

**Audit Solutions, LLC.**

---

Certified Public Accountant

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

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

**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

HOUSING AUTHORITY OF THE CITY OF STILLWATER  
Stillwater, Oklahoma

TABLE OF CONTENTS

---

	<u>PAGE</u>
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report	1-2
Management's Discussion and Analysis (un-audited)	i-vii
Basic Financial Statements:	
Statement of Net Position	3-4
Statement of Revenue, Expenses and Changes in Net Position	5
Statement of Cash Flows	6-7
Notes to the Basic Financial Statements	8-18
<b>SUPPLEMENTAL INFORMATION</b>	
Schedule of Expenditures of Federal Awards	19
PHA's Statement of Certification of Actual Modernization Costs	20
Financial Data Schedule	21-25
<b>COMPLIANCE SECTION</b>	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	26-27
Independent Auditor's Report on Compliance for each Major Program and on Internal Control over Compliance Required by OMB A-133	28-29
Significant Deficiencies Communicated in Prior Year	30
Schedule of Findings and Questioned Costs	31



# Audit Solutions, LLC.

Certified Public Accountant

## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

I have audited the accompanying financial statements of the business-type activities of the Housing Authority of the City of Stillwater (Authority), Oklahoma, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinion***

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Housing Authority of the City of Stillwater, Oklahoma, as of September 30, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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

*Supplementary Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority of the City of Stillwater, Oklahoma's basic financial statements. The accompanying PHA's Statement of Certification of Actual Modernization Costs and the Financial Data Schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, I have also issued my report dated February 24, 2016, on my consideration of the Housing Authority of the City of Stillwater, Oklahoma's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Housing Authority of the City of Stillwater, Oklahoma's internal control over financial reporting and compliance.



Shoab Khar, CPA

*Audit Solutions, LLC*

Chesterfield, Missouri

February 24, 2016

HOUSING AUTHORITY OF THE CITY OF STILLWATER  
Stillwater, Oklahoma

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
September 30, 2015

---

**Introduction**

This Management's Discussion and Analysis (MD&A) of the Stillwater Housing Authority (Authority) provides an introduction and overview to the financial statements of the Stillwater Housing Authority for the fiscal year ended September 30, 2015. The Stillwater Housing Authority presents this discussion and analysis of its financial performance during the fiscal year ended September 30, 2015, 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 Stillwater 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 eight individual programs. They include the Low Rent Public Housing Program, the Capital Fund Program (CFP), the Housing Choice Voucher Program (HCV), the Continuum of Care Grant Program, a FEMA Program, the Resident Opportunity and Supportive Services Program (ROSS), Mission of Hope, and a Component Unit.

- The Low Rent Program consists of 135 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 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 663 units available. Funds are provided by HUD to provide rental assistance payments. The Authority is provided an administrative fee for the purpose of covering the administrative costs of the program. The administrative fee is computed by HUD on an annual basis.
- The Resident Opportunity and Supportive Services Grant Program provides the Authority funding for service coordinator position that assists residents in becoming self-sufficient.
- Component Units – The Authority has a non-profit corporation that is used for the purpose of applying for and administration of miscellaneous grants. This program has taken over ownership of a homeless shelter. Mission of Hope is a homeless shelter that provides families and individuals a temporary place to stay during periods of homelessness. Funds are provided by HUD, FEMA grants, donations from private donors, and fundraising activities. The Authority did not acquire Mission of Hope until September 2015.
- The Continuum of Care Grant Programs provides funding for housing and services for homeless families and individuals. This grant is used to support the Mission of Hope homeless shelter.

**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

HOUSING AUTHORITY OF THE CITY OF STILLWATER  
Stillwater, Oklahoma

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)  
September 30, 2015

---

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

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

- Net Investment in Capital Assets consists of capital asset balances net of accumulated depreciation less any outstanding balances of related debt associated with the acquisition of these assets.
- Restricted component of net position consists of resources that are restricted by limitations placed on these resources by an external source or imposed by law through enabling legislation.
- Unrestricted component of net position represents the remaining resources available that do not meet the definition of the above categories. The unrestricted component of Net Position is basically the amount of resources available for future year appropriations.

The Statement of Revenues, Expenses, and Changes in Net Position reports the operating revenues, operating expenses, non-operating revenues, and non-operating expenses of the Authority for the fiscal year ended September 30, 2015, 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 September 30, 2015.

**Financial Highlights**

The Stillwater Housing Authority's net position decreased from \$5,810,098 to \$5,564,993, a decrease of \$245,105 or 4%. Total assets also decreased by \$215,759 or 4%.

Total revenue increased from \$4,109,462 to \$4,393,468, an increase of \$284,006 or 7%.

Total expenses increased by \$239,189, from \$4,399,384 to \$4,638,573 for the current year.

**Housing Authority Activities & Highlights**

The Authority's overall financial position and operations for the past two years are summarized below based on the information in the current and prior financial statements. The table below lists the summary of net position for the year ended September 30, 2015, and 2014.

HOUSING AUTHORITY OF THE CITY OF STILLWATER  
Stillwater, Oklahoma

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)  
September 30, 2015

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

**Summary Statement of Net Position  
As of September 30, 2015 and 2014**

Category	FYE 2015	FYE 2014	Change \$	Change %
Current Assets	\$ 2,762,292	\$ 2,725,712	\$ 36,580	1%
Noncurrent Assets	\$ 3,083,936	\$ 3,336,275	\$ (252,339)	-8%
Total Assets	\$ 5,846,228	\$ 6,061,987	\$ (215,759)	-4%
Current Liabilities	\$ 157,647	\$ 115,442	\$ 42,205	37%
Noncurrent Liabilities	\$ 123,588	\$ 114,342	\$ 9,246	8%
Total Liabilities	\$ 281,235	\$ 229,784	\$ 51,451	22%
Deferred Inflow of Resources	\$ -	\$ 22,105	\$ (22,105)	NA
Unrestricted	\$ 2,449,972	\$ 2,388,928	\$ 61,044	3%
Restricted	\$ 31,085	\$ 84,895	\$ (53,810)	-63%
Net Investment in Capital Assets	\$ 3,083,936	\$ 3,336,275	\$ (252,339)	-8%
Total Net Position	\$ 5,564,993	\$ 5,810,098	\$ (245,105)	-4%

**Current Assets**

The Authority's current asset balances increased by \$36,580. This was primarily due to an increase in unrestricted cash and investments from \$2,430,460 as of September 30, 2014 to \$2,486,974 as of September 30, 2015, an increase of \$56,514. The increase in unrestricted cash was due to the transfer of operating funding from the CFP Program to the Low Rent Program. This resulted in operating revenues exceeding operating expenditures. In addition, unrestricted cash increased due to the transfer of the Mission of Hope homeless shelter to the Authority. At 9/30/15, Mission of Hope had an unrestricted cash balance of \$16,880. In contrast, restricted cash and investments decreased from \$241,971 as of September 30, 2014 to \$204,779 on September 30, 2015. This was primarily due to HAP expenditures of \$3,204,545 exceeding HAP revenues of \$3,116,308.

**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 increased by \$42,205 primarily due to an increase in other current liabilities in the amount of \$15,392. This increase was a result of an increase in FSS liabilities classified as a current liability at September 30, 2015. In addition, accrued liabilities – other increased by \$11,796 due to the accrual of utilities related to the Low Rent program and the FEMA Program. Accounts payable also increased by \$7,989 due to the accrual of insurance and materials related to the Low Rent Program and the accrual of insurance expense related to the HCV Program. Unearned revenue increased by \$4,466 due to the classification of a portion of FEMA revenues as unspent. Small increases occurred in wages payable in the amount of \$1,748, accrued compensated absences in the amount of \$1,019, and accounts payable-other government in the amount of \$924.

**Noncurrent Liabilities**

Noncurrent liabilities increased by \$9,246 from the previous year. This is due to an increase in the long term portion of accrued compensated absences in the amount of \$6,541 and increase in non-current portion of FSS liability in the amount of \$2,705.

**Deferred Inflow of Resources**

The Authority's deferred inflow of resources in the prior year consisted of Low Rent operating funds designated for the 2015 fiscal year end.

HOUSING AUTHORITY OF THE CITY OF STILL WATER  
Stillwater, Oklahoma

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)**  
September 30, 2015

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

**Net Position**

The net position of the Authority decreased by \$245,105 compared to the previous fiscal year. This was primarily due to the recording of current year depreciation expense. In addition, HAP expenditures exceeding Housing Assistance Payments (HAP) funding resulting in a reduction in the restricted component of net position in the amount of \$53,810.

The Authority's unrestricted component of net position changed from \$2,388,928 to \$2,449,972, an increase of \$61,044 or 3% for the current year. The unrestricted component of net position is the amount available for future appropriations. This balance is subject to program specific guidelines.

Low Rent Housing Program	\$ 2,131,150
Housing Choice Vouchers	\$ 237,700
Mission of Hope	\$ 9,793
Component Unit	<u>\$ 71,329</u>
Total Unrestricted	<u>\$ 2,449,972</u>

**Summary Statement of Revenues & Expenses and Changes in Net Position  
Years Ended September 30, 2015 and 2014**

Category	FYE 2015	FYE 2014	Change \$	Change %
Tenant Revenue	\$ 324,983	\$ 293,722	\$ 31,261	11%
HUD Operating Grants	\$ 3,904,749	\$ 3,673,144	\$ 231,605	6%
Capital Grants	\$ 20,236	\$ 81,528	\$ (61,292)	-75%
Interest Income	\$ 476	\$ 647	\$ (171)	-26%
Other Revenue	\$ 143,024	\$ 60,421	\$ 82,603	137%
<b>Total Revenue</b>	<b>\$ 4,393,468</b>	<b>\$ 4,109,462</b>	<b>\$ 284,006</b>	<b>7%</b>
Administration	\$ 599,630	\$ 522,869	\$ 76,761	15%
Tenant Services	\$ 46,518	\$ 44,581	\$ 1,937	4%
Utilities	\$ 108,599	\$ 88,128	\$ 20,471	23%
Ordinary Maintenance	\$ 258,557	\$ 200,378	\$ 58,179	29%
General Expense	\$ 136,696	\$ 125,429	\$ 11,267	9%
Housing Assistance Payments	\$ 3,204,545	\$ 3,132,603	\$ 71,942	2%
HAP Portability-In	\$ 11,453	\$ 10,596	\$ 857	8%
Depreciation	\$ 272,575	\$ 274,800	\$ (2,225)	-1%
<b>Total Expenses</b>	<b>\$ 4,638,573</b>	<b>\$ 4,399,384</b>	<b>\$ 239,189</b>	<b>5%</b>
<b>Increase (Decrease) in Net Position</b>	<b>\$ (245,105)</b>	<b>\$ (289,922)</b>	<b>\$ 44,817</b>	<b>-15%</b>
Net Position, Beginning of Year	\$ 5,810,098	\$ 6,100,020	\$ (289,922)	-5%
Net Position, End of Year	\$ 5,564,993	\$ 5,810,098	\$ (245,105)	-4%

HOUSING AUTHORITY OF THE CITY OF STILL WATER  
Stillwater, Oklahoma

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)  
September 30, 2015

---

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

**Results of Operations**

Revenues of the Authority are principally generated from tenant rents and Federal funding. The Authority's revenue increased by \$284,006 compared to the previous fiscal year. Significant variances include the following:

- Tenant revenue increased by \$31,261. This was due to the average rent per unit leased increasing from \$170 in the prior year to \$193 in the current year for the Low Rent program.
- HUD operating grants increased by \$231,605. This was primarily due to an increase in HAP funding associated with the HCV Program in the amount of \$100,155 and admin funding in the amount of \$45,197. HCV funding increased due to an increase in unit months leased from 7,339 leased in the prior year to 7,484 leased in the current year. In addition, the CFP Program received an increase in operating grant funding in the amount of \$76,353 and an increase in funding for the FSS coordinator position in the amount of \$4,587. The Authority received funding for the Continuum of Care Program and the FEMA program in the amount of \$7,078.
- Capital grants decreased by \$61,292 due to a reduction in capital improvement projects funded by the CFP Program.
- Other revenue increased by \$82,603 primarily due to revenues received for the Mission of Hope homeless shelter through donations and fundraising activities. Other revenue for the Component Unit increased due to the Authority receiving payment for managing another PHA.

Total expenses increased by \$239,189. Significant variances include the following:

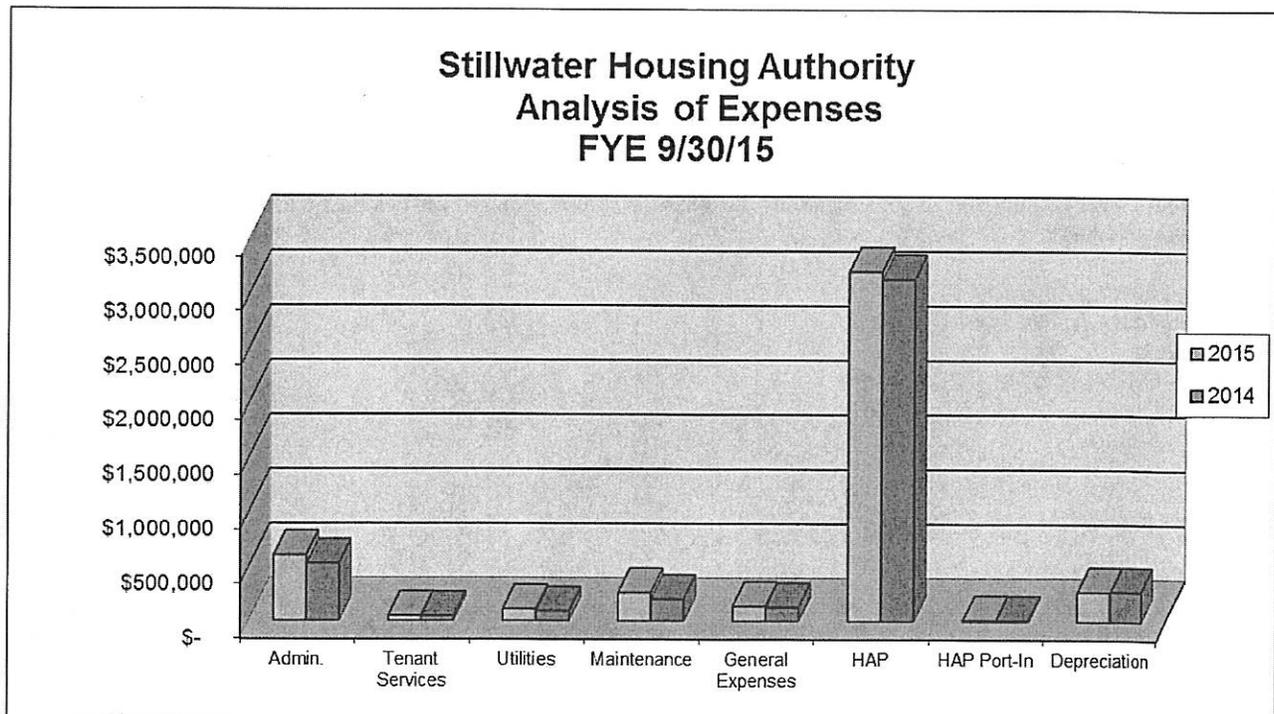
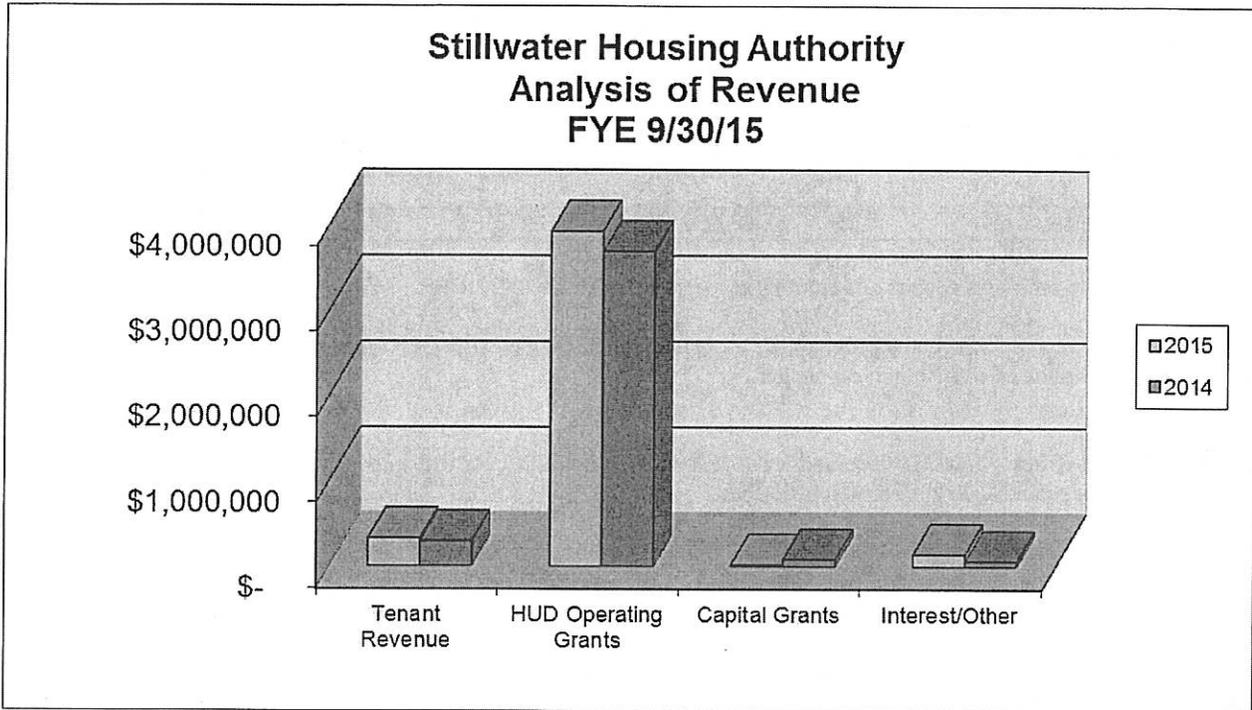
- Administration increased by \$76,761 primarily due to higher administrative salaries and benefits in the amount of \$60,652. Administration salaries and benefits increased due to raises for existing employees and the additional salaries and benefit costs for increased staffing related to the Component Unit and Mission of Hope homeless shelter. In addition, office supplies increased by \$4,206 and other administrative expenses increased by \$7,009.
- Utilities increased by \$20,471. This was due to an increase in water/sewer costs in the amount of \$5,250 and electric expenses in the amount of \$16,227.
- Ordinary maintenance increased by \$58,179. This was primarily due to the purchase of appliances, hot water heaters, and washers through the 2013 and 2014 CFP Program.
- General expenses increased by \$11,267. This was due to an increase in property insurance in the amount of \$4,966 due to a rate increase and additional insurance for the Mission of Hope homeless shelter. Workers comp insurance also increase by \$1,980 due to additional insurance purchased for the Mission of Hope homeless shelter. Compensated absences increased by \$4,153 due to higher per hour wage rates and new employees.
- Housing assistance payments increased by \$71,942 due to an increase in the number of vouchers leased. The Authority leased 7,339 vouchers unit months in the previous year as compared to 7,484 in the current year.

HOUSING AUTHORITY OF THE CITY OF STILLWATER  
 Stillwater, Oklahoma

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)  
 September 30, 2015

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

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



HOUSING AUTHORITY OF THE CITY OF STILLWATER  
Stillwater, Oklahoma

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)  
September 30, 2015

**Capital Assets**

As of September 30, 2015, the Stillwater Housing Authority's net investment in capital assets was \$3,083,936. This investment includes land, building, construction in progress, and equipment, net of accumulated depreciation.

Category	FYE 2015	FYE 2014	Change \$	Change %
Land	\$ 458,147	\$ 458,147	\$ -	0%
Buildings	\$ 6,917,729	\$ 6,905,398	\$ 12,331	0%
Equipment	\$ 477,758	\$ 448,436	\$ 29,322	7%
Construction in Progress	\$ 3,688	\$ 6,605	\$ (2,917)	-44%
Accumulated Depreciation	\$ (4,773,386)	\$ (4,482,311)	\$ (291,075)	6%
Total Net Fixed Assets	\$ 3,083,936	\$ 3,336,275	\$ (252,339)	-8%

Additions noted in buildings consist of a flooring project funded by the 2013 CFP.

Additions in equipment include the purchase of a copier funded by the 2013 CFP and transfer of ownership of a vehicle for the Mission of Hope homeless shelter.

**Long Term Debt**

The Authority classifies a portion of accrued leave as long term liabilities. As of September 31, 2015, the amount of accrued leave designated as long term was \$20,158.

The Authority also classifies a portion of the FSS liabilities as long term. As of September 31, 2015, the amount of FSS liabilities designated as long term was \$103,430.

**Subsequent Event**

The Authority's operating subsidy provided by HUD for the Low Rent Housing Program was prorated to 85.36% for the calendar year 2015.

The amount of funding for the 2015 calendar year for the Housing Choice Voucher Program will include the proration of administrative fees at 82% proration and HAP funding at 100%.

**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:

Stillwater Housing Authority  
L. Glen Redding, Jr, Executive Director  
807 S. Lowry  
Stillwater, OK 74074-4742

HOUSING AUTHORITY OF THE CITY OF STILLWATER  
Stillwater, Oklahoma

**STATEMENT OF NET POSITION**  
September 30, 2015

---

**ASSETS**

Current Assets:

Cash and cash equivalents	\$	2,331,501
Cash - restricted		204,779
Investments		155,473
Receivables - net of allowances		25,057
Inventory - net of allowances		877
Prepaid expenses		<u>44,605</u>

Total Current Assets 2,762,292

Non-current Assets:

Capital assets:

Land and construction in progress		461,835
Other capital assets, net of depreciation		<u>2,622,101</u>

Total capital assets - net 3,083,936

Total Non-current Assets 3,083,936

Total Assets and Deferred Outflow of Resources \$ 5,846,228

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF STILLWATER  
Stillwater, Oklahoma

STATEMENT OF NET POSITION – (Continued)  
September 30, 2015

**LIABILITIES**

Current Liabilities:

Accounts payable	\$	73,968
Accrued salaries and benefits		25,910
Tenant security deposit liability		30,041
Accrued compensated absences		18,528
Unearned revenues		<u>9,200</u>

Total Current Liabilities 157,647

Non-current Liabilities:

Compensated absences		20,158
Non-current liabilities - Other		<u>103,430</u>

Total Non-current Liabilities 123,588

Total Liabilities 281,235

**NET POSITION**

Net investment in capital assets		3,083,936
Restricted		31,085
Unrestricted		<u>2,449,972</u>

Total Net Position 5,564,993

Total Liabilities, Deferred Inflows of Resources and Net Position \$ 5,846,228

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF STILLWATER  
Stillwater, Oklahoma

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
For the Year Ended September 30, 2015

<b>OPERATING REVENUES</b>	
Tenant revenue	\$ 324,983
Governmental grants and subsidy	3,907,475
Miscellaneous	<u>140,298</u>
Total operating revenue	<u>4,372,756</u>
<b>OPERATING EXPENSES</b>	
Administrative	599,630
Tenant services	46,518
Utilities	108,599
Ordinary maintenance and operations	258,557
Protective services	1,960
Insurance	60,880
General	73,856
Housing assistance payment	3,215,998
Depreciation expense	<u>272,575</u>
Total operating expenses	<u>4,638,573</u>
Operating income (loss)	<u>(265,817)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Investment income	<u>476</u>
Net non-operating revenues (expenses)	<u>476</u>
Income (loss) before contributions and transfers	<u>(265,341)</u>
Capital contributions	<u>20,236</u>
Change in net position	(245,105)
Total net position - beginning of year	<u>5,810,098</u>
Total net position - end of year	<u>\$ 5,564,993</u>

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF STILLWATER  
Stillwater, Oklahoma

**STATEMENT OF CASH FLOWS**  
For the Year Ended September 30, 2015

**CASH FLOWS FROM OPERATING ACTIVITIES**

Received from tenants	\$	313,584
Received from governmental grants and subsidy		3,869,743
Received from other operating activities		151,522
Payments for goods and services		(427,770)
Payments to employees		(662,609)
Payment in lieu of taxes		(9,276)
Payment for housing assistance		<u>(3,215,998)</u>

Net cash provided by (used in) operating activities 19,196

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

Proceeds from capital contributions		19,886
Purchases of capital assets		<u>(20,236)</u>

Net cash provided by (used in) capital and related financing activities (350)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds (payments) from sale (purchase) of investments		(124)
Receipts of interest and dividends		<u>476</u>

Net cash provided by (used in) investing activities 352

Net increase (decrease) in cash and cash equivalents 19,198  
Cash and cash equivalents at beginning of year 2,517,082

Cash and cash equivalents at end of year \$ 2,536,280

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF STILLWATER  
Stillwater, Oklahoma

STATEMENT OF CASH FLOWS – (Continued)  
For the Year Ended September 30, 2015

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

Operating income (loss)	\$	(265,817)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense		272,575
Change in assets and liabilities:		
Receivables, net		(12,347)
Inventories, net		235
Prepaid expenses		(4,796)
Accounts and other payables		27,010
Tenant security deposit		(1,129)
Deferred revenues		(17,639)
Compensated absences		7,560
Accrued expenses		<u>13,544</u>
Net cash provided by (used) by operating activities	\$	<u>19,196</u>

**Supplemental schedule of non-cash investing, capital and financing activities:**

The Authority purchased fixed assets during FY 2015 in the amount of \$20,236. In conjunction with the acquisition, liabilities were assumed as follows:

Fair value of capital assets acquired	\$	20,236
Cash paid for the capital assets		<u>(19,886)</u>
Liabilities assumed	\$	<u>350</u>

See accompanying notes to the basic financial statements



HOUSING AUTHORITY OF THE CITY OF STILLWATER  
Stillwater, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)  
September 30, 2015

---

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

**1B. Basis of Presentation – (Continued)**

The Authority operates the following programs in the enterprise fund:

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

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

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

**Resident Opportunity and Supportive Services** – The objective of this program is to provide housing residents with supportive services, resident empowerment activities and assistance in becoming economically self-sufficient.

**Stillwater Housing Development Corporation (blended component unit)** - The purpose of this program is to provide additional housing to the City of Stillwater for low income families. The Authority also administers Mission of Home program which provides emergency shelter and supportive services for homeless, housing for homeless veterans and transitional housing. In addition, the Authority provides management services to the Housing Authority of the City of Pawnee through a management agreement.

**Continuum of Care Program** – This program is designed to promote community-wide commitment to the goal of ending homelessness; provide funding for efforts by nonprofit providers, States, and local governments to quickly house homeless individuals and families while minimizing the trauma and dislocation caused to homeless individuals, families, and communities by homelessness; promote access to and effective utilization of mainstream programs by homeless individuals and families; and optimize self-sufficiency among individuals and families experiencing homelessness.

**Emergency Food and Shelter National Board Program (EFSP)** – Program funds support the National Preparedness Goal (NPG) by complementing actions undertaken to achieve an “all-of-Nation preparedness approach that optimizes the use of available resources.” When a disaster strikes, it is often the poor or those with economic vulnerabilities who suffer the most. By providing emergency economic assistance that keeps people off the streets, from being evicted from their homes, or with groceries to prevent hunger, the EFSP prepares a population that could otherwise be even more adversely impacted by a disaster situation and mitigates potential burdens imposed on recovery efforts to assist such people.

**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.

HOUSING AUTHORITY OF THE CITY OF STILLWATER  
Stillwater, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)  
September 30, 2015

---

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

**1C. Measurement Focus and Basis of Accounting – (Continued)**

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

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

**1D. Budgets**

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

**1E. Estimates and assumptions**

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

**1F. Assets, Liabilities, and Equity**

Cash and Investments

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

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

Inter-fund Receivables and Payables

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

Receivables

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

HOUSING AUTHORITY OF THE CITY OF STILLWATER  
Stillwater, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)  
September 30, 2015

---

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

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

Inventories

Inventories are valued at lower of cost or market on an average cost basis. Inventories consist primarily of maintenance materials and supplies held for consumption. The consumption method is used to account for inventories. Under the consumption method, inventories are recorded as assets when purchased and expenses when used.

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 \$5,000 or greater. The cost of maintenance and repairs are charged to operations as incurred. Costs of major additions, improvements, and betterments are capitalized.

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

Building	5-40 years
Furniture, equipment and machinery - administrative	3-15 years

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 HAP and FSS fund account under the Housing Choice Voucher program and security deposit fund under the Low Rent program.

Compensated Absences

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

Equity Classifications

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

- 1) Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.
- 2) Restricted net position - Consists of net position with constraints placed on the use either by (i) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; (ii) law through constitutional provisions or enabling legislation.

HOUSING AUTHORITY OF THE CITY OF STILLWATER  
Stillwater, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)  
September 30, 2015

---

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

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

Equity Classifications – (Continued)

3) Unrestricted net position - All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

Use of Restricted/Unrestricted Net Position

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

**1G. Revenues, Expenditures, and Expenses**

Operating Revenues and Expenses

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

Inter-fund Transfers

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

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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

**2A. Program Accounting Requirements**

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

<u>Program</u>	<u>Required By</u>
Public and Indian Housing	Department of Housing and Urban Development
Capital Fund Program	Department of Housing and Urban Development
Housing Choice Vouchers	Department of Housing and Urban Development
Resident Opportunity and Supportive Services-ROSS	Department of Housing and Urban Development
Continuum of Care Program	Department of Housing and Urban Development
Emergency Food and Shelter National Board Program	Department of Homeland Security
Stillwater Housing Development Corporation - (Blended component unit)	Housing Authority

HOUSING AUTHORITY OF THE CITY OF STILLWATER  
Stillwater, Oklahoma

**NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)**  
September 30, 2015

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

**2B. Deposits and Investments Laws and Regulations**

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

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

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

**2C. Revenue Restrictions**

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

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Capital Fund Program	Modernization
Housing Choice Voucher	Housing assistance payments
ROSS	Resident supportive services
Continuum of Care	Homeless individuals and families
Emergency Food and Shelter National Board	Disaster related

For the year ended September 30, 2015, the Authority complied, in all material respects, with these revenue restrictions.

**NOTE 3 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS**

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

**3A. Cash and Investments**

As of September 30, 2015, the Authority had the following cash deposits and investments:

Cash deposits	\$ 2,536,130
Certificate of deposit	155,473
Petty cash	150
Total	<u>\$ 2,691,753</u>

Following is a reconciliation of the Authority’s deposit balances as of September 30, 2015:

Cash and cash equivalents	\$ 2,331,501
Restricted assets	204,779
Investments	155,473
Total	<u>\$ 2,691,753</u>

HOUSING AUTHORITY OF THE CITY OF STILLWATER  
Stillwater, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)  
September 30, 2015

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

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

**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 September 30, 2015, the Authority's bank balances of \$2,536,314 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 September 30, 2015, the Authority's investment balance of \$155,473 was entirely covered by FDIC insurance or by pledged collateral held by the Authority's agent bank in the Authority's name.

Interest Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

The Authority places no limit on the amount the Authority may invest in any one issuer. At September 30, 2015, the concentration of the Authority's investment (excluding cash deposits) was as follows:

<u>Type of Investment</u>	<u>Market Value</u>	<u>Maturity Date</u>
Certificate of Deposit	\$ 7,176	10/10/2015
Certificate of Deposit	100,000	1/27/2016
Certificate of Deposit	48,297	11/24/2015
Total	\$ 155,473	

**3B. Restricted Assets**

Restricted assets at September 30, 2015 consist of the following:

<u>Type of Restricted Assets</u>	<u>Cash</u>	<u>Investments</u>	<u>Total</u>
HAP funds	\$ 31,085	\$ ----	\$ 31,085
FSS	143,653	----	143,653
Security deposit	30,041	----	30,041
Total	\$ 204,779	\$ ----	\$ 204,779

HOUSING AUTHORITY OF THE CITY OF STILLWATER  
Stillwater, Oklahoma

**NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)**  
September 30, 2015

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

**3C. Accounts Receivable**

Receivables at September 30, 2015 consist of the following:

Tenants	\$ 5,046	
Allowance for doubtful account	<u>(1,930)</u>	
Tenants - net of allowance		\$ 3,116
Fraud recovery	20,580	
Allowance for doubtful account	<u>(18,522)</u>	
Fraud recovery - net of allowance		2,058
HUD		19,806
Interest		<u>77</u>
Receivable - net of allowance		<u>\$ 25,057</u>

**3D. Capital Assets**

A summary of capital asset activity for the year ended September 30, 2015 is as follows:

	<u>Balance October 1, 2014</u>	<u>Additions</u>	<u>(Retirement)</u>	<u>Reclass/ Transfers in (out)</u>	<u>Balance September 30, 2015</u>
<b>Non-depreciable assets:</b>					
Land	\$ 458,147	\$ -	\$ -	\$ -	\$ 458,147
Construction in progress	<u>6,605</u>	<u>-</u>	<u>-</u>	<u>(2,917)</u>	<u>3,688</u>
<b>Total non-depreciable assets</b>	<u>464,752</u>	<u>-</u>	<u>-</u>	<u>(2,917)</u>	<u>461,835</u>
<b>Depreciable assets:</b>					
Building	6,905,398	9,414	-	2,917	6,917,729
Equipment - administration	<u>448,436</u>	<u>10,822</u>	<u>-</u>	<u>18,500</u>	<u>477,758</u>
<b>Total depreciable assets</b>	<u>7,353,834</u>	<u>20,236</u>	<u>-</u>	<u>21,417</u>	<u>7,395,487</u>
<b>Accumulated depreciation</b>	<u>(4,482,311)</u>	<u>(272,575)</u>	<u>-</u>	<u>(18,500)</u>	<u>(4,773,386)</u>
<b>Total depreciable assets, net</b>	<u>2,871,523</u>	<u>(252,339)</u>	<u>-</u>	<u>2,917</u>	<u>2,622,101</u>
<b>Capital assets, net</b>	<u>\$ 3,336,275</u>	<u>\$ (252,339)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,083,936</u>

Depreciation expense is charged to programs as follows:

	<u>Business-type Activities</u>
Low Rent	\$ 266,171
CFP	<u>6,404</u>
<b>Total depreciation expense</b>	<u>\$ 272,575</u>

HOUSING AUTHORITY OF THE CITY OF STILLWATER  
Stillwater, Oklahoma

**NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)**  
September 30, 2015

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

**3E. Accounts Payable**

Accounts payable at September 30, 2015 consist of the following:

Vendors & contractors	\$ 11,313
Accrued utilities	11,896
FSS - current	40,573
PILOT	<u>10,186</u>
Total Accounts Payable	<u>\$ 73,968</u>

**3F. Non-current Liabilities**

Non-current liabilities at September 30, 2015 consist of the following:

Accrued compensated absences	\$ 20,158
FSS	<u>103,430</u>
Total Non-current Liabilities	<u>\$ 123,588</u>

Changes in non-current liabilities

The following is the summary of changes in non-current liabilities:

<u>Description</u>	<u>Balance Oct 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2015</u>	<u>Amount Due Within One Year</u>
Accrued compensated absences	\$ 13,617	\$ 6,541	---	\$ 20,158	\$ 18,258
FSS	<u>100,725</u>	<u>2,705</u>	---	<u>103,430</u>	<u>40,573</u>
	<u>\$ 114,342</u>	<u>\$ 9,246</u>	<u>---</u>	<u>\$ 123,588</u>	<u>\$ 59,101</u>

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

Inter-program Receivable/Payable

Inter-program receivable/payable is eliminated for financial statement presentation. The following inter-program receivable/payable existed at September 30, 2015:

	<u>Due From</u>	<u>Due To</u>
Low Rent	\$ 2,887	\$ -
SHDC	7,450	-
ROSS	-	(2,887)
Continuum of Care	<u>-</u>	<u>(7,450)</u>
Total	<u>\$ 10,337</u>	<u>\$ (10,337)</u>

HOUSING AUTHORITY OF THE CITY OF STILLWATER  
Stillwater, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)  
September 30, 2015

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

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

Operating Transfers

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

	<u>Transfers In</u>	<u>Transfers Out</u>
Low Rent	\$ 124,764	\$ -
Capital Fund Program	-	124,764
	\$ 35,471	\$ 35,471

**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 Housing Agency Retirement Trust (H.A.R.T). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan requires the Authority to contribute 10% of covered wages. Benefits are fully vested at the end of 5 years of service.

The following information related to the defined contribution plan at September 30, 2015:

Total payroll	\$ 444,271
Total payroll for eligible participants	\$ 399,330
Employer contributions made	\$ 39,933

The Authority also provides a deferred compensation (457b) plan with Massachusetts Mutual who serves as a trustee for the plan. New employees must elect to participate in the plan within sixty days after entering into service. Participants must agree to defer a minimum of \$600 per annum. Benefits are payable over fifteen years at retirement. The Board of Commissioners, in its sole discretion, can approve a lump sum payment at retirement. Currently, the Executive Director is the only participant in this plan. The Authority contributed \$23,750 in FY 2015 under this plan.

**4B. Commitments - Construction**

At September 30, 2015, the Authority had pending construction 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 501-14	\$ 148,759	\$ 60,551

**4C. Contingencies**

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

HOUSING AUTHORITY OF THE CITY OF STILLWATER  
Stillwater, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)  
September 30, 2015

---

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

**4D. Risk Management**

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

<u>Type of Loss</u>	<u>Method Managed</u>
a. Torts, errors and omissions	Purchased insurance with Housing Authority Insurance Group Inc.
b. Injuries to employees (workers' compensation)	Purchased insurance with CompSource Oklahoma. Claims are administered by the same company.
c. Physical property loss and natural disasters	Purchased commercial insurance with \$2,500 deductibles.
d. Health and Life	Purchased health insurance with Health Choice. Life insurance is provided by Massachusetts Mutual, Housing Agency Retirement Trust (H.A.R.T) and Health Choice.

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.

**4E. Affiliated Organization**

The Authority, through cooperative management service agreement, provides management services to the Housing Authority of the City of Pawnee. Through this activity the Authority earned income of \$16,900 in FY 2015, which is included in other operating revenue in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. This affiliation does not meet the criteria under GASB 14, as amended by GASB 39, for the inclusion in the reporting entity of the Authority, nor do they represent related parties.

**4F. Financial Data Schedule**

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

**4G. Subsequent Events**

Events that occur after the balance sheet date but before the financial statements were issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events, which provide evidence about conditions that existed after the balance sheet date, require disclosure in the accompanying notes. Management evaluated the activity of the Authority through February 24, 2016 and concluded that no subsequent events have occurred that would require adjustment to or disclosures within these financial statements.

**4H. Economic Dependency**

The Authority is primarily dependent upon HUD for the funding of operations; therefore, the Authority is affected more by the federal budget than by local economic conditions. The funding of programs could be significantly affected by the 2016 federal budget.

HOUSING AUTHORITY OF THE CITY OF STILLWATER  
Stillwater, Oklahoma

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended September 30, 2015

<u>Federal Grantor</u>	<u>Federal CFDA #</u>	<u>Expenditures</u>
<b><u>Department of Housing and Urban Development</u></b>		
Low Rent Program	14.850	\$ 264,749
Capital Fund Program	14.872	145,000
Housing Choice Vouchers	14.871	3,472,794
Resident Opportunity and Supportive Services	14.870	38,090
Continuum of Care Program	14.267	4,352
<b><u>Department of Homeland Security</u></b>		
Passed through:		
Central Oklahoma Community Action Agency		
Emergency Food and Shelter National Board Program	97.024	<u>2,726</u>
<b>Total Federal Awards</b>		<b>\$ <u><u>3,927,711</u></u></b>

**Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Housing Authority of the City of Stillwater, Oklahoma and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

HOUSING AUTHORITY OF THE CITY OF STILLWATER  
Stillwater, Oklahoma

**PHA'S STATEMENT OF CERTIFICATION OF ACTUAL MODERNIZATION COST**  
September 30, 2015

---

1. Actual Capital Fund Program costs are as follows:

	<u>CFP 501-13</u>
Funds approved	\$ 150,107
Funds expended	<u>150,107</u>
Excess of Funds Approved	<u>\$ ---</u>
Funds advanced	\$ 150,107
Funds expended	<u>150,107</u>
Excess (deficiency) of Funds Advanced	<u>\$ ---</u>

2. The costs as shown on the Actual Cost Certificate dated September 17, 2015 submitted to HUD for approval is in agreement with the Authority's records as of September 30, 2015.
3. All costs have been paid and all related liabilities have been discharged through payments.

HOUSING AUTHORITY OF THE CITY OF STILLWATER  
Stillwater, Oklahoma

**FINANCIAL DATA SCHEDULE**  
Year Ended September 30, 2015

	Project Total	14.871 Housing Choice Vouchers	14.870 Resident Opportunity and Supportive Services	14.267 Continuum of Care Program	6.2 Component Unit - Blended	97.024 Emergency Food and Shelter National Board Program	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$2,144,130	\$147,502			\$33,802	\$6,067	\$2,331,501	\$0	\$2,331,501
113 Cash - Other Restricted	\$0	\$134,515					\$134,515	\$0	\$134,515
114 Cash - Tenant Security Deposits	\$30,041	\$0					\$30,041	\$0	\$30,041
115 Cash - Restricted for Payment of Current Liabilities	\$0	\$40,223					\$40,223	\$0	\$40,223
100 Total Cash	\$2,174,171	\$322,240	\$0	\$0	\$33,802	\$6,067	\$2,536,280	\$0	\$2,536,280
122 Accounts Receivable - HUD Other Projects	\$350	\$10,611	\$4,493	\$4,352			\$19,806	\$0	\$19,806
126 Accounts Receivable - Tenants	\$5,046	\$0					\$5,046	\$0	\$5,046
126.1 Allowance for Doubtful Accounts - Tenants	-\$1,930	\$0					-\$1,930	\$0	-\$1,930
128 Fraud Recovery	\$0	\$20,580					\$20,580	\$0	\$20,580
128.1 Allowance for Doubtful Accounts - Fraud	\$0	-\$18,522					-\$18,522	\$0	-\$18,522
129 Accrued Interest Receivable	\$1	\$33			\$43		\$77	\$0	\$77
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$3,467	\$12,702	\$4,493	\$4,352	\$43	\$0	\$25,057	\$0	\$25,057
131 Investments - Unrestricted	\$7,176	\$100,000			\$48,297		\$155,473	\$0	\$155,473
142 Prepaid Expenses and Other Assets	\$33,380	\$7,500		\$3,725			\$44,605	\$0	\$44,605
143 Inventories	\$974	\$0					\$974	\$0	\$974
143.1 Allowance for Obsolete Inventories	-\$97	\$0					-\$97	\$0	-\$97
144 Inter Program Due From	\$2,887				\$7,450		\$10,337	-\$10,337	\$0
150 Total Current Assets	\$2,221,958	\$442,442	\$4,493	\$8,077	\$89,592	\$6,067	\$2,772,629	-\$10,337	\$2,762,292
161 Land	\$458,147	\$0					\$458,147	\$0	\$458,147
162 Buildings	\$6,917,729	\$0					\$6,917,729	\$0	\$6,917,729
164 Furniture, Equipment & Machinery - Administration	\$409,238	\$50,020			\$18,500		\$477,758	\$0	\$477,758
166 Accumulated Depreciation	-\$4,704,866	-\$50,020			-\$18,500		-\$4,773,386	\$0	-\$4,773,386
167 Construction in Progress	\$3,688	\$0					\$3,688	\$0	\$3,688
160 Total Capital Assets, Net of Accumulated Depreciation	\$3,083,936	\$0	\$0	\$0	\$0	\$0	\$3,083,936	\$0	\$3,083,936
180 Total Non-Current Assets	\$3,083,936	\$0	\$0	\$0	\$0	\$0	\$3,083,936	\$0	\$3,083,936

HOUSING AUTHORITY OF THE CITY OF STILLWATER  
Stillwater, Oklahoma

**NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)**  
September 30, 2015

	Project Total	14.871 Housing Choice Vouchers	14.870 Resident Opportunity and Supportive Services	14.267 Continuum of Care Program	6.2 Component Unit - Blended	97.024 Emergency Food and Shelter National Board Program	Subtotal	ELIM	Total
290 Total Assets and Deferred Outflow of Resources	\$5,305,894	\$442,442	\$4,493	\$8,077	\$89,592	\$6,067	\$5,856,565	-\$10,337	\$5,846,228
312 Accounts Payable <= 90 Days	\$7,623	\$3,317		\$54	\$319		\$11,313	\$0	\$11,313
321 Accrued Wage/Payroll Taxes Payable	\$9,136	\$7,983	\$1,606		\$7,185		\$25,910	\$0	\$25,910
322 Accrued Compensated Absences - Current Portion	\$8,542	\$9,827			\$159		\$18,528	\$0	\$18,528
333 Accounts Payable - Other Government	\$10,186	\$0					\$10,186	\$0	\$10,186
341 Tenant Security Deposits	\$30,041	\$0					\$30,041	\$0	\$30,041
342 Unearned Revenue	\$5,859	\$0				\$3,341	\$9,200	\$0	\$9,200
345 Other Current Liabilities	\$350	\$40,223					\$40,573	\$0	\$40,573
346 Accrued Liabilities - Other	\$8,425	\$0		\$573	\$172	\$2,726	\$11,896	\$0	\$11,896
347 Inter Program - Due To		\$0	\$2,887	\$7,450			\$10,337	-\$10,337	\$0
310 Total Current Liabilities	\$80,162	\$61,350	\$4,493	\$8,077	\$7,835	\$6,067	\$167,984	-\$10,337	\$157,647
353 Non-current Liabilities - Other	\$0	\$103,430					\$103,430	\$0	\$103,430
354 Accrued Compensated Absences - Non Current	\$10,646	\$8,877			\$635		\$20,158	\$0	\$20,158
350 Total Non-Current Liabilities	\$10,646	\$112,307	\$0	\$0	\$635	\$0	\$123,588	\$0	\$123,588
300 Total Liabilities	\$90,808	\$173,657	\$4,493	\$8,077	\$8,470	\$6,067	\$291,572	-\$10,337	\$281,235
508.4 Net Investment in Capital Assets	\$3,083,936			\$0	\$0		\$3,083,936		\$3,083,936
511.4 Restricted Net Position	\$0	\$31,085	\$0	\$0	\$0		\$31,085		\$31,085
512.4 Unrestricted Net Position	\$2,131,150	\$237,700	\$0	\$0	\$81,122	\$0	\$2,449,972		\$2,449,972
513 Total Equity - Net Assets / Position	\$5,215,086	\$268,785	\$0	\$0	\$81,122	\$0	\$5,564,993	\$0	\$5,564,993
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$5,305,894	\$442,442	\$4,493	\$8,077	\$89,592	\$6,067	\$5,856,565	-\$10,337	\$5,846,228

HOUSING AUTHORITY OF THE CITY OF STILLWATER  
Stillwater, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)  
September 30, 2015

	Project Total	14.871 Housing Choice Vouchers	14.870 Resident Opportunity and Supportive Services	14.267 Continuum of Care Program	6.2 Component Unit - Blended	97.024 Emergency Food and Shelter National Board Program	Subtotal	ELJM	Total
70300 Net Tenant Rental Revenue	\$309,095	\$0					\$309,095	\$0	\$309,095
70400 Tenant Revenue - Other	\$15,888	\$0					\$15,888	\$0	\$15,888
70500 Total Tenant Revenue	\$324,983	\$0	\$0	\$0	\$0	\$0	\$324,983	\$0	\$324,983
70600 HUD PHA Operating Grants	\$389,513	\$3,472,794	\$38,090	\$4,352			\$3,904,749	\$0	\$3,904,749
70610 Capital Grants	\$20,236	\$0					\$20,236	\$0	\$20,236
70800 Other Government Grants	\$0	\$0				\$2,726	\$2,726	\$0	\$2,726
71100 Investment Income - Unrestricted	\$247	\$77			\$152		\$476	\$0	\$476
71400 Fraud Recovery	\$0	\$11,490					\$11,490	\$0	\$11,490
71500 Other Revenue	\$36,570	\$40,772			\$57,034		\$134,376	-\$5,568	\$128,808
70000 Total Revenue	\$771,549	\$3,525,133	\$38,090	\$4,352	\$57,186	\$2,726	\$4,399,036	-\$5,568	\$4,393,468
91100 Administrative Salaries	\$136,686	\$172,651			\$22,260		\$331,597	\$0	\$331,597
91200 Auditing Fees	\$4,416	\$4,784					\$9,200	\$0	\$9,200
91400 Advertising and Marketing	\$34	\$5					\$39	\$0	\$39
91500 Employee Benefit contributions - Administrative	\$71,699	\$88,639			\$5,133		\$165,471	\$0	\$165,471
91600 Office Expenses	\$13,934	\$22,124			\$683		\$36,741	-\$5,568	\$31,173
91700 Legal Expense	\$3,025	\$1,100					\$4,125	\$0	\$4,125
91800 Travel	\$6,648	\$7,429					\$14,077	\$0	\$14,077
91900 Other	\$27,955	\$15,981			\$12		\$43,948	\$0	\$43,948
91000 Total Operating - Administrative	\$264,397	\$312,713	\$0	\$0	\$28,088	\$0	\$605,198	-\$5,568	\$599,630
92100 Tenant Services - Salaries	\$0	\$5,852	\$27,396				\$33,248	\$0	\$33,248
92300 Employee Benefit Contributions - Tenant Services	\$0	\$2,296	\$10,694				\$12,990	\$0	\$12,990
92400 Tenant Services - Other	\$280	\$0					\$280	\$0	\$280
92500 Total Tenant Services	\$280	\$8,148	\$38,090	\$0	\$0	\$0	\$46,518	\$0	\$46,518

HOUSING AUTHORITY OF THE CITY OF STILLWATER  
Stillwater, Oklahoma

**NOTES TO THE BASIC FINANCIAL STATEMENTS -- (Continued)**  
September 30, 2015

	Project Total	14,871 Housing Choice Vouchers	14,870 Resident Opportunity and Supportive Services	14,267 Continuum of Care Program	6.2 Component Unit - Blended	97,024 Emergency Food and Shelter National Board Program	Subtotal	ELIM	Total
93100 Water	\$16,175	\$0				\$539	\$16,714	\$0	\$16,714
93200 Electricity	\$73,117	\$0		\$324		\$1,488	\$74,929	\$0	\$74,929
93300 Gas	\$7,395	\$0			\$172	\$123	\$7,690	\$0	\$7,690
93600 Sewer	\$8,685	\$0		\$172		\$409	\$9,266	\$0	\$9,266
93000 Total Utilities	\$105,372	\$0	\$0	\$496	\$172	\$2,559	\$108,599	\$0	\$108,599
94100 Ordinary Maintenance and Operations - Labor	\$56,104	\$0					\$56,104	\$0	\$56,104
94200 Ordinary Maintenance and Operations - Materials and Other	\$91,923	\$545		\$54	\$2,067	\$167	\$94,756	\$0	\$94,756
94300 Ordinary Maintenance and Operations Contracts	\$78,604	\$172		\$77			\$78,853	\$0	\$78,853
94500 Employee Benefit Contributions - Ordinary Maintenance	\$28,844	\$0					\$28,844	\$0	\$28,844
94000 Total Maintenance	\$255,475	\$717	\$0	\$131	\$2,067	\$167	\$258,557	\$0	\$258,557
95200 Protective Services - Other Contract Costs	\$1,960	\$0					\$1,960	\$0	\$1,960
95000 Total Protective Services	\$1,960	\$0	\$0	\$0	\$0	\$0	\$1,960	\$0	\$1,960
96110 Property Insurance	\$29,033	\$0			\$2,733		\$31,766	\$0	\$31,766
96120 Liability Insurance	\$4,977	\$5,556					\$10,533	\$0	\$10,533
96130 Workmen's Compensation	\$4,097	\$4,454			\$2,243		\$10,794	\$0	\$10,794
96140 All Other Insurance	\$5,716	\$2,071					\$7,787	\$0	\$7,787
96100 Total Insurance Premiums	\$43,823	\$12,081	\$0	\$0	\$4,976	\$0	\$60,880	\$0	\$60,880
96200 Other General Expenses	\$111	\$1,866					\$1,977	\$0	\$1,977
96210 Compensated Absences	\$18,579	\$24,290			\$794		\$43,663	\$0	\$43,663
96300 Payments in Lieu of Taxes	\$10,200	\$0					\$10,200	\$0	\$10,200
96400 Bad debt - Tenant Rents	\$12,360	\$0					\$12,360	\$0	\$12,360
96600 Bad debt - Other	\$0	\$5,656					\$5,656	\$0	\$5,656
96000 Total Other General Expenses	\$41,250	\$31,812	\$0	\$0	\$794	\$0	\$73,856	\$0	\$73,856
96900 Total Operating Expenses	\$712,557	\$365,471	\$38,090	\$627	\$36,097	\$2,726	\$1,155,568	-\$5,568	\$1,150,000

HOUSING AUTHORITY OF THE CITY OF STILLWATER  
Stillwater, Oklahoma

**NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)**  
September 30, 2015

	Project Total	14.871 Housing Choice Vouchers	14.870 Resident Opportunity and Supportive Services	14.267 Continuum of Care Program	6.2 Component Unit - Blended	97.024 Emergency Food and Shelter National Board Program	Subtotal	ELIM	Total
97000 Excess of Operating Revenue over Operating Expenses	\$58,992	\$3,159,662	\$0	\$3,725	\$21,089	\$0	\$3,243,468	\$0	\$3,243,468
97300 Housing Assistance Payments	\$0	\$3,200,820		\$3,725			\$3,204,545	\$0	\$3,204,545
97350 HAP Portability-In	\$0	\$11,453					\$11,453	\$0	\$11,453
97400 Depreciation Expense	\$272,575	\$0					\$272,575	\$0	\$272,575
90000 Total Expenses	\$985,132	\$3,577,744	\$38,090	\$4,352	\$36,097	\$2,726	\$4,644,141	-\$5,568	\$4,638,573
10010 Operating Transfer In	\$124,764	\$0					\$124,764	-\$124,764	\$0
10020 Operating transfer Out	-\$124,764	\$0					-\$124,764	\$124,764	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$213,583	-\$52,611	\$0	\$0	\$21,089	\$0	-\$245,105	\$0	-\$245,105
11030 Beginning Equity	\$5,428,669	\$321,396	\$0	\$0	\$60,033	\$0	\$5,810,098	\$0	\$5,810,098
11170 Administrative Fee Equity		\$237,700					\$237,700		\$237,700
11180 Housing Assistance Payments Equity		\$31,085					\$31,085		\$31,085
11190 Unit Months Available	1605	7872		18			9495	0	9495
11210 Number of Unit Months Leased	1603	7484		18			9105	0	9105
11270 Excess Cash	\$2,048,160						\$2,048,160		\$2,048,160
11620 Building Purchases	\$9,414						\$9,414		\$9,414
11640 Furniture & Equipment - Administrative Purchases	\$10,822						\$10,822		\$10,822



# Audit Solutions, LLC.

Certified Public Accountant

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

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

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Housing Authority of the City of Stillwater (Authority), Oklahoma, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued my report thereon dated February 24, 2016.

### **Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

**Purpose of this Report**

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



Shoaib Khar, CPA

*Audit Solutions, LLC*

Chesterfield, Missouri

February 24, 2016



# Audit Solutions, LLC.

Certified Public Accountant

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

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

I have audited the City of Housing Authority of the City of Stillwater (Authority), Oklahoma's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended September 30, 2015. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

My responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

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

### ***Opinion on Each Major Federal Program***

In my opinion, the Housing Authority of the City of Stillwater, Oklahoma, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015.

### **Report on Internal Control Over Compliance**

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Shoaib Khar, CPA

*Audit Solutions, LLC*

Chesterfield, Missouri

February 24, 2016

HOUSING AUTHORITY OF THE CITY OF STILLWATER  
Stillwater, Oklahoma

**SIGNIFICANT DEFICIENCIES COMMUNICATED IN PRIOR YEAR**  
September 30, 2015

---

The prior audit report for the year ended September 30, 2014 contained no audit findings.

**Financial Statement Findings**

None noted.

**Federal Award Findings**

None noted.

HOUSING AUTHORITY OF THE CITY OF STILLWATER  
Stillwater, Oklahoma

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
September 30, 2015

---

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued:	Unqualified
<u>Internal control over financial reporting:</u>	
➤ Material weakness(es) identified?	No
➤ Significant deficiency(ies) identified?	No
Noncompliance material to financial statements noted?	No

**Federal Awards**

<u>Internal control over major programs:</u>	
➤ Material weakness(es) identified?	No
➤ Significant deficiency(ies) identified?	No
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133?	No
<u>Identification of major programs:</u>	
➤ CFDA #14.871      Housing Choice Vouchers	
➤ CFDA #14.872      Capital Fund Program	
Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

**Section II - Financial Statement Findings**

The current audit report for the year ended September 30, 2015 disclosed no Financial Statement audit findings.

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

The current audit report for the year ended September 30, 2015 disclosed no Federal Awards audit findings and questioned costs.

