits and investments held at June 30, 2017, and reported at fair value, are as follows:

		<u>Carrying Value</u>
Deposits:		
Demand Deposits	\$	117,875
Investments:		
Certificates of Deposit		<u>85,283</u>
Total Deposits and Investments	\$	<u><u>203,158</u></u>
Reconciliation to Statement of Net Position:		
Cash and Cash Equivalents	\$	84,377
Cash and Cash Equivalents, Restricted		33,498
Investments		<u>85,283</u>
	\$	<u><u>203,158</u></u>

Custodial Credit Risk - HUD regulations and State law governs the requirements for managing custodial credit risk. Such regulations and law require uninsured deposits to be secured with collateral having market value at least equal to the amount of uninsured deposits. Deposits in financial institutions, reported as components of cash, cash equivalents, and investments, had a bank balance of \$205,463 at June 30, 2017, which was fully insured by depository insurance or secured with collateral held by the Housing Authority's agent in its name.

Investment Interest Rate Risk - The Housing Authority's investment policy mandates that investing be performed in accordance with HUD regulations and State Statutes. The investment policy has no formal limitation of investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Nonnegotiable certificates of deposit are not subject to interest rate risk, therefore their maturity dates are not provided.

**HOUSING AUTHORITY OF THE CITY OF WEWOKA
WEWOKA, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3 - CASH, CASH EQUIVALENTS, AND INVESTMENTS, Continued

Investment Credit Risk - The Housing Authority's investment policy limits its investment choices to those allowed by HUD regulations and state laws as follows:

- A. U.S. Treasury Bills
- B. U.S. Treasury Notes and Bonds
- C. Obligations of Federal Government Agencies
- D. Securities of Federal Government Agencies
- E. Insured Money Market Deposit Accounts
- F. Municipal Depository Fund
- G. Super NOW Accounts
- H. Certificates of Deposit
- I. Repurchase Agreements
- J. Sweep Accounts
- K. Separate Trading of Registered Interest and Principal of Securities
- L. Mutual Funds that meet the HUD criteria.

Concentration of Investment Credit Risk - The Housing Authority places no limit on the amount it may invest in any one issuer. At June 30, 2017, the Housing Authority had limited concentration of credit risk because the investments consist of Certificates of Deposit.

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivables from tenants are for rentals and service charges. These receivables are shown net of an allowance for uncollectible amounts. The total accounts receivable balance is \$584 less an allowance of \$62 for a net accounts receivable of \$522 at June 30, 2017.

Also represented in the financial statements are receivables for fraud recovery in the Housing Choice Voucher program with a receivable amount of \$27,245 less an allowance of \$27,245 for a net receivable of \$0 at June 30, 2017.

**HOUSING AUTHORITY OF THE CITY OF WEWOKA
WEWOKA, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5 - CAPITAL ASSETS

A summary of Capital Assets as presented in the Statement of Net Position is as follows:

	Balance				Balance
	<u>6/30/2016</u>	<u>Increases</u>	<u>Decreases</u>		<u>6/30/2017</u>
Non-depreciable Capital Assets:					
Land	\$ 78,667	\$ 0	\$ 0		\$ 78,667
	<u>78,667</u>	<u>0</u>	<u>0</u>		<u>78,667</u>
Depreciable Capital Assets:					
Buildings and Improvements	4,633,187	122,087	0		4,755,274
Furniture & Equipment	<u>126,213</u>	<u>1,105</u>	<u>(23,627)</u>		<u>103,691</u>
	<u>4,759,400</u>	<u>123,192</u>	<u>(23,627)</u>		<u>4,858,965</u>
Less Accumulated Depreciation:					
Buildings and Improvements	3,584,664	157,829	0		3,742,493
Furniture & Equipment	<u>117,482</u>	<u>4,999</u>	<u>(23,627)</u>		<u>98,854</u>
	<u>3,702,146</u>	<u>162,828</u>	<u>(23,627)</u>		<u>3,841,347</u>
Net Depreciable Capital Assets	<u>1,057,254</u>	<u>(39,636)</u>	<u>0</u>		<u>1,017,618</u>
Total	\$ <u>1,135,921</u>	\$ <u>(39,636)</u>	\$ <u>0</u>		\$ <u>1,096,285</u>

Depreciation expense for the year ending June 30, 2017 is \$162,828.

NOTE 6 - ACCRUED COMPENSATED ABSENCES

Accrued Compensated Absences consists of employee vacation and sick pay benefits which have been earned but not used. These benefits total \$9,969 of which \$5,521 is current and \$4,448 is long-term. The current portion is anticipated to be used in the next twelve months with the long-term portion anticipated to be used after the next twelve months. The following is a summary of the long-term portion.

	Balance			Balance	Due Within
	<u>6/30/2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>6/30/2017</u>	<u>One Year</u>
Accrued Compensated Absences	\$ <u>6,522</u>	\$ <u>15,959</u>	\$ <u>12,512</u>	\$ <u>9,969</u>	\$ <u>5,521</u>

NOTE 7 - INTER-PROGRAM TRANSFERS

During the year ending June 30, 2017, the Capital Fund Program transferred \$14,794 to the Low Rent Program for operations. For presentation of financial statements, this transfer has been eliminated.

**HOUSING AUTHORITY OF THE CITY OF WEWOKA
WEWOKA, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 - COMMITMENTS AND CONTINGENCIES

The activities of the Housing Authority are currently funded in large part by the Federal Government and future operations of the Authority are reliant on continuation of this funding from the Federal Government. The entity is subject to possible examinations by federal regulators who determine compliance with terms, conditions, laws and regulations governing grants given to the entity in the current and prior years. These examinations may result in required refunds by the entity to the federal grantors and/or program beneficiaries. Although these amounts cannot be determined at this time, the Housing Authority expects such amounts to be immaterial.

NOTE 9 - RISK MANAGEMENT

The Housing Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions injuries to employees; and natural disasters for which the Housing Authority purchases commercial insurance. Management believes this coverage is sufficient to preclude any significant uninsured losses to the Housing Authority. Settled claims have not exceeded coverage in any of the past three fiscal years.

NOTE 10 – RETIREMENT

As a retirement plan for employees, the Housing Authority makes contributions into a Simple IRA through Wachovia Securities, LLC for each employee. These contributions totaled \$12,706 for the year ending June 30, 2017.

NOTE 11 - ECONOMIC DEPENDENCY

The Housing Authority receives a significant portion of its revenue from funds provided through federal grants. The grant amounts are appropriated each year at the federal level. If significant budget cuts occur at the federal level, the amount of funds the Housing Authority receives could be reduced substantially and have an adverse effect on its operations. Although management expects decreases in funding, significant adverse changes in services provided are not expected to occur by the Housing Authority.

**HOUSING AUTHORITY OF THE CITY OF WEWOKA
WEWOKA, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA #</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development		
Direct Program:		
Public & Indian Housing	* 14.850	\$ 228,373
Public Housing Capital Fund Program	14.872	98,610
Section 8 Housing Choice Vouchers	14.871	<u>511,350</u>
Total		<u>\$ 838,333</u>

* Major Program

The accompanying notes to the financial statements are an integral part of this schedule.

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal award activity of the Housing Authority of the City of Wewoka under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the entity, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Housing Authority of the City of Wewoka.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**HOUSING AUTHORITY OF THE CITY OF WEWOKA
WEWOKA, OKLAHOMA
FINANCIAL DATA SCHEDULE
JUNE 30, 2017**

	Project Total	14.871 Housing Choice Vouchers	1 Business Activities	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$11,558	\$43,471	\$29,348	\$84,377	\$0	\$84,377
113 Cash - Other Restricted	\$0	\$27,318		\$27,318	\$0	\$27,318
114 Cash - Tenant Security Deposits	\$6,180	\$0		\$6,180	\$0	\$6,180
100 Total Cash	\$17,738	\$70,789	\$29,348	\$117,875	\$0	\$117,875
126 Accounts Receivable - Tenants	\$584	\$0		\$584	\$0	\$584
126.1 Allowance for Doubtful Accounts - Tenants	-\$62	\$0		-\$62	\$0	-\$62
128 Fraud Recovery	\$0	\$27,245		\$27,245	\$0	\$27,245
128.1 Allowance for Doubtful Accounts - Fraud	\$0	-\$27,245		-\$27,245	\$0	-\$27,245
129 Accrued Interest Receivable	\$42	\$0		\$42	\$0	\$42
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$564	\$0	\$0	\$564	\$0	\$564
131 Investments - Unrestricted	\$85,283	\$0		\$85,283	\$0	\$85,283
142 Prepaid Expenses and Other Assets	\$1,988	\$3,251	\$418	\$5,657	\$0	\$5,657
143 Inventories	\$9,405	\$0		\$9,405	\$0	\$9,405
143.1 Allowance for Obsolete Inventories	-\$940	\$0		-\$940	\$0	-\$940
144 Inter Program Due From	\$208	\$0		\$208	-\$208	\$0
150 Total Current Assets	\$114,246	\$74,040	\$29,766	\$218,052	-\$208	\$217,844
161 Land	\$71,417	\$0	\$7,250	\$78,667	\$0	\$78,667
162 Buildings	\$4,730,791	\$0	\$24,483	\$4,755,274	\$0	\$4,755,274
164 Furniture, Equipment & Machinery - Administration	\$103,119	\$572		\$103,691	\$0	\$103,691
166 Accumulated Depreciation	-\$3,832,459	-\$572	-\$8,316	-\$3,841,347	\$0	-\$3,841,347
160 Total Capital Assets, Net of Accumulated Depreciation	\$1,072,868	\$0	\$23,417	\$1,096,285	\$0	\$1,096,285
180 Total Non-Current Assets	\$1,072,868	\$0	\$23,417	\$1,096,285	\$0	\$1,096,285
290 Total Assets and Deferred Outflow of Resources	\$1,187,114	\$74,040	\$53,183	\$1,314,337	-\$208	\$1,314,129

**HOUSING AUTHORITY OF THE CITY OF WEWOKA
WEWOKA, OKLAHOMA
FINANCIAL DATA SCHEDULE
JUNE 30, 2017**

	Project Total	14.871 Housing Choice Vouchers	1 Business Activities	Subtotal	ELIM	Total
312 Accounts Payable <= 90 Days	\$8,869	\$301	\$14	\$9,184	\$0	\$9,184
321 Accrued Wage/Payroll Taxes Payable	\$5,513	\$0		\$5,513	\$0	\$5,513
322 Accrued Compensated Absences - Current Portion	\$4,182	\$1,260	\$79	\$5,521	\$0	\$5,521
333 Accounts Payable - Other Government	\$11,058	\$0		\$11,058	\$0	\$11,058
341 Tenant Security Deposits	\$6,180	\$0		\$6,180	\$0	\$6,180
342 Unearned Revenue	\$4,311	\$1,522		\$5,833	\$0	\$5,833
346 Accrued Liabilities - Other	\$3,525	\$0		\$3,525	\$0	\$3,525
347 Inter Program - Due To	\$0	\$192	\$16	\$208	-\$208	\$0
310 Total Current Liabilities	\$43,638	\$3,275	\$109	\$47,022	-\$208	\$46,814
354 Accrued Compensated Absences - Non Current	\$3,615	\$778	\$55	\$4,448	\$0	\$4,448
350 Total Non-Current Liabilities	\$3,615	\$778	\$55	\$4,448	\$0	\$4,448
300 Total Liabilities	\$47,253	\$4,053	\$164	\$51,470	-\$208	\$51,262
508.4 Net Investment in Capital Assets	\$1,072,868		\$23,417	\$1,096,285		\$1,096,285
511.4 Restricted Net Position	\$0	\$27,318		\$27,318		\$27,318
512.4 Unrestricted Net Position	\$66,993	\$42,669	\$29,602	\$139,264		\$139,264
513 Total Equity - Net Assets / Position	\$1,139,861	\$69,987	\$53,019	\$1,262,867	\$0	\$1,262,867
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$1,187,114	\$74,040	\$53,183	\$1,314,337	-\$208	\$1,314,129

**HOUSING AUTHORITY OF THE CITY OF WEWOKA
WEWOKA, OKLAHOMA
FINANCIAL DATA SCHEDULE
JUNE 30, 2017**

	Project Total	14.871 Housing Choice Vouchers	1 Business Activities	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$149,700	\$0	\$4,200	\$153,900	\$0	\$153,900
70400 Tenant Revenue - Other	\$777	\$0		\$777	\$0	\$777
70500 Total Tenant Revenue	\$150,477	\$0	\$4,200	\$154,677	\$0	\$154,677
70600 HUD PHA Operating Grants	\$252,179	\$511,350		\$763,529	\$0	\$763,529
70610 Capital Grants	\$74,804	\$0		\$74,804	\$0	\$74,804
71100 Investment Income - Unrestricted	\$530	\$68		\$598	\$0	\$598
71400 Fraud Recovery	\$0	\$7,505		\$7,505	\$0	\$7,505
71500 Other Revenue	\$3,193	\$0	\$30	\$3,223	\$0	\$3,223
70000 Total Revenue	\$481,183	\$518,923	\$4,230	\$1,004,336	\$0	\$1,004,336
91100 Administrative Salaries	\$91,638	\$24,905	\$1,883	\$118,426	\$0	\$118,426
91200 Auditing Fees	\$7,579	\$994	\$77	\$8,650	\$0	\$8,650
91400 Advertising and Marketing	\$949	\$39	\$3	\$991	\$0	\$991
91500 Employee Benefit contributions - Administrative	\$27,814	\$11,785	\$959	\$40,558	\$0	\$40,558
91600 Office Expenses	\$11,928	\$1,763	\$133	\$13,824	\$0	\$13,824
91800 Travel	\$214	\$24	\$2	\$240	\$0	\$240
91900 Other	\$9,881	\$1,795	\$96	\$11,772	\$0	\$11,772
91000 Total Operating - Administrative	\$150,003	\$41,305	\$3,153	\$194,461	\$0	\$194,461
93100 Water	\$13,758	\$0		\$13,758	\$0	\$13,758
93200 Electricity	\$6,884	\$0		\$6,884	\$0	\$6,884
93300 Gas	\$1,554	\$0		\$1,554	\$0	\$1,554
93600 Sewer	\$16,922	\$0		\$16,922	\$0	\$16,922
93000 Total Utilities	\$39,118	\$0	\$0	\$39,118	\$0	\$39,118
94100 Ordinary Maintenance and Operations - Labor	\$79,480	\$0		\$79,480	\$0	\$79,480
94200 Ordinary Maintenance and Operations - Materials and Other	\$48,786	\$0		\$48,786	\$0	\$48,786
94300 Ordinary Maintenance and Operations Contracts	\$52,363	\$0	\$291	\$52,654	\$0	\$52,654
94500 Employee Benefit Contributions - Ordinary Maintenance	\$19,531	\$0		\$19,531	\$0	\$19,531
94000 Total Maintenance	\$200,160	\$0	\$291	\$200,451	\$0	\$200,451

**HOUSING AUTHORITY OF THE CITY OF WEWOKA
WEWOKA, OKLAHOMA
FINANCIAL DATA SCHEDULE
JUNE 30, 2017**

	Project Total	14.871 Housing Choice Vouchers	1 Business Activities	Subtotal	ELIM	Total
96110 Property Insurance	\$14,963	\$0	\$575	\$15,538	\$0	\$15,538
96120 Liability Insurance	\$6,003	\$918	\$141	\$7,062	\$0	\$7,062
96130 Workmen's Compensation	\$4,177	\$631	\$49	\$4,857	\$0	\$4,857
96140 All Other Insurance	\$540	\$0		\$540	\$0	\$540
96100 Total insurance Premiums	\$25,683	\$1,549	\$765	\$27,997	\$0	\$27,997
96200 Other General Expenses	\$720	\$4,389		\$5,109	\$0	\$5,109
96210 Compensated Absences	\$11,615	\$4,077	\$268	\$15,960	\$0	\$15,960
96300 Payments in Lieu of Taxes	\$11,058	\$0		\$11,058	\$0	\$11,058
96400 Bad debt - Tenant Rents	\$341	\$0		\$341	\$0	\$341
96600 Bad debt - Other	\$0	\$6,724		\$6,724	\$0	\$6,724
96000 Total Other General Expenses	\$23,734	\$15,190	\$268	\$39,192	\$0	\$39,192
96900 Total Operating Expenses	\$438,698	\$58,044	\$4,477	\$501,219	\$0	\$501,219
97000 Excess of Operating Revenue over Operating Expenses	\$42,485	\$460,879	-\$247	\$503,117	\$0	\$503,117
97300 Housing Assistance Payments	\$0	\$428,718		\$428,718	\$0	\$428,718
97400 Depreciation Expense	\$161,579	\$0	\$1,249	\$162,828	\$0	\$162,828
90000 Total Expenses	\$600,277	\$486,762	\$5,726	\$1,092,765	\$0	\$1,092,765
10010 Operating Transfer In	\$14,794	\$0		\$14,794	-\$14,794	\$0
10020 Operating transfer Out	-\$14,794	\$0		-\$14,794	\$14,794	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$119,094	\$32,161	-\$1,496	-\$88,429		-\$88,429
11030 Beginning Equity	\$1,258,955	\$37,826	\$54,515	\$1,351,296	\$0	\$1,351,296
11170 Administrative Fee Equity		\$42,669		\$42,669		\$42,669
11180 Housing Assistance Payments Equity		\$27,318		\$27,318		\$27,318
11190 Unit Months Available	1080	1441	12	2533	0	2533
11210 Number of Unit Months Leased	1033	1276	12	2321	0	2321
11270 Excess Cash	\$24,348			\$24,348		\$24,348
11620 Building Purchases	\$123,136			\$123,136		\$123,136
11640 Furniture & Equipment - Administrative Purchases	\$1,105			\$1,105		\$1,105

**HOUSING AUTHORITY OF THE CITY OF WEWOKA
WEWOKA, OKLAHOMA
SCHEDULE OF ACTUAL MODERNIZATION COST
FOR THE YEAR ENDED JUNE 30, 2017**

The distribution of costs by major cost accounts as shown on the final Comprehensive Assessment/Program Budget and the Actual Modernization Cost Certificate submitted to HUD are in agreement with the Housing Authority's records.

	<u>OK56P09650115</u>
Original Funds Approved	\$ <u><u>92,502</u></u>
Funds Disbursed	\$ <u><u>92,502</u></u>
Funds Expended (Actual Modernization Cost)	\$ <u><u>92,502</u></u>
Amount to be Recaptured	\$ <u><u>0</u></u>
Excess of Funds Disbursed	\$ <u><u>0</u></u>

CYNTHIA L WARREN CPA, P.C.

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P.O. Box 189
Eufaula, OK 74432

(918) 452-2116
Fax (918) 452-3509

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

INDEPENDENT AUDITOR'S REPORT

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

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the statement of net position, the statement of revenues, expenses and changes in net position, and the statement of cash flows of the Housing Authority of the City of Wewoka, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the financial statements and have issued my report thereon dated March 15, 2018.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

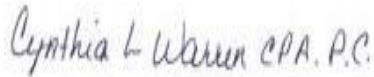
My consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material deficiencies or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the housing authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Cynthia L Warren CPA, P.C.
Eufaula, Oklahoma
March 15, 2018

CYNTHIA L WARREN CPA, P.C.

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P.O. Box 189
Eufaula, OK 74432

(918) 452-2116
Fax (918) 452-3509

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

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

Report on Compliance for Each Major Federal Program

I have audited the compliance of the Housing Authority of the City of Wewoka with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Housing Authority of the City of Wewoka's major federal programs for the year ended June 30, 2017. The Housing Authority of the City of Wewoka's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the Housing Authority of the City of Wewoka's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority of the City of Wewoka's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion for each major federal program. However, my audit does not provide a legal determination on the Housing Authority of the City of Wewoka's compliance.

Opinion on Each Major Federal Program

In my opinion, the Housing Authority of the City of Wewoka complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.


Report on Internal Control Over Compliance

Management of the Housing Authority of the City of Wewoka is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Housing Authority of the City of Wewoka's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Housing Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal award on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit the attention by those charge with governance.

My consideration of internal control was for the limited purpose as described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of my testing based on the requirements of The Uniform Guidance. Accordingly, this report is not suitable or any other purpose.



Cynthia L Warren CPA, P.C.
Eufaula, Oklahoma
March 15, 2018

**HOUSING AUTHORITY OF THE CITY OF WEWOKA
WEWOKA, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal Control over financial reporting:	
• Material weakness identified?	No
• Significant deficiencies identified:	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal Control over major programs:	
• Material weakness identified?	No
• Significant deficiencies identified:	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major programs:	
#14.850 Public and Indian Housing	
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as a low-risk auditee?	Yes

SECTION II - FINANCIAL STATEMENT FINDINGS

None

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

**HOUSING AUTHORITY OF THE CITY OF WEWOKA
WEWOKA, OKLAHOMA
SCHEDULE OF SUMMARY STATUS OF PRIOR AUDIT FINDINGS
JUNE 30, 2017**

The prior report on the audit of the financial statements as of and for the twelve months ended June 30, 2016, contained no findings.