

MISSOULA HOUSING AUTHORITY
Missoula, Montana

MANAGEMENT'S DISCUSSION & ANALYSIS
AND AUDITED FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2014

TABLE OF CONTENTS

	Page
Unmodified Opinions on Basic Financial Statements Accompanied by Required Supplementary Information and Other Information – State or Local Governmental Entity	1-2
Management’s Discussion & Analysis	3-16
FINANCIAL STATEMENTS	
Statement of Net Position	17
Statement of Revenues, Expenses, & Changes in Net Position	18
Statement of Cash Flows	19-20
Notes to Financial Statements	21-43
SINGLE AUDIT SECTION	
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	44-45
Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB A-133	46-47
Status of Prior Audit Findings	48
Schedule of Findings and Questioned Costs	48
SUPPLEMENTAL INFORMATION	
Financial Data Submission Summary – Net Position Accounts	49-50
Financial Data Submission Summary – Revenues, Expenses, & Changes in Net Position Accounts	51-53
Financial Data Schedule – Net Position Accounts - AMPs	54-55
Financial Data Schedule – Revenues, Expenses, & Changes in Net Position Accounts - Combined Schedule - AMPs	56-58
Financial Data Schedule – Net Position Accounts - Component Units	59-60
Financial Data Schedule – Revenues, Expenses, & Changes in Net Position Accounts - Component Units	61-63
Schedule of Expenditures of Federal Financial Awards	64
Notes to Schedule of Expenditures of Federal Awards	65

**SUPPLEMENTAL INFORMATION
SPECIAL REPORTS**

Statement and Certification of Actual Capital Fund Program Costs – Phase MT06P033-501-11	66
Statement and Certification of Actual Capital Fund Program Costs – Phase MT06R033-501-12	67
Statement and Certification of Actual Capital Fund Program Costs – Phase MT06R033-501-13	68

MISSOULA HOUSING AUTHORITY
Missoula, Montana

**REPORT ON EXAMINATION
OF FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

FISCAL YEAR ENDED SEPTEMBER 30, 2014



**UNMODIFIED OPINIONS ON BASIC FINANCIAL STATEMENTS ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION
AND OTHER INFORMATION – STATE OR LOCAL GOVERNMENTAL ENTITY**

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Missoula Housing Authority
Missoula, Montana 59801

Rocky Mountain, Denver
Public Housing Division
1670 Broadway
Denver, Colorado 80202

Report on Financial Statements

We have audited the accompanying financial statements of the Missoula Housing Authority as of and for the year ended September 30, 2014, and the related notes to the 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we 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 are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinions.

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Missoula Housing Authority, as of September 30, 2014, and the respective changes in financial position and, where appropriate, 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 Management's Discussion and Analysis, as listed in the table of contents, should 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. We 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedure did not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Missoula Housing Authority. The accompanying Schedule of Expenditures of Federal Awards as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as well as the Financial Data Schedules and Special Reports required by the U.S. Department of Housing and Urban Development, are presented for purposes of additional analysis and are 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.

This 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 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 our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2014 on our consideration of the Housing Authority's internal control over financial reporting and our 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 our 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Rector, Reeder & Lofton, P.C.
Rector, Reeder & Lofton, P.C.
Certified Public Accountants

Lawrenceville, Georgia
December 10, 2014

MISSOULA HOUSING AUTHORITY
Missoula, Montana

MANAGEMENT'S DISCUSSION & ANALYSIS

FISCAL YEAR ENDED SEPTEMBER 30, 2014

**MISSOULA HOUSING AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
FYE SEPTEMBER 30, 2014**

The management of the Missoula Housing Authority offers the readers of the Authority's financial statements this narrative overview and analysis of the Authority's financial activities for the year ended September 30, 2014.

This discussion and analysis is designed to:

- assist the reader in focusing on significant financial issues
- provide an overview of the Authority's financial activity
- highlight changes in the Authority's financial position
- identify individual program issues or concerns

Readers should consider the information presented here in conjunction with the Authority's financial statements to obtain a full understanding of its financial position.

This management discussion and analysis is presented in accordance with the requirements of the Governmental Accounting Standards Board Statement No. 34 (GASB 34).

Questions concerning the information provided in this discussion or requests for additional information should be addressed to the Authority's Executive Director.

FINANCIAL HIGHLIGHTS

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$16,757,999 (net position) as opposed to \$14,212,445 for the prior fiscal year.
- The Authority's cash and cash equivalents balance as of September 30, 2014 was \$7,084,088 representing an increase of \$2,374,763 or 50.43% from September 30, 2013. The restricted cash as of September 30, 2014 is comprised of Family Self-Sufficiency escrow and net restricted HAP cash account of \$2,062,582, tenant security deposits in the amount of \$80,466, and \$2,062,265 restricted cash held for current development activity and for future public housing development.
- The Authority had total revenues of \$12,000,363 and total expenses of \$9,454,809 for the year ended September 30, 2014.

OVERVIEW OF THE FINANCIAL REPORTS

The following outline describes the integral parts of this financial presentation and is a guideline for understanding its components:

- I. Management Discussion & Analysis
 - a. Serves as an introduction to the Authority's basic financial statements
- II. Basic Financial Statements
 - a. Authority-wide financial statements
 - b. Program financial statements
 - c. Notes to the financial statements
- III. Other Required Supplementary Information

The financial statements in this report are those of a quasi-governmental entity engaged in a business type activity. The following statements are included:

- Statement of Net Position – presents information about the Authority's assets and liabilities and is similar to a balance sheet. The Statement of Net Position reports all financial and capital resources for the Authority. The statement is presented in the format where **assets – liabilities = "Net Position"** formerly known as Equity or Net Assets. Assets and liabilities are presented in order of liquidity and are classified as "current" (convertible to cash within one year), and "non-current." Increases or decreases in net position will serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.
- Statement of Revenues, Expenses, and Changes in Net Position – reports the Authority's revenues by source and type and its expenses by category to substantiate the change in net position for the fiscal year.
- Statement of Cash Flows – discloses net cash provided by, or used for operating activities, non-capital financing activities, and capital and related financing activities.

Our analysis of the Authority as a whole follows with the most important question, "Has the Authority's financial health improved or worsened as a result of the year's activities?" The following analysis of entity-wide net position, revenues, and expenses is provided to assist with answering the above question. This analysis includes all assets and liabilities using the accrual method of accounting, which recognizes revenues when earned and expenses when incurred regardless of when cash is received or paid.

To fully understand the financial statements of the Housing Authority one must start with an understanding of what the Authority actually does. The following is a brief description of a few of the programs and services that the Authority provides for the residents within its jurisdiction of Missoula City Limits plus a radius of ten miles.

Low Income Public Housing

Missoula Housing Authority owns 176 units. The Authority is responsible for the management, maintenance and utilities for all units and sites. On an annual basis, the Authority submits a request for funding known as the Calculation of Operating Fund Subsidy. The basic concept of the calculation is that the Authority has an Allowable Expense Level, Allowable Utilities Expense Level and Audit Costs, and that HUD will fund the difference between the Allowable Expenses and the amount of rents that the Authority can charge the Authority's tenants. The Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy and Capital Grant funding, with the tenant paying 30% of the household's adjusted gross income for rent.

In December 2008, MHA received HUD approval to sell 20 aging, inefficient large-family public housing units. The proceeds from those sales will be used to produce new energy-efficient public housing that better serves Missoula's needs. One unit was sold in FY2009, eight in FY2010, nine were sold in FY2011, and two were sold in FY2012. In FY2013, MHA received HUD approval to add 4 units of replacement public housing to its inventory using the disposition pool to fund the new units. Two of the new units came on line in FY2014, and increase the inventory of public housing units to 176. Two additional units will come online in FY2015.

Capital Fund Program

HUD provides Capital Fund grants on an annual basis to fund physical and management improvements for the Authority's Public Housing properties. During FY2014, the Authority received Capital Fund grants in the amount of \$304,616.

Section 8 Housing Choice Vouchers (HCV)

HUD has contracted with the Housing Authority for 774 Housing Choice Vouchers. The Authority pays a Housing Assistance Payment (HAP) to private landlords for low income tenants. The HAP matches the difference between the total rent that the landlord can charge, at or below a fair market rent amount set by HUD, and the amount that the tenant must pay, 30% of adjusted gross income. For each unit that the Authority administers, HUD pays the Authority an administrative fee. The Housing Authority is not responsible for the upkeep and maintenance of the units and properties associated with this program.

Shelter Plus Care (SPC)

Shelter Plus Care provides housing subsidies to homeless persons with targeted disabilities who are linked to service providers in the community. Rental assistance (HAP) is paid directly to private landlords, with the tenant paying 30% of adjusted gross income to the landlord for rent. The Housing Authority applies for Shelter Plus Care grants through a statewide process known as "Continuum of Care." The initial grant covers a period of five years, with annual renewals after the first five-year period. MHA's grants fund 112 vouchers.

Section 8 Moderate Rehabilitation Single Room Occupancy

MHA owns and manages a 14-unit single-room occupancy project for homeless persons. The housing subsidy provided by HUD is tied to the unit rather than the tenant, and tenants pay 30% of their adjusted gross income toward the rent. The Housing Authority pays for the maintenance and administration of the project with rents collected and an annual administrative fee from HUD.

Business Activities

The Authority participates in a variety of business activities unrelated to HUD including:

- Ownership and management of two units of unsubsidized low-income housing;
- Holding property for future development;
- Development of low-income housing;
- Providing referral services to residents in property owned by tax credit investor partners;
- Property management for projects owned in part or in whole by the housing authority or related parties;
- Property management for projects owned by others;
- Administration of a Rural Development Mutual Self-Help Homebuilding program.

Palace Apartments Low-Income Housing (LIHTC)

Palace Apartments is a tax credit funded apartment complex which was sold by MHA Holdings LLC, a supporting organization of Missoula Housing Authority, to Palace Apartments LP in FY2012 to facilitate a substantial rehab of this historic property. The rehab was completed in June 2013. The complex is managed by Missoula Housing Authority and is limited to the income guidelines of IRS Code section 42. Units are restricted to families at 40%, 50% and 60% of area median income.

Valor House

With a Capital and Per Diem Grant from the Veterans Administration, MHA constructed Valor House, which has 17 one-bedroom apartments for homeless veterans. The property is managed by MHA, who contracts with the Poverello Center to provide a social services program for the residents.

Silvertip Housing

MHA, through its instrumentality, Intermountain Development Group, entered into a partnership agreement with a private developer, Rocky Mountain Development Group, and the City of Missoula to engage in a mixed finance project of 115 units of affordable housing. In exchange for a capital contribution of sale proceeds from disposition of public housing in the amount of \$1 million, the development, known as Silvertip Apartments, includes 20 floating public housing units. The project was completed in July 2012 and fully leased within 10 months. MHA manages the entire project.

River Ridge Apartments

In August 2013, MHA Holdings, LLC purchased a 70-unit senior Low Income Housing Tax Credit (LIHTC) property known as River Ridge Apartments. The housing authority held a right of first refusal to purchase the property at the end of its 15-year LIHTC compliance period.

ANALYSIS OF AUTHORITY-WIDE NET POSITION (STATEMENT OF NET POSITION)

	FY 2014	FY 2013	NET CHANGE
Cash & Cash Equivalents	\$ 7,084,088	\$ 4,709,325	\$ 2,374,763
Other Current Assets	991,727	662,489	329,238
Capital Assets	9,961,398	9,507,665	453,733
Other Assets	3,586,558	3,488,252	98,306
TOTAL ASSETS	\$ 21,623,771	\$ 18,367,731	\$ 3,256,040
Current Liabilities	\$ 798,205	\$ 325,896	\$ 472,309
Non-current Liabilities	4,067,567	3,829,390	238,177
Total Liabilities	4,865,772	4,155,286	710,486
Net Investment in Capital Assets	5,844,515	5,852,974	(8,459)
Restricted	3,589,355	1,883,173	1,706,182
Unrestricted	7,324,129	6,476,298	847,831
Total Net Position	16,757,999	14,212,445	2,545,554
TOTAL LIABILITIES & NET POSITION	\$ 21,623,771	\$ 18,367,731	\$ 3,256,040

The Authority's cash and cash equivalents increased in FY2014 by \$2,374,763 or 50.43% primarily due to Vantage Villa insurance proceeds in the amount of \$1,901,350 and positive results of operations for the year. Other current assets increased by \$329,238 or 49.70%, primarily as a result of the net change in accounts receivable of \$330,162 or 55.55%. This is mainly due to the increase in notes receivables due to the recording of Palace Apartments deferred developer fee in the amount of \$517,700, with \$335,614 due within one year.

Capital and Other Assets increased by \$552,039 or 4.25%. This was due to an increase in Capital Assets of \$453,733 or 4.77%, mainly due to an increase in Construction in Progress. However, land held by Intermountain Development Corporation was sold, resulting in a decrease in land of \$203,911 or 9.81%. This is discussed in more detail in the Capital Assets section of this analysis. The amount invested in joint ventures decreased by \$43,226 or 2.09%, primarily due to a loss recognized by Silvertip Housing Inc. The non-current portion of notes receivable increased by \$141,532 or 9.95%.

Total current liabilities increased by \$472,309 or 144.93% during the year. This was mainly due to increases in the current portion of long-term debt of \$194,609 or 328.70% as explained in the debt section of this report. Accounts payable also increased by \$122,795 or 228.85%, as did accrued liabilities by \$31,237 or 33.11%, which is due to the timing of payables and accruals at year-end. Other current liabilities increased by \$120,947 or 419.98% due to interest on the EPC loan.

Non-current liabilities increased by \$238,177 or 6.22% due to an increase in the non-current portion of long-term debt of \$267,583 or 7.44%, the net effect of closing out the IDC loan and the addition of the loan necessary for the acquisition of the River Ridge Apartments. Non-current accrued compensated absences decreased by \$6,986 or 7.83% and other noncurrent liabilities decreased by \$22,420 or 15.50%, which was due to Family Self-Sufficiency escrow disbursements to program participants during the year.

Total Net Position increased by \$2,545,554 or 17.91%, due to the receipt of insurance reimbursement for Vantage Villa, the combined positive results of operations for FY2014 and the cumulative effect of capital asset activity.

ANALYSIS OF AUTHORITY-WIDE REVENUES AND EXPENSES (STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION)

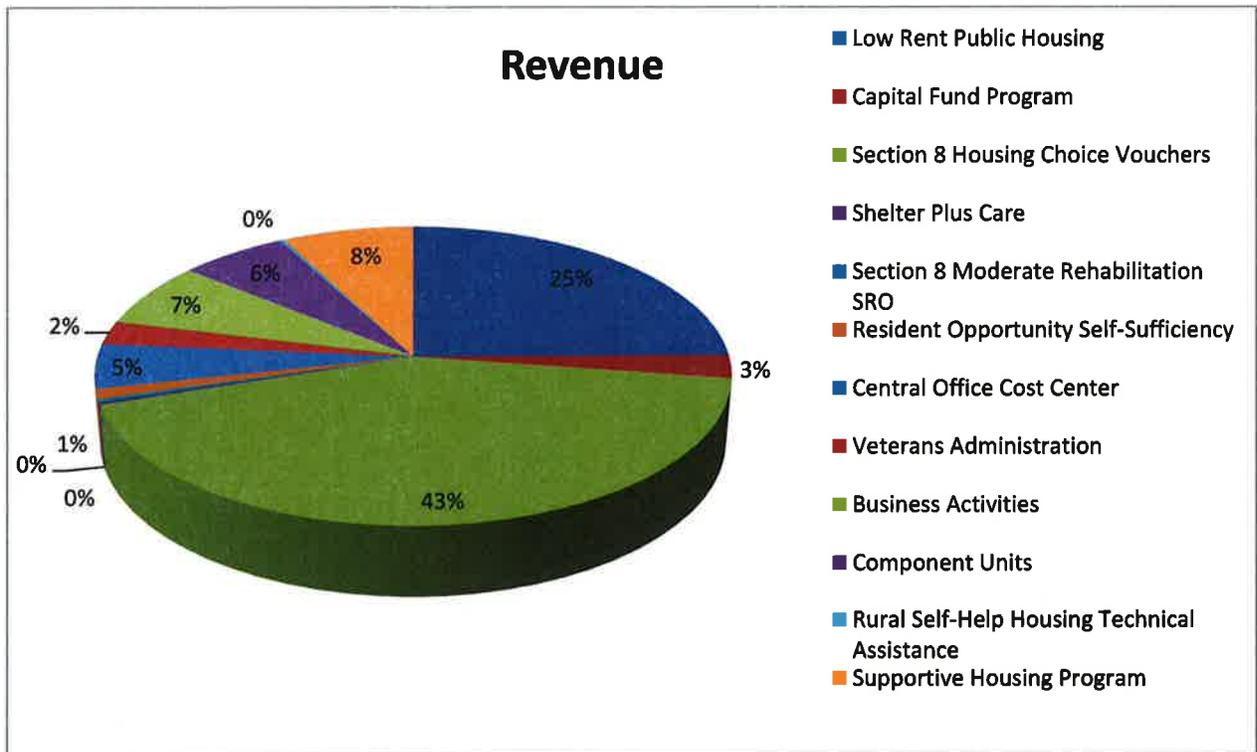
Revenues

The Authority administers the following programs, and the revenues generated from these programs during the fiscal year ending 2014 were as follows:

<u>Source</u>	<u>Revenues Granted</u>
Low Rent Public Housing	\$2,978,075
Capital Fund Program	\$304,616
Section 8 Housing Choice Vouchers	\$5,110,444
Shelter Plus Care	\$30,263
Section 8 Moderate Rehabilitation SRO	\$47,808
Resident Opportunity Self-Sufficiency	\$128,484
Central Office Cost Center	\$578,068
Veterans Administration	\$297,553
Business Activities	\$844,879
Component Units	\$739,236
Rural Self-Help Housing Technical Assistance	\$31,738
Supportive Housing Program	\$909,199

REVENUES	FY 2014	FY 2013	NET CHANGE
Tenant Revenue	\$ 965,771	\$ 521,572	\$ 444,199
Government Operating Grants	7,174,610	7,121,254	53,356
Other Revenue	1,546,093	1,041,890	504,203
Interest Income	68,841	51,475	17,366
Capital Grants	265,268	295,750	(30,482)
Gain/Loss on Disposition of Capital Assets	1,979,780	(23,321)	2,003,101
TOTAL REVENUES	\$ 12,000,363	\$ 9,008,620	\$ 2,991,743

Tenant revenue increased by \$444,199 or 85.17% in FY2014 due to an increase in the amount of income earned by tenants and a full year of rents from River Ridge, purchased in August 2013. The increase in operating grants of \$53,356 or 0.75% is due to an increased subsidy provided by HUD for housing assistance for the Public Housing and Housing Choice Voucher programs. Interest income increased by \$17,366 or 33.74% due to recording Palace Apartments interest due to MHA Holdings. Capital grants expenditures were less for this fiscal year explaining the decrease of \$30,482 or 10.31% for the year. The increase in gain/loss on the disposition of capital assets during the year is primarily due to the gain recognized by recording the Vantage Villa insurance reimbursement. Other revenue increased by \$504,203 or 48.39% due primarily to the recording of Palace Apartments developer's fee.



Expenses

The following table illustrates changes in expenses from FY2013 to FY2014. Discussion of the significant variances by category immediately follows:

EXPENSES	FY 2014	FY 2013	NET CHANGE
Administrative	\$ 1,784,136	\$ 1,446,780	\$ 337,356
Tenant Services	454,656	559,246	(104,590)
Utilities	207,455	177,775	29,680
Maintenance	628,031	586,333	41,698
Protective Services	2,043	5,948	(3,905)
Interest Expense	86,011	93,575	(7,564)
General Expense	270,812	394,603	(123,791)
Housing Assistance Payments	5,408,636	5,553,461	(144,825)
Depreciation	613,029	535,057	77,972
TOTAL EXPENSES	\$ 9,454,809	\$ 9,352,778	\$ 102,031

Administrative expenses increased by \$337,356 or 23.32%. This increase is attributable to increases in salaries and benefits of \$273,688 or 24.26% due to changes in personnel and a mid-year raise for employees, outside management fees of \$40,482 or 100.00% due to corresponding expense on additional HUD funding, advertising and marketing fees of \$5,593 or 289.49% due to staff hiring advertisements, and office expenses of \$66,659 or 75.23% due to a salary survey and purchase of software subscription which was not capitalized. These increases were offset by decreases in auditing fees of \$2,498 or 6.25%, legal expenses of \$1,224 or 91.28% due to use of free legal services provided by the City of Missoula, travel expenses of \$4,653 or 16.27% due to in house training seminars, and other operating – administrative expenses of \$40,691 or 25.72% due to decrease in technical/administrative support charges by the software provider in 2014, as well as reduced charges in dues and subscriptions.

Tenant services decreased in FY2014 by \$104,590 or 18.70% primarily due to the reduction in relocation costs made necessary by a fire in FY2013. Salaries and benefits decreased by \$17,260 or 26.11%, and relocation costs decreased by \$90,517 or 100.00%. Other resident services increased by \$3,187 or 0.79%.

Utility costs increased by \$29,680 or 16.70% due to rate changes during the year. Water and sewer increased by \$3,467 or 4.06%, electricity increased by \$7,157 or 9.86%, and gas increased by \$19,056 or 96.55%.

Maintenance expenses increased by \$41,698 or 7.11% this year. This was due to increases of \$48,916 or 14.39% in labor and benefit costs due to an agency wide raise instituted, and \$56,631 or 43.89% in contract costs, the largest of which was an increase in snow removal contracts of \$35,416 or 588.50%, due to harsher weather conditions in the winter. These increases were offset by a decrease in materials of \$63,849 or 54.44% due to fewer materials required for work orders.

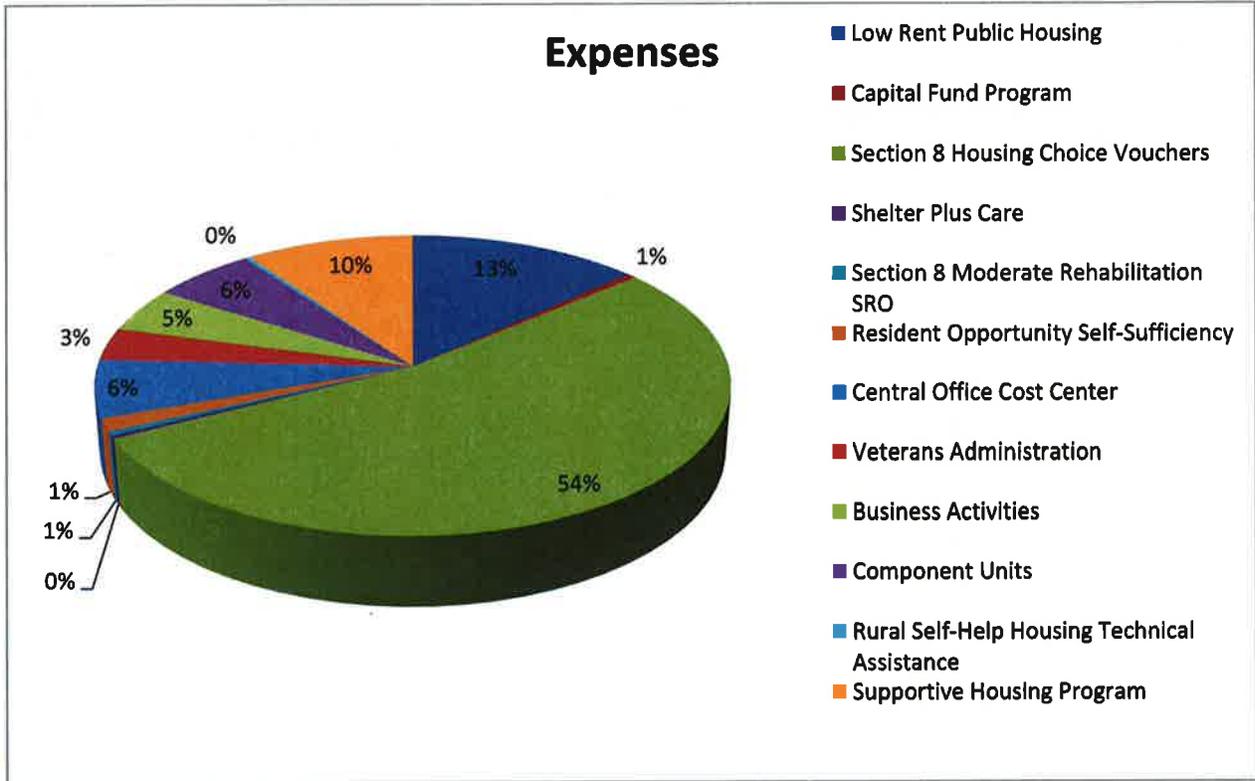
Protective services decreased by \$3,905 or 65.65%, mainly due to a decrease of \$4,571 or 77.66% in contract costs. Protective services salaries increased by \$666 or 1074.19%.

Interest expense decreased by \$7,564 or 8.08% due to the retirement of debt during the fiscal year.

General expenses decreased by \$123,791 or 31.37%. This was due to decreases in other general expenses of \$134,430 or 59.21%, PILOT expense of \$1,442 or 11.55%, and total bad debt of \$12,684 or 49.11%. However, insurance premiums increased by \$11,334 or 11.01%, due mainly to an increase in property insurance premiums of \$23,365 or 76.70%, which was offset by a decrease in liability insurance premiums of \$13,891 or 24.21%. Compensated absences also increased by \$13,431 or 50.99% due to the agency wide raise instituted during the year.

HAP expenses decreased by \$144,825 or 2.61% due to decreased leasing as a result of budget cuts at the federal level.

Depreciation expense increased by \$77,972 or 14.57% due to asset aging.



BUDGETARY ANALYSIS

The Authority adopts a consolidated annual operating budget for all programs. The budget for Low Income Public Housing is adopted by the Board as part of the overall operating budget.

COMPARISON BUDGET VS. ACTUAL – LOW INCOME PUBLIC HOUSING			
	ACTUAL	BUDGET	VARIANCE
Tenant Revenue	\$223,926	\$203,346	\$20,580
HUD Operating Income	\$805,502	\$673,563	\$131,939
Other Revenue	\$1,985,868	\$3,290	\$1,982,578
Total Operating Revenue	\$3,015,296	\$880,199	\$2,135,097
Administrative	\$353,051	\$287,656	\$65,395
Tenant Services	\$251	\$97,820	(\$97,569)
Utilities	\$83,716	\$75,364	\$8,352
Maintenance	\$238,469	\$259,608	(\$21,139)
Protective Services	\$799	\$1,092	(\$293)
Other Operating	\$185,057	\$126,057	\$59,000
Total Operating Expenses	\$861,343	\$847,597	\$13,746
Operating Income (Loss)	\$2,153,953	\$32,602	\$2,121,351

A budget was prepared which anticipated \$32,602 in net operating gain. Actual results of operations reflected an increase in net operating income of \$2,153,953. The increased expenses and income (insurance) are largely the result of a fire at Vantage Villa in June 2013.

CAPITAL ASSETS

At year-end, the Authority had \$9,961,398 invested in capital assets as outlined in the following schedule, which represents a net increase of \$453,733 or 4.77% from the end of the last year.

CAPITAL ASSETS	FY 2014	FY 2013	NET CHANGE
Land	\$ 1,874,940	\$ 2,078,851	\$ (203,911)
Buildings & Improvements	14,506,386	15,829,420	(1,323,034)
Furniture, Equipment & Machinery	518,852	512,579	6,273
Construction in Progress	1,420,323	203,902	1,216,421
	<u>18,320,501</u>	<u>18,624,752</u>	<u>(304,251)</u>
Less Accumulated Depreciation	<u>(8,359,103)</u>	<u>(9,117,087)</u>	<u>757,984</u>
TOTAL CAPITAL ASSETS	\$ <u>9,961,398</u>	\$ <u>9,507,665</u>	\$ <u>453,733</u>

Major changes in the capital asset accounts are summarized below:

Balance at October 1, 2013	\$ 9,507,665
Current period additions – operations	175,471
Current period additions – Vantage Villa rehab	1,073,499
Current period additions – capital fund	265,268
Current period additions – business activities	46,439
Current period additions – component unit	95,517
Dispositions of assets, net	(589,432)
Current period depreciation expense	<u>(613,029)</u>
 Balance at September 30, 2014	 <u>\$ 9,961,398</u>

The increase in Capital Assets is primarily due to two new units of Public Housing being placed into service.

DEBT OUTSTANDING

MHA has debt through an Energy Performance Contracting loan which will be repaid over 17 years with energy savings and HUD incentives. At the end of the fiscal year, the balance of this debt was \$1,757,844.

Effective February 26, 2010, the Housing Authority entered into a loan agreement with the City of Missoula in an amount totaling \$435,000. This note is a CDBG sponsor loan and is designed to help finance affordable housing owned by the Garden District I, LP. Under the terms of the note, simple interest shall accrue at a rate of 1.0% per annum. Interest shall accrue from the date of the Note until September 1, 2024. Annual payment of interest only in the amount of \$4,350 shall be due on September 1, 2024 and on September 1, 2025. Beginning September 1, 2026, annual payments in the amount of \$27,924.53 shall be made until September 1, 2045, when the entire balance of principal and all accrued interest is payable under this note. The note is secured by a second deed of trust on the Project. As of September 30, 2014, the principal balance was \$235,000. All amounts are considered long-term.

On August 30, 2014, MHA Holdings LLC, entered into a loan agreement with First Interstate Bank in an amount of \$2,106,000 at an interest rate of 3.5% to facilitate the acquisition of the River Ridge Apartments, a 70 unit senior tax credit property. Under the terms of the loan, MHA Holdings will pay regular monthly payments of all accrued interest and one payment of all outstanding principal plus all accrued unpaid interest will be paid upon the loan’s maturity at August 30, 2016. As of September 31, 2014, the balance outstanding was \$1,990,516.

Component unit Garden City Neighbors owes \$133,523 to Ravalli County Bank for the purchase of Nicole Court land in Stevensville. This loan was renewed as a five-year loan with principal and interest payments due once annually throughout the life of the loan.

Note	Balance at 9/30/13	Increases	Decreases	Balance at 9/30/14
Capital One - EPC Loan	\$ 1,284,390	\$ -	\$ (23,183)	\$ 1,261,207
First Security - EPC Loan Phase II	-	496,637	-	496,637
City Loan - CDBG	235,000	-	-	235,000
First Interstate Bank - MHA	1,990,516	-	-	1,990,516
Ravelli County Bank - GCN	144,785	-	(11,262)	133,523
	<u>\$ 3,654,691</u>	<u>\$ 496,637</u>	<u>\$ (34,445)</u>	<u>\$ 4,116,883</u>

NON-FEDERAL ACTIVITIES

MHA has three component units, is the general and managing partner of the Russell Square Apartments Low Income Housing Tax Credit (LIHTC) Project, is the permanent lender and management agent of a second LIHTC project called Maclay Commons, is the general and managing partner of the Garden District Phase I project and the Palace Apartments LP.

Non-profit component unit Intermountain Development Company purchased a 12-acre site in 2003 and subdivided the property into five lots. In April 2009, MHA received an allocation of 9% tax credits and has completed the development of a 37-unit tax credit housing project on Lot 4 of the subdivision. Two lots, 3 & 5, were sold subsequent to the fiscal year end, on December 24, 2012. The remaining two lots were sold in November 2013. Intermountain Development Company is a 17.39% owner of the Silvertip Apartments mixed finance development.

Garden City Neighbors was formed in 2002 and has been used to purchase and hold several properties for various non-profit or governmental entities. It is not limited to MHA's jurisdiction, and in November 2005 purchased a tract of land in Stevensville, Montana with an allocation of tax credits already awarded. The tax credits had to be returned to the State when the development could not proceed because the City of Stevensville could not provide sufficient water to the site and was not permitted by the State to issue building permits. There is a bank loan of \$144,785 (principal) on the land with a maturity date of November 2015, and a loan from MHA for approximately \$109,500 expended in due diligence and predevelopment costs on the Stevensville site. In July 2006, the MHA Board of Commissioners resolved to accept a \$165,000 construction management fee from the development of Maclay Commons as payment of the Nicole Court debt. Garden City Neighbors is the general partner of the Maclay Commons tax credit partnership. Options for development or sale of the Stevensville land are actively underway.

Component unit MHA Holdings, LLC was formed in September 2006 as a single-purpose entity to purchase the Palace Apartments. MHA Holdings sold the Palace to the Palace Apartments Limited Partnership in April 2013. In August, 2013, MHA Holdings purchased River Ridge Apartments, a 70-unit senior tax credit property.

SIGNIFICANT FUTURE EVENTS

Public Housing disposition has created a pool of funds which will be used to develop more efficient Public Housing units. Four replacement public housing units are in progress on two parcels of land donated to the housing authority by the City of Missoula. Efforts to continue utilizing these funds in HUD-approved projects will continue. Some of these funds may be used to help finance new office space for the housing authority in 2014-2015.

In late 2011, MHA established a partnership with NeighborWorks of Great Falls in order to apply for an expansion of their Rural Development Self-Help Grant to bring the program to Missoula. The grant was awarded, land secured, families qualified, and a new self-help build started in June of 2012. Year Two of the build has been completed. MHA has applied for a new two-year Self-Help Grant in 2014 to continue the program in the Missoula area.

MHA holds the right to purchase Parkside Village, a 104-unit LIHTC property reaching its 15-year compliance period, and will be pursuing the purchase of the development from the current owners.

MHA has a conditional award of Low Income Housing Tax Credits for the rehabilitation of River Ridge Apartments. If tax credits from 2012 awards are returned to the state, MHA will receive the credits and be able to start the development process during FY2015. There may be a gap in funding, depending on how many credits might be returned, in which case MHA plans to apply for City of Missoula and State of Montana HOME funds.

MHA is applying for a State HOME grant of approximately \$700,000 to fund the construction of a new 6-unit development to be built on the third and final city-donated parcel of land on California Street in Missoula. If the grant is awarded, the units will be income-restricted one-bedroom units rented to the general public at high and low HOME rents.

In January 2014, MHA entered into a change order for its Energy Performance Contract (EPC) with Johnson Controls, Inc. The additional work was made possible by higher energy savings than predicted in the original EPC contract. Much of the additional work will be done at Vantage Villa, the public housing property severely damaged by an arson fire in June 2013.

Component unit Garden City Neighbors paid off the \$133,523 loan to Ravalli County Bank for the purchase of Nicole Court land in Stevensville on November 24, 2014. This loan was paid by funds loaned to Garden City Neighbors by Business unit Development.

ECONOMIC FACTORS

Listed below are significant economic factors that may impact the Authority in the future.

- The Department of Housing & Urban Development (HUD) has historically under-estimated the subsidy needs of public housing authorities. Funding for subsidized housing programs in FY2014 is slightly higher than FY2013 levels, but continues to be less than necessary to operate the programs.
- Pressure on the federal budget will remain in the form of both record deficits and competing funding needs.
- Congress has not approved an extension of the fixed 9% rate for new LIHTC projects. The lawsuit filed against the Montana Board of Housing (MBOH) in 2012 by an unsuccessful applicant was decided in January 2014 in favor of the MBOH. The Montana tax credit program is extremely competitive and oversubscribed. It is impossible to predict where the Montana Board of Housing might choose to place future allocations of credits.
- Interest rates for short term loans, in particular construction loans, remain relatively low. Permanent lending appears to be easier to obtain with interest rates remaining around 6%. The interest rates have a significant effect on new construction and acquisition/rehab projects the Housing Authority is undertaking.

FINANCIAL CONTACT

Questions concerning any of the information provided in this Management Discussion & Analysis should be addressed to:

Missoula Housing Authority
Executive Director
1235 34th Street
Missoula, MT 59801
(406) 549-4113

MISSOULA HOUSING AUTHORITY
Missoula, Montana

AUDITED FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2014

MISSOULA HOUSING AUTHORITY

Missoula, MT

STATEMENT OF NET POSITION

September 30, 2014

ASSETS

Current Assets

Cash & cash equivalents - unrestricted	\$	2,878,775
Cash & cash equivalents - restricted		4,205,313
Accounts receivable		360,870
Notes receivable		563,661
Prepaid expenses		51,075
Inventories		<u>16,121</u>
Total Current Assets		<u>8,075,815</u>

Noncurrent Assets

Notes receivable		1,564,090
Other assets		300
Investment in joint ventures		<u>2,022,168</u>
Total Other Noncurrent Assets		<u>3,586,558</u>

Capital Assets

Land		1,874,940
Buildings		13,255,771
Improvements		1,250,615
Furniture & equipment		518,852
Construction in progress		<u>1,420,323</u>
		18,320,501
Less: Accumulated depreciation		<u>(8,359,103)</u>
Total Capital Assets		<u>9,961,398</u>

Total Noncurrent Assets		<u>13,547,956</u>
-------------------------	--	-------------------

TOTAL ASSETS	\$	<u><u>21,623,771</u></u>
---------------------	----	--------------------------

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

LIABILITIES & NET POSITION

Current Liabilities

Accounts payable	\$	176,452
Accrued liabilities		275,322
Unearned revenue		12,150
Current portion of mortgage & notes payable		253,815
Tenant security deposits/escrow deposits		<u>80,466</u>
Total Current Liabilities		<u>798,205</u>

Noncurrent Liabilities

Accrued compensated absences		82,236
Mortgage & Notes Payable - net of current		3,863,068
Other noncurrent liabilities		<u>122,263</u>
Total Noncurrent Liabilities		<u>4,067,567</u>
TOTAL LIABILITIES		<u>4,865,772</u>

NET POSITION

Net Investment in Capital Assets		5,844,515
Restricted		3,589,355
Unrestricted		<u>7,324,129</u>
TOTAL NET POSITION		<u>16,757,999</u>

TOTAL LIABILITIES & NET POSITION \$ 21,623,771

MISSOULA HOUSING AUTHORITY
Missoula, MT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Operating Revenues

Dwelling rent	\$	965,771
Governmental grants & subsidy		7,174,610
Other income		1,546,093
Total Operating Revenues		9,686,474

Operating Expenses

Administration		1,784,136
Tenant services		454,656
Utilities		207,455
Maintenance & operations		628,031
Protective services		2,043
General expense		227,586
Housing assistance payments		5,408,636
Depreciation expense		613,029
Total Operating Expense		9,325,572

Net Operating Income/(Loss)		360,902
------------------------------------	--	----------------

Nonoperating Revenues/(Expenses)

Investment & mortgage income		68,841
Interest expense		(86,011)
Gain/(Loss) on investment in joint venture		(43,226)
Gain/(Loss) on disposition of assets		1,979,780
Net Nonoperating Revenues/(Expenses)		1,919,384

Net Income/(Loss) before capital contributions		2,280,286
---	--	------------------

Capital grants		265,268
----------------	--	----------------

Increase/(Decrease) in Net Position		2,545,554
--	--	------------------

Total Net Position - beginning		14,212,445
--------------------------------	--	------------

Total Net Position - ending	\$	16,757,999
------------------------------------	----	-------------------

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

MISSOULA HOUSING AUTHORITY
Missoula, MT

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$	2,511,864
Governmental grants & subsidy - operations		7,174,610
Payments to suppliers		(1,203,378)
Payments for housing assistance		(5,408,636)
Payments to employees		<u>(1,839,507)</u>
 NET CASH PROVIDED/(USED) FROM OPERATING ACTIVITIES		 <u>1,234,953</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Notes receivable issued for developer fees		(517,700)
Payments received on notes receivable		34,202
Interest received		<u>68,841</u>
 NET CASH PROVIDED/(USED) FROM INVESTING ACTIVITIES		 <u>(414,657)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Grant revenue - capital grants		265,268
Acquisition of capital assets - capital grant program		(265,268)
Acquisition of capital assets - Vantage Villa rehab		(1,073,499)
Acquisition of capital assets - business activities		(46,439)
Acquisition of capital assets - component unit		(95,517)
Acquisition of capital assets - operations		(175,471)
Proceeds from issuance of debt obligations		496,637
Repayment of debt obligations		(34,445)
Interest paid		(86,011)
Proceeds from disposition/sale of property		<u>2,569,212</u>
 NET CASH PROVIDED/(USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES		 <u>1,554,467</u>
 NET INCREASE/(DECREASE) IN CASH		 2,374,763
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		<u>4,709,325</u>
 CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$	 <u><u>7,084,088</u></u>

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

MISSOULA HOUSING AUTHORITY
Missoula, MT

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES

Net Income/(Loss) from operations	\$	360,902
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation		613,029
Decrease (Increase) in accounts receivable		11,804
Decrease (Increase) in prepaid expenses		12,636
Decrease (Increase) in inventory		(11,712)
Increase (Decrease) in accounts payable		122,795
Increase (Decrease) in accrued expenses		145,198
Increase (Decrease) in unearned revenue		24
Increase (Decrease) in security/trust deposits		<u>(19,723)</u>
 NET CASH PROVIDED/(USED) FROM OPERATING ACTIVITIES	 \$	 <u><u>1,234,953</u></u>

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

MISSOULA HOUSING AUTHORITY
Missoula, Montana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE A - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY:

Introduction - The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP). Effective for fiscal year 2013, the Authority has adopted the provisions of GASB Statement No. 62, *"Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements."* The objective of this Statement is to incorporate GASB's authoritative literature and certain FASB and American Institute of Certified Public Accountants' ("AICPA") accounting and financial reporting guidance issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements.

GASB Statement No. 62 also supersedes Statement No. 20, *"Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting,"* thereby eliminating the election provided in that Statement for enterprise funds and business-type activities that apply post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this Statement.

The more significant of the government's accounting policies are described below:

Organization - The Missoula Housing Authority ("The Authority") is a Quasi-governmental entity which was organized under the laws of the State of Montana as a tax-exempt, quasi-governmental entity under the United States Housing Act of 1937. The Missoula Housing Authority (MHA) is a public non-profit organization dedicated to providing safe, decent and affordable housing to individuals and families in Missoula, MT and within a 10-mile radius of Missoula's city limits.

Missoula voters created the Missoula Housing Authority in 1978. Currently, Montana state law says that public-housing authorities shall address the problems of poor building conditions, improper planning, excessive land coverage, and unsafe conditions caused by overcrowding. As of September 30, 2014, the Missoula Housing Authority owned, managed, or provided subsidy to over 1124 housing units.

The seven-member Board of Commissioners governs the Missoula Housing Authority and is responsible for establishing policy and approving MHA's annual budget. The Board of Commissioners also hires the Executive Director, who serves as the agency's Chief Executive Officer. The Executive Director oversees the day-to-day operations of the Housing Authority and implements policies and programs established by the Board.

Each Board member is appointed by the Mayor of Missoula. Two of the seven member board are resident commissioners who are MHA residents as well as members of the board. Resident commissioners serve a 2-year term. The remaining five commissioners commit to a 5-year term.

MISSOULA HOUSING AUTHORITY
Missoula, Montana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014
(Continued)

NOTE A - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY: (Cont'd)

Reporting Entity - All activities, programs and organizations on which the PHA exercises oversight responsibility have been included in the financial statements for the year ended September 30, 2014. This report does not exclude any operations of the PHA. The following criteria regarding manifestation of oversight were considered by the IPA in its evaluation of the PHA's organization and activities.

- a. **Financial Interdependency** – The PHA is responsible for its debts and is entitled to surpluses. No separate agency receives a financial benefit nor imposes a financial burden on the PHA.
- b. **Election of Governing PHA** – The locally appointed Board of Commissioners is exclusively responsible for all public decisions and accountable for the decisions it makes.
- c. **Designation of Management** – The Mayor appoints the Board of Commissioners, who in turn hires the Executive Director. The Executive Director is responsible for the management of the PHA. The activities under the purview of management are within the scope of reporting entity of management is accountable to the PHA for the activities being managed.
- d. **Ability to Significantly Influence Operations** – The Board of Commissioners has the statutory authority under the provisions of the Bylaws of the PHA to significantly influence operations. This authority includes, but is not limited to, adoption of budgets, control over all assets, including facilities and properties, signing contracts, and developing the programs to be provided.
- e. **Accountability for Fiscal Matters** – The responsibility and accountability over all funds is vested in the PHA's management.

A summary of each of the programs administered by the Authority included in the financial statements is provided below to assist the reader in interpreting the financial statements. These programs constitute all programs subsidized by HUD and operated by the Authority.

Public Housing Agency Owned Housing Program – The public housing agency owned housing program (referred to in the financial statements as PHA Owned Housing) is designed to provide low-cost housing within the City of Missoula. Funding is provided by eligible residents who are charged monthly rent based on family size, family income, and other determinants, as well as by subsidies provided by HUD. Missoula Housing Authority's Public Housing portfolio totals 135 rental units located within the City of Missoula and within a ten mile radius. These units are owned and operated by MHA.

Capital Fund Program – The purpose of the capital fund program is to provide another source of funding to cover the cost of physical and management improvements and rehabilitation on existing low-income housing and improving the central office facilities. Funding for this program is provided by grants from HUD.

MISSOULA HOUSING AUTHORITY
Missoula, Montana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014
(Continued)

NOTE A - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY: (Cont'd)

Housing Assistance Payments Program – Section 8 of the Housing and Community Development Act of 1974 provides subsidies (“Housing Assistance Payments”) on behalf of lower-income families to participating housing owners. Under this program, the landlord-tenant relationship is between a housing owner and a family rather than the Authority and a family as in other low-income housing programs. For existing housing, and in some cases in new construction and substantial rehabilitation, HUD contracts with the Authority to enter into contracts with owners to make assistance payments for the difference between the approved contract rent and the actual rent paid by the lower-income families. With regard to new or substantially rehabilitated housing under the Housing Assistance Payments Program, the Authority may also be the owner-developer. This program provided a total of 774 units of rental assistance.

Shelter Plus Care – The Shelter Plus Care Program offers housing to members of the disabled community that is linked directly to services appropriate to each resident. The housing comes from renting apartments in the community using rental assistance paid directly to a landlord. Services, such as mental and medical health, case management, education and training, and rehabilitation care are provided through partnerships with local agencies. The Housing Authority does its part by having regular contact with the resident to help him or her succeed and to administer the program. The client plays a key role in the program, too, in constantly working towards the goal of self-sufficiency and independence. MHA has targeted disabled populations that include those with mental illness, recovering from drug or alcohol abuse, or has AIDS/HIV for the Shelter Plus Care Program. This program provided a total of 5 units of rental assistance.

Veterans Homeless Providers Grant (Valor House) – The Valor House was completed in September of 2005 to serve homeless U.S. veterans. There are 17 fully furnished one-bedroom apartments and many community spaces including a community kitchen, a library, game room, a large lobby, private meeting spaces and computer spaces. Valor House residents have a minimum one-year stay and when a veteran successfully ‘graduates’ from the program, after one year, he/she will be eligible to receive a tenant-based Section 8 rental subsidy voucher to attain permanent housing of their choice. The project is located within walking distance to many services including public transit, a supermarket, the VA out patient medical clinic and VA vocational rehab facilities.

Moderate Rehabilitation/SRO Program – The objective of this program is to provide housing for eligible homeless individuals through housing assistance payments to eligible landlords. During the audit period, MHA was eligible for funding for 14 units and received \$47,808 of assistance that was utilized at the Uptown Apartments, a business activity of MHA.

Family Self-sufficiency Program – The goal of the Family Self-Sufficiency Program (FSS) is to provide clients with a way out of poverty and dependency throughout their own efforts and accomplishments. FSS Escrow activities are included in both the Low-rent Public Housing Program and Housing Choice Voucher Programs.

MISSOULA HOUSING AUTHORITY
Missoula, Montana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014
(Continued)

NOTE A - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY: (Cont'd)

Business Activities – This program area consists of three primary activities. This includes the Development Fund, the operation of the Uptown Apartments (a SRO facility owned by MHA and partially funded by the MR/SRO HUD program funding mentioned previously) and the Business Activities Fund (consisting of two parcels, one deeded from Missoula County, the other purchased in 2003).

BLENDED COMPONENT UNITS

A review of activities associated with the Missoula Housing Authority revealed four entities that are considered component units of the Authority. These are as follows:

Intermountain Development Corporation, Inc. (IDC) – IDC is a private, non-profit 501(c)3 corporation, created and existing under the laws of the State of Montana and acting as an instrumentality of the Missoula Housing Authority. As of September 30, 2014, the IDC board composition was comprised of a majority interest of the Housing Authority. Accordingly, the financial statements are presented on a blended basis and are included in the consolidated Enterprise Fund financial statement presentation. The IDC was established to expand housing opportunities for low and moderate-income residents of Missoula County. IDC's primary activity relates to the purchase and ownership of a 12-acre site to develop a mixed use, mixed income and mixed ownership project centrally located near downtown Missoula, along Russell Street, which was sold in the current fiscal year. As of September 30, 2014, the entity still exists and only a few assets still remain in the corporation. The combining schedule in the supplemental information shows a summary of the net position and operating results for this entity.

MHA Holdings LLC (MHLLC) – MHLLC is a private, non-profit corporation, created in September 2006 as a component unit of the Missoula Housing Authority. As of September 30, 2014, the MHLLC board composition was comprised of a majority interest of the Housing Authority. Accordingly, the financial statements are presented on a blended basis and are included in the consolidated Enterprise Fund financial statement presentation. MHA Holdings LLC was created to assist with the acquisition of certain affordable housing in the Missoula area. On August 30, 2014, MHA Holdings LLC, purchased from the Bitterroot Housing Limited Partnership 70 units of affordable housing which is known as River Ridge Apartments. The property was acquired with a mortgage note as disclosed further in the notes to the financial statements.

Garden City Neighbors, Inc. (GCN) – GCN is a private, non-profit 501 (c) 3 corporation, created on April 23, 2002, and functions as an instrumentality of the Missoula Housing Authority to provide high quality, safe and sanitary housing which is affordable to low-income residents. Its jurisdiction is statewide. As of September 30, 2012, the GCN board, consisting of three directors, had one member outside of MHA employees or board members. GCN was initially created to expand housing opportunities for low and moderate income households. In 2005, it assisted with the creation and development of Maclay Commons, a Low-income Housing Tax Credit Development and in this capacity acts as the General Partner of Maclay Commons Associates, LP. In addition, GCN contributed land to Maclay and this donation is reflected in other assets. GCN has the right of first refusal to purchase the development at the end of the tax-credit compliance period. In addition, MHA is the operating deficit guarantor of the development, however Annual Contributions Contract assets and income streams are released from the guarantee. GCN also owns acreage in Stevensville, Montana which is being actively marketed for sale.

MISSOULA HOUSING AUTHORITY
Missoula, Montana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014
(Continued)

NOTE A - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY: (Cont'd)

Bristlecone Development LLC (BDLLC) – BDLLC is a private, non-profit corporation, created in November 2011 as a component unit of the Missoula Housing Authority. As of September 30, 2014, the BDLLC board composition was comprised of a majority interest of the Housing Authority. Accordingly, the financial statements are presented on a blended basis and are included in the consolidated Enterprise Fund financial statement presentation. BDLLC was created to serve as the general contractor for the rehabilitation of the Palace Apartments, a complex containing 60 units that are reserved exclusively for low-income residents. It was purchased by MHA on September 29, 2006, and subsequently sold to Palace Apartments LP on April 27, 2012, and is currently undergoing extensive renovations and rehabilitation.

Basis of Presentation: Program Accounting – The accounts of the Authority are organized on the basis of programs, each of which is considered a separate accounting entity. The Authority has created a number of discrete funds within each fund type. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, net position, revenues, and expenses. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific programs in accordance with laws, regulations, or other restrictions, including those imposed by HUD. The funds of the Authority are all considered proprietary fund types and consolidated into one enterprise fund. The Authority's proprietary funds are enterprise funds used to account for activities that are operated in a manner similar to those found in the private sector. Proprietary fund equity is segregated into three broad components: Net Investment in Capital Assets, Restricted Net Position, and Unrestricted Net Position.

Basis of Accounting:

The accounting policies of the Missoula Housing Authority conform to accounting principles generally accepted in the United States of America as applicable to governments. Revenues are recognized when earned and expenses are recognized as soon as a liability is measurable or incurred.

Budgets and Budgetary Accounting:

The Authority is required by contractual agreements to adopt annual, appropriated operating budgets for all its enterprise funds receiving expenditure awards. All budgets are prepared on a HUD basis, which is materially consistent with generally accepted accounting principles ("GAAP").

The Public Housing Program prepares its budget annually. The Board of Commissioners adopts the budget through passage of a budget resolution. MHA is not required to submit the adopted budget to HUD.

MISSOULA HOUSING AUTHORITY
Missoula, Montana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014
(Continued)

NOTE A - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY: (Cont'd)

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 reporting period. Actual results could differ from those estimates. Based upon the change in basis of accounting from those prescribed by the U.S. Department of Housing and Urban Development to those prescribed by accounting principles generally accepted in the United States of America, adjustments were made to some of the Authority's accounts. Some of the significant adjustments made were to capital assets, notes payable and related accrued interest payable, and contributed capital, and required the use of estimates. Management of the Authority believes the estimates used were reasonable.

1. Cash and Investments:

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Authority.

Investments are stated at cost, which approximates market.

2. Tenant Accounts Receivable and Tenant Security Deposits:

The Authority performs credit evaluations of its tenants and requires a fixed amount security deposit based on bedroom size. These tenant security deposits are classified as liabilities on the balance sheets. The Authority periodically reviews accounts receivable and determines whether an allowance for doubtful accounts is necessary. At September 30, 2014, an allowance for doubtful accounts of \$4,315 is included in the financial statements.

3. Intergovernmental Receivables:

Intergovernmental receivables represent grants due from HUD and other governmental entities at September 30, 2014.

4. Inventory:

The Authority's inventory is comprised of maintenance materials and supplies. Inventory is valued at cost and the Authority uses the weighted-average flow assumption in determining cost. Inventory at September 30, 2014 was shown at an historical cost basis.

5. Prepaid Expenses:

Payments made to vendors for services that will benefit periods beyond September 30, 2014 are recorded as prepaid expenses.

MISSOULA HOUSING AUTHORITY
Missoula, Montana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014
(Continued)

NOTE A - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY: (Cont'd)

6. Buildings and Equipment:

Capital assets are recorded at cost. Those assets with an expected life of more than two years and a market value over \$1,000 are capitalized. Expenses that materially increase the life or value of existing assets are capitalized. Ordinary maintenance and repairs are charged to expense as incurred. When assets are sold or otherwise disposed of, the cost and accumulated depreciation is removed from the accounts and any resulting gain or loss is recognized at that time. Depreciation is determined utilizing the straight-line method over the following estimated useful lives:

Buildings	30 years
Building improvements	10 years
Furniture, equipment, and machinery	5-7 years

7. Subsidies:

Subsidies received from the Department of Housing and Urban Development or other grantor agencies are recorded as operating revenue only when the related expenses are for operations. Consequently, grant funds which are for capital outlays are treated as an addition to retained earnings rather than operating revenue.

8. Income Taxes:

The Missoula Housing Authority is a quasi-governmental entity. The Authority is not subject to Federal or State income taxes.

9. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles 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 reporting period. Actual results could differ from those estimates.

10. Compensation for Future Absences:

Compensated absences are absences for which employees will be paid, i.e., sick leave, vacation, and other approved leaves. In accordance with GASB Statement No.16, "Accounting for Compensated Absences," the Authority accrues the liability for those absences where the employee has earned the rights to the benefits. Accrued amounts are based on the current salary rates. Full-time, permanent employees are granted vacation and sick leave benefits in varying amounts to specified maximums depending on tenure with the Authority. Accrual is recorded as an expense and related liability in the year earned by employees.

MISSOULA HOUSING AUTHORITY
Missoula, Montana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014
(Continued)

NOTE A - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY: (Cont'd)

10. Compensation for Future Absences: (Cont'd)

The policy of the Authority is to accumulate earned but unused annual vacation benefits, which will be paid to employees upon separation from Authority service. Vested or accumulated vacation is earned at a rate ranging from 10 days per year for the first year of service, up to a maximum of 20 days per year after 14 years of service. The maximum permissible accumulation is two times the annual amount of leave earned. At termination, employees are paid for any accumulated vacation leave. Sick leave is accumulated at the rate of one day per month. There is no maximum accrual of sick leave. Upon termination of employment sick leave is paid out at 25% of the accrued amount.

11. Operating Revenue:

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for rents. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Subsidies received from HUD or other grantor agencies, for operating purposes, are recorded as operating revenue in the operating statement while capital grant funds are added to the net position below the non-operating revenue and expense.

12. The terms of the Board are as follows:

	Expiration of Term
James Hoffmann, Chairman	June 25, 2019
Collin Bangs, Commissioner	June 25, 2017
Monique Casbeer, Resident Commissioner	June 26, 2016
Sheila Lund, Commissioner	June 25, 2015
Fred Simpson, Commissioner	June 25, 2016
David Warren, Commissioner	June 25, 2018
Betty Zander, Resident Commissioner	June 25, 2015

In addition to the above Commissioners, the Administrator of the Housing Authority is Lori Davidson, who serves on the Board as Secretary and is the Executive Director. Based upon the above criteria, all the operations of the PHA are included in these financial statements and there are no operations or component units which have been excluded in this report.

MISSOULA HOUSING AUTHORITY
Missoula, Montana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014
(Continued)

NOTE A - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY: (Cont'd)

13. New Accounting Pronouncements:

During FY2014, the Authority implemented GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. As of September 30, 2014, the Authority had no items to be reclassified or adjustments made to the financial statements as a result of this pronouncement.

NOTE B - CASH AND CASH EQUIVALENTS:

All the deposits of the Missoula Housing Authority are either insured or collateralized by using the Dedicated Method whereby all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Authority's agents in these units' names. The Missoula Housing Authority has no policy regarding custodial credit risk for deposits.

At September 30, 2014, the Authority's deposits had a carrying amount of \$7,084,036 and a bank balance of \$7,061,231. Of the bank balances held in two financial institutions, \$500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the dedicated method. At September 30, 2014, the Authority's petty cash/change funds totaled \$52.

Interest rate risk - As a means of limiting its exposure to market value losses arising from rising interest rates, the Authority's typically limits its investment portfolio to Federal Securities with maturities of 12 months or less. The Missoula Housing Authority has no specific policy regarding interest rate risk.

Credit risk - The Authority has no policy regarding credit risk.

Custodial credit risk - For an investment, the custodial risk 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 investments or collateral securities that are in the possession of an outside party. All of the PHA's deposits are in First Interstate Bank and First Security Bank. The Authority has no policy on custodial credit risk.

Concentration of credit risk - The Authority places no limit on the amount that it may invest in any one issuer. All of the Authority's investments are in Federal Securities and the remainder of deposits is in commercial banks.

Cash & cash equivalents are comprised of the following:

Money Market Checking/Savings accounts	\$ 932,802
Repurchase/Sweep Accounts	4,580,987
HUD Trust Account	1,570,247
Petty Cash	<u>52</u>
	<u>\$ 7,084,088</u>

MISSOULA HOUSING AUTHORITY
Missoula, Montana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014
(Continued)

NOTE B - CASH AND CASH EQUIVALENTS: (Cont'd)

Restricted cash and cash equivalents:

HAP Equity	\$ 82,610
Restricted Cash – Developments	3,649,870
Restricted Cash – Self Help	270,104
Security deposits	80,466
FSS Escrow	<u>122,263</u>
	<u>\$ 4,205,313</u>

COLLATERALIZATION:

<u>Security</u>	<u>Cusip</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Market Value</u>
Federal Reserve Bank				
FHOR	313381LC7	12/28/2017	1.000%	\$ 2,100,000
First Interstate Bank				
CMO	3137AXUZ4	01/15/2043	2.000%	<u>5,093,915</u>
				<u>\$ 7,193,915</u>

NOTE C - ACCOUNTS AND NOTES RECEIVABLE:

Accounts and notes receivable at September 30, 2014, consisted of the following:

Tenants (net of allowance of \$4,315)	\$ 14,477
Accounts receivable – HUD	182,106
Accounts receivable – Fraud recovery (net of allowance of \$1,134)	14,857
Accounts receivable – VA Program reimbursements	14,578
Accounts receivable – HCV Ports	2,599
COCC – SUTA overpayment	4,601
Accounts receivable – other (net of allowance of \$2,200)	33,984
Notes receivable – current portion (Note D)	563,661
Accrued interest receivable	<u>93,668</u>
	<u>\$ 924,531</u>

Note: The above receivable balance excludes \$960,013 of interfund balances that have been eliminated as a result of financial statement consolidation. Additional details on the composition of these balances are included in Note I.

MISSOULA HOUSING AUTHORITY
Missoula, Montana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014
(Continued)

NOTE D - NOTES RECEIVABLES/LOW INCOME TAX CREDIT PROGRAM ACTIVITIES:

Note Receivable – Maclay Commons Associates, LP

Effective June 23, 2003, the General Partner entered into a promissory note with the Maclay Commons LP in an amount totaling \$880,000, to provide financing for the General Partner to construct a 16-unit apartment complex with community center. On August 1, 2005, the General Partner and the Partnership executed the Assignment and Assumption of Promissory Note and Release Agreement (the "Assignment"), for the assignment of this note. Pursuant to the Assignment, the Partnership became responsible for the note and any and all unpaid and accrued interest on the loan from June 23, 2003. Under the terms of the note, simple interest shall accrue at a rate of 3.5% per annum. The Partnership is required to make monthly interest and principal payments from available cash flow from the project. The note payable and all interest are due August 1, 2035. The note is secured by a second deed of trust on the Project. As of September 30, 2014, the principal balance was \$723,155, of which \$22,467 is considered to be current.

Note Receivable – Garden District I, LP

Effective February 26, 2010, the General Partner entered into a promissory note with the Housing Authority in an amount totaling \$150,000. On August 31, 2010, this loan was modified to a total amount of \$350,000. This note is a HOME sponsor loan and is designed to help finance affordable housing owned by the Garden District I, LP. Under the terms of the note, simple interest shall accrue at a rate of 3.0% per annum. The Partnership is required to make monthly interest and principal payments from available cash flow from the project. The note payable and all interest is due September 1, 2026. The note is secured by a second deed of trust on the Project. As of September 30, 2014, the principal balance was \$306,530. All amounts are considered noncurrent.

Note Receivable – Garden District I, LP

Effective February 26, 2010, the General Partner entered into a promissory note with the Housing Authority in an amount totaling \$435,000. On August 31, 2010, this loan was modified to a total amount of \$235,000. This note is a CDBG sponsor loan and is designed to help finance affordable housing owned by the Garden District I, LP. Under the terms of the note, simple interest shall accrue at a rate of 1.0% per annum. Interest shall accrue from the date of the note until September 1, 2024. Annual payment of interest only in the amount of \$4,350.00 shall be due on September 1, 2024 and on September 1, 2025. Beginning September 1, 2026, annual payments in the amount of \$27,925 shall be made until September 1, 2045 when the entire balance of principal and all accrued interest is payable under this note. The note is secured by a second deed of trust on the Project. As of September 30, 2014, the principal balance was \$235,000. All amounts are considered noncurrent.

Note Receivable – Bavarian Enterprises, LLC

During Fiscal Year 2012, the General Partner entered into a promissory note with the Housing Authority in an amount totaling \$33,625. Under the terms of the note, simple interest shall accrue at a rate of 6.0% per annum. Beginning June 15, 2012, monthly payments in the amount of \$644.26 shall be made until May 15, 2017 when the entire balance of principal and all accrued interest is payable under this note. As of September 30, 2014, the principal balance was \$5,580 of which all is considered to be current.

MISSOULA HOUSING AUTHORITY
Missoula, Montana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014
(Continued)

NOTE D - NOTES RECEIVABLES/LOW INCOME TAX CREDIT PROGRAM ACTIVITIES: (Cont'd)

Note Receivable – Palace Apartments, LP

Effective April 25, 2012, the General Partner entered into a promissory note with the Housing Authority in an amount totaling \$27,536. This note is a CDBG sponsor loan and is designed to help finance affordable housing owned by the Palace Apartments, LP. Under the terms of the note, simple interest shall accrue at a rate of 6.0% per annum. As of September 30, 2014, the principal balance was \$27,802. All amounts are considered noncurrent.

Note Receivable – Palace Apartments, LP

There are amounts due and payable to the Housing Authority from the Palace Apartments, LP for deferred developers fees in the amount of \$517,700. Amounts become due and payable based upon certain events and cash flow generated from the property. As of September 30, 2014, \$335,614 is considered to be current and payable within the next year.

MHA Holdings LLC (Component Unit)

Note Receivable – Palace Apartments, LP

Effective April 26, 2012, MHA Holdings, LLC entered into a promissory note with Palace Apartments, LP in an amount totaling \$200,000. Under the terms of the note, simple interest shall accrue at a rate of 6.0% per annum. The Partnership is required to make annual interest and principal payments from available cash flow from the Project. The note payable and all interest are due April 25, 2024. However, it is anticipated that all amounts will be received in 2015 and therefore are considered current. As of September 30, 2014, the principal balance was \$200,000, plus accrued interest.

Garden City Neighbors, Inc (Component Unit)

Note Receivable – Maclay Commons Associates, LP

Effective August 1, 2005, Garden City Neighbors, Inc. entered into a promissory note with Maclay Commons Associates, LP in an amount totaling \$111,984. Under the terms of the note, simple interest shall accrue at a rate of 4.0% per annum. The Partnership is required to make annual interest and principal payments from available cash flow from the Project. The note payable and all interest are due August 1, 2035. The note is secured by a second deed of trust on the Project. Receipts from FHLB and the related advances to Maclay Commons occurred in October and November 2005. This \$111,984 was considered grant income from FHLB for the year ended September 30, 2006. As of September 30, 2014, the principal balance was \$111,984, plus accrued interest. All amounts are considered noncurrent.

Summary of Notes Receivable – Activity:

Notes receivable as of September 30, 2013	\$ 1,644,253
Treadstone Developers Fee	517,700
Payments and debt forgiven	<u>(34,202)</u>
Notes receivable as of September 30, 2014	<u>\$ 2,127,751</u>

MISSOULA HOUSING AUTHORITY
Missoula, Montana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014
(Continued)

NOTE D - NOTES RECEIVABLES/LOW INCOME TAX CREDIT PROGRAM ACTIVITIES: (Cont'd)

As of September 30, 2014, notes receivable consisted of the following:

Notes receivable – Maclay Commons Associates, LP (Interest rate – 3.5%; Due 08/01/2035)	\$ 723,155
Notes receivable – Garden District I, LP (Interest rate – 3.0%; Due 09/01/2026)	306,530
Notes receivable – Garden District I, LP (Interest rate – 1.0%; Due 09/01/2045)	235,000
Notes receivable – Bavarian Enterprises, LLC (Interest rate – 6.0%; Due 05/15/2017)	5,580
Notes receivable – Palace Apartments, LP (Interest rate – 1.0%; Due 04/25/2042)	27,802
Treadstone Developers Fee – Palace Apartments	517,700

MHA Holdings, LLC (Component Unit)

Notes receivable – Palace Apartments, LP (Interest rate – 6.00%; Due 04/25/2024)	200,000
---	---------

Garden City Neighbors, Inc. (Component Unit)

Notes receivable – Maclay Commons Associates, LP FHLB proceeds (Interest rate – 4.00%; Due 08/01/2035)	<u>111,984</u>
---	----------------

TOTAL BALANCES DUE AS OF SEPTEMBER 30, 2014 \$ 2,127,751

Current portion	\$ 563,661
Long-term portion	<u>1,564,090</u>

Notes receivable as of September 30, 2014 \$ 2,127,751

NOTE E - PREPAID EXPENSES:

Prepaid expenses at September 30, 2014, consisted of the following:

Prepaid expenses	\$ 51,075
Inventory	<u>16,121</u>
	<u>\$ 67,196</u>

NOTE F - OTHER ASSETS:

Other assets held for sale at September 30, 2014, consisted of the following:

Investments in joint venture	\$ 2,022,168
Deposit on warehouse	<u>300</u>
	<u>\$ 2,022,468</u>

MISSOULA HOUSING AUTHORITY
Missoula, Montana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014
(Continued)

NOTE F - OTHER ASSETS: (Cont'd)

The investments in joint ventures are made up of the following amounts as of September 30, 2014:

Russell Square Housing LP	\$ 498,925
Garden City Neighbors, Inc.	566,653
Garden District I, LLC	135,599
Silvertip Housing, Inc.	<u>820,991</u>
	<u>\$ 2,022,168</u>

NOTE G - CAPITAL ASSETS:

The following is a summary of changes in capital assets during the fiscal year ended September 30, 2014:

	Beginning Balances	Additions	Dispositions/ Adjustments	Ending Balances
Capital Assets:				
Land	\$ 2,078,851	\$ 5,089	\$ (209,000)	\$ 1,874,940
Buildings & improvements	15,829,420	329,238	(1,652,272)	14,506,386
Furniture & equipment	512,579	32,840	(26,567)	518,852
Construction in progress	<u>203,902</u>	<u>1,289,027</u>	<u>(72,606)</u>	<u>1,420,323</u>
Total capital assets	18,624,752	1,656,194	(1,960,445)	18,320,501
Accumulated depreciation	<u>(9,117,087)</u>	<u>(613,029)</u>	<u>1,371,013</u>	<u>(8,359,103)</u>
Net Capital Assets	<u>\$ 9,507,665</u>	<u>\$ 1,043,165</u>	<u>\$ (589,432)</u>	<u>\$ 9,961,398</u>

The following activities affected capital assets during the audit period:

Balance as of October 1, 2013	\$ 9,507,665
Capital Fund Grant additions – CFP	265,268
Capital additions – Operations	175,471
Capital additions – Vantage Villa	1,073,499
Capital additions – Business Activities	46,439
Capital additions – Component Units	95,517
Disposition of assets, net	(589,432)
Depreciation expense	<u>(613,029)</u>
Balance as of September 30, 2014	<u>\$ 9,961,398</u>

DEPRECIATION BY ASSET CLASS

	Balance 10/01/13	Net Change	Balance 9/30/14
Buildings	\$ 8,395,110	\$ (411,543)	\$ 7,983,567
Furniture & Equipment	<u>721,977</u>	<u>(346,441)</u>	<u>375,536</u>
Total accumulated depreciation	<u>\$ 9,117,087</u>	<u>\$ (757,984)</u>	<u>\$ 8,359,103</u>

MISSOULA HOUSING AUTHORITY
Missoula, Montana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014
(Continued)

NOTE H - ACCOUNTS PAYABLE:

Accounts payable consisted of the following at September 30, 2014:

Vendors and contractors payable	\$ 176,452
Tenant security deposits	<u>80,466</u>
	<u>\$ 256,918</u>

The above payable balance excludes \$960,013 of interfund balances that have been eliminated as a result of financial statement consolidation. The details are stated in Note I.

NOTE I - INTERFUND ACCOUNTS:

As of September 30, 2014, the following interfund activities existed and have been eliminated as part of the consolidation of the financial statements.

	<u>Due To</u>	<u>Due From</u>	
Shelter Plus Care	\$ -	\$ (225)	
Supportive Housing	-	(83,488)	
Rural Self-Help	-	(1,000)	
Central Office	106,186	-	
Public Housing/ROSS	11,912	(12,745)	
Business Activities	841,915	-	
Component Units	<u>-</u>	<u>(862,555)</u>	
	<u>\$ 960,013</u>	<u>\$ (960,013)</u>	

NOTE J - OTHER CURRENT LIABILITIES:

Other current liabilities consisted of the following at September 30, 2014:

Accrued wages/payroll tax liability	\$ 88,305
Accrued compensated absences – current portion	20,559
Current portion of long-term debt	253,815
Self Help Escrow	138,343
Accrued utilities	9,362
Accrued interest payable	12,369
Unearned revenues	12,150
Other accrued liabilities – River Ridge future tax liability	<u>6,384</u>
	<u>\$ 541,287</u>

MISSOULA HOUSING AUTHORITY
Missoula, Montana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014
(Continued)

NOTE K - LONG-TERM LIABILITIES:

Noncurrent liabilities consisted of the following at September 30, 2014:

Notes & Mortgages Payable (Note L)	\$ 3,863,068
Accrued compensated absences – noncurrent portion	82,236
FSS Escrow Deposits	<u>122,263</u>
	<u>\$ 4,067,567</u>

	Balance 10/1/2013	Increases	Decreases	Balance 9/30/2014	Current Portion of Balance
Notes & Mortgages Payable	\$ 3,654,691	\$ 496,637	\$ (34,445)	\$ 4,116,883	\$ 253,815
Compensated absences	111,526	39,772	(48,503)	102,795	20,559
FSS Escrow Deposits	<u>144,683</u>	<u>1,498</u>	<u>(23,918)</u>	<u>122,263</u>	-
Total long-term liabilities	<u>\$ 3,910,900</u>	<u>\$ 537,907</u>	<u>\$ (106,866)</u>	<u>\$ 4,341,941</u>	<u>\$ 274,374</u>

NOTE L - NOTES & MORTGAGES PAYABLE:

Public Housing:

Note payable – EPC loan on capital improvements due February 23, 2032;
Interest rate 4.00%, monthly payments of \$26,052 begin in 2015

\$ 1,757,844

Business Activities:

Note payable – City - CDBG; issued 2/25/2011;
Loan due 9/1/2045; Interest rate fixed 1% per annum; annual
payments due do not begin until 9/01/2025; issued for 37 dwelling unit,
which is secured by a Notes Receivable from Garden District I, LP

235,000

Component Units:

MHA Holdings LLC - River Ridge
Note payable – installment loan to First Interstate Bank
Interest rate 3.5%, maturity 8/30/2016

1,990,516

Garden City Neighbors, Inc.
Note payable – Ravalli County Bank; note due November 6, 2016;
interest rate 5.5%; issued for the purchase of Nicole Court land in Stevensville

133,523

Total Notes Payable at September 30, 2014

\$ 4,116,883

Current portion	\$ 253,815
Long term portion	<u>3,863,068</u>
	<u>\$ 4,116,883</u>

MISSOULA HOUSING AUTHORITY
Missoula, Montana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014
(Continued)

NOTE L - NOTES & MORTGAGES PAYABLE: (Cont'd)

Public Housing – EPC

In September 2010, the Authority took out a \$1,261,175 Energy Performance Contracting (EPC) loan from Capital One Public Financing to upgrade appliances and improve energy efficiency in the Public Housing units. The Board of Commissioners has approved Phase II of the EPC contract with Resolution No. 993 which allowed for debt obligations not to exceed \$2,475,378. During the current audit period, the two loans were consolidated into a bridge loan which earns 4% interest. Subsequent to the end of the year, in February 2015, the bridge loan is being rolled into permanent financing. This EPC loan will be repaid over 17 years with energy savings and HUD incentives.

Current portion	\$ 120,292
Long-term portion	<u>1,637,552</u>
	<u>\$ 1,757,844</u>

The amortization of the loan balance of \$1,757,844 would be as follows:

Fiscal year ended September 30,	
2015	\$ 120,292
2016	251,774
2017	262,905
2018	272,707
2019	283,817
2020	295,381
2021	<u>270,968</u>
	<u>\$ 1,757,844</u>

Business Activities – City – CDBG Loan

Effective February 26, 2010, the Housing Authority entered into a loan agreement with the City of Missoula in an amount totaling \$235,000. This note is a CDBG sponsor loan and is designed to help finance affordable housing owned by the Garden District I, LP. Under the terms of the note, simple interest shall accrue at a rate of 1.0% per annum. Interest shall accrue from the date of the Note until September 1, 2024. Annual payment of interest only in the amount of \$4,350.00 shall be due on September 1, 2024 and on September 1, 2025. Beginning September 1, 2026, annual payments in the amount of \$27,924.53 shall be made until September 1, 2045, when the entire balance of principal and all accrued interest is payable under this note. The note is secured by a second deed of trust on the Project. As of September 30, 2014, the principal balance was \$235,000. All amounts are considered long-term.

MISSOULA HOUSING AUTHORITY
Missoula, Montana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014
(Continued)

NOTE L - NOTES & MORTGAGES PAYABLE: (Cont'd)

Component Units – MHA Holdings, LLC – First Interstate Bank

On August 30, 2013, MHA Holdings LLC, entered into a loan agreement with First Interstate Bank in an amount of \$2,106,000 at an interest rate of 3.5% to facilitate the acquisition of the River Ridge Apartments, a 70 unit senior tax credit property. Under the terms of the loan, MHA Holdings will pay regular monthly payments of all accrued interest and one payment of all outstanding principal plus all accrued unpaid interest will be paid upon the loan's maturity at August 30, 2016. As of September 31, 2014, the balance outstanding was \$1,990,516.

Component Units – Garden City Neighbors, Inc. – Ravalli County Bank

On November 6, 2006, Garden City Neighbors, Inc. obtained an interest-only loan from Ravalli County Bank in the amount of \$165,600 at an interest rate of 7.125% to assist with the acquisition of Nicole Court land in Stevensville, MT. The loan was converted to a five-year loan in 2011 at an interest rate of 5.5%. As of September 31, 2014, the balance outstanding was \$133,523, all of which is considered current.

Summary of Debt Obligations - Activity:

Note	Balance at 9/30/13	Increases	Decreases	Balance at 9/30/14
Capital One - EPC Loan	\$ 1,284,390	\$ 496,637	\$ (23,183)	\$ 1,757,844
City Loan - CDBG	235,000	-	-	235,000
First Interstate Bank - MHA	1,990,516	-	-	1,990,516
Ravalli County Bank - GCN	144,785	-	(11,262)	133,523
	<u>\$ 3,654,691</u>	<u>\$ 496,637</u>	<u>\$ (34,445)</u>	<u>\$ 4,116,883</u>

NOTE M - PENSION PLAN:

The Authority provides a Simplified Employee Pension Plan (SEP) for its eligible employees which is a non-contributory defined contribution retirement plan administered by Lincoln Life Insurance Company. The Plan covers all employees who work at least one year, are 21 years of age, and earn at least \$300 in the first six months. Funding is based upon a discretionary formula that is set at 7% of an eligible employee's salary and includes both PHA and related-party operations.

A summary of three-year contribution activity is as follows:

Fiscal Year	Employer Contributions	Covered Payroll	Total Payroll
9/30/2014	\$ 90,160	\$ 1,288,004	\$ 1,385,067
9/30/2013	84,119	1,201,701	1,296,251
9/30/2012	71,500	1,022,271	1,051,105

MISSOULA HOUSING AUTHORITY
Missoula, Montana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014
(Continued)

NOTE M - PENSION PLAN: (Cont'd)

The Plan's assets are accumulated in a group annuity contract maintained at the Lincoln Life Insurance Company and the Authority made all required contributions to its retirement and pension funds. There was no unfunded liability to the Missoula Housing Authority as of September 30, 2014. Additional details on the plan can be obtained by contacting Lincoln Life, P.O. Box 2340, Fort Wayne, Indiana 46801-2340.

Other than the above mentioned pension plan, the Authority does not participate in Other Post-Employment Benefits.

NOTE N - RELATED PARTY TRANSACTIONS:

Missoula Housing Authority has other organizations that they consider partners in providing affordable rental housing. These partners have a distinct relationship with the Authority and while they cannot be considered component units, have a significant enough relationship that disclosure as related parties is appropriate. There are two categories of related parties, Low Income Housing Tax Credit (LIHTC) Partner and the second relates to entities that the Authority provides or is provided a distinct service or segment related to program operations.

Tax Credit Partnerships

LIHTC is a popular program for building apartments that is funded by attracting private investors using tax credits offered by the federal government. The Missoula Housing Authority is a general partner with one tax credit housing project around Missoula: Russell Square Housing LP. Component unit Garden City Neighbors, Inc. is a general partner with tax credit housing project Maclay Commons Associates LP. A summary of activities for each of these partnerships and the related impact upon Authority operations is as follows:

Russell Square Housing Limited Partnership – The Russell Square Housing Limited Partnership was created to build a 52-unit Tax Credit project. Partners include MHA and investors. This development receives a separate audit with a December 31st fiscal year and the operations are separate and distinct from the operations of MHA. The Authority contracts with the partnership for rental of the Authority's main offices. Additional details associated with the lease are included in Note R to these financial statements. Note F to the financial statements shows an investment in joint ventures of \$498,925 as of September 30, 2014.

Maclay Commons Associates Limited Partnership – Maclay Commons offers safe housing and associated social services to families who need it most. Maclay Commons is the home of the Joseph Residence Program, run by The Poverello Center, a non-profit service provider for homeless individuals and families. Families must be considered homeless and income qualified to move into Maclay Commons. There are eight duplex buildings which include eight 2-bedroom residences and eight 3-bedroom residences and a community center that includes classroom space, office space for 24 hour staffing, nursing station and daycare. In 2005, the Authority donated the land on which the facility was constructed and this donation is included in other assets.

MISSOULA HOUSING AUTHORITY
Missoula, Montana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014
(Continued)

NOTE N - RELATED PARTY TRANSACTIONS: (Cont'd)

In FY2006, Garden City Neighbors, Inc received a grant in the amount of \$111,984 from the Federal Home Loan Bank of Seattle to provide an AHP subsidy to Maclay Commons Associates, LP. This revenue and the related notes receivable amount are included in the component unit activities for the year ended September 30, 2014. Additional details related to this transaction are presented in Note D. Note F to the financial statements shows an investment in joint ventures of \$566,653 as of September 30, 2014.

Garden District I, LP – This project was awarded state Tax Credits in May of 2008. The Garden District refers to a portion of the Market Square development that will address the needs of affordable rental housing in Missoula, Montana. The proposed project intends to utilize multiple funding sources including state Low Income Housing Tax Credits and federal grants administered by the City of Missoula. The units will include one, two and three bedrooms and will be primarily for residents earning 50% and 60% of the Area Median Income (AMI). During the audit period there were two notes receivable for this property as disclosed in Note D. Note F to the financial statements shows an investment in joint ventures of \$135,599 as of September 30, 2014.

Silvertip Housing Inc. – HUD has approved on August 1, 2012, a multifamily project of 115 rental units which is known as the Silvertip Apartments. Of these 115 rental units, 20 units are designated as public housing units, which will receive the benefit of operating funds from HUD. The other 95 units are income restricted under the Neighborhood Stabilization Program Development Agreement. The Intermountain Development Company, Inc. which is a 501 (c) 3 instrumentality of the Housing Authority has a 17.39% interest in the Owner Entity. The Housing Authority serves as the property manager and will be responsible for the regulatory compliance and income certifications for all the units. Note F to the financial statements shows an investment in joint ventures of \$820,991 as of September 30, 2014.

Related parties – operations

The following activities comprise a portion of MHA operations with entities in the Missoula area that are significant enough to warrant disclosure in the notes to the financial statements.

Parkside Village Apartments – Complex contains 104 units, including 98 units that are reserved for low-income residents. It is operated by Monfric Realty, and was developed in conjunction with MHA. This non-profit development was an acquisition and rehabilitation project that was funded primarily with an allocation of 1999 Low-Income Tax Credit Bond Funding. The units were placed in service during 2000 and have a 15-year tax credit compliance period. MHA has right of first refusal to purchase the units.

River Ridge – River Ridge is a 70-unit project that was placed into service in 1998. All units are considered low-income and it was a new construction development funded primarily by an allocation of 1996 Low-income Housing Tax Credits. MHA provides social service referrals and meets with residents monthly. In addition, the units were placed in service during 1998 and have a 15-year tax credit compliance period. MHA has right of first refusal to purchase the units. During the fiscal year ended September 30, 2014, MHA received \$40,551 of fee income for services provided to residents of the development.

MISSOULA HOUSING AUTHORITY
Missoula, Montana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014
(Continued)

NOTE O - ANNUAL CONTRIBUTIONS BY FEDERAL AGENCIES:

Public Housing Program – Pursuant to the Annual Contributions Contract HUD contributed an operating subsidy approved in the operating budget for the year ended September 30, 2014, of \$766,154.

Housing Choice Voucher Program – Section 8 programs provide for housing assistance payments to private owners of residential units on behalf of eligible low or very low-income families. The program provides for such payments with respect to existing and moderately rehabilitated housing covering the difference between the maximum rental on a dwelling unit, and the amount of rent contribution by a participating family and related administrative expense. The Authority is also eligible to receive an administrative fee of \$1,000.00 for each homeownership unit purchased by a household with a Housing Choice Voucher.

HUD contributions for the year ended September 30, 2014 were as follows:

Housing Choice Vouchers	\$ <u>5,055,697</u>
-------------------------	---------------------

NOTE P - ECONOMIC DEPENDENCY:

Both the PHA Owned Housing Program and the Housing Choice Voucher Program are economically dependent on annual contributions and grants from HUD. Both programs operate at a loss prior to receiving the contributions and grants.

NOTE Q - COMMITMENTS & CONTINGENCIES:

Legal:

The Authority may be party to various pending or threatened legal actions arising from the normal course of operations. However, there are no known pending or threatened legal actions as of September 30, 2014 that are required to be disclosed.

Grants and contracts:

The Authority participates in various federally-assisted grant programs that are subject to review and audit by the grantor agencies. Entitlements to these resources are generally conditional based upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal audit may become a liability of the Authority. There were no such liabilities recorded as of September 30, 2014.

The Section 8 Housing Choice Voucher Program (the "Program") under the implementation of the *Consolidated Appropriations Act 2005, Funding Provisions for the Housing Choice Voucher Program*, changed the funding methodology, and in addition the Authority is no longer required to complete a settlement statement. As a result, in accordance with GASB Statement No. 33 and PIH Notice 2008-9, the cumulative amount of unspent housing assistance payment subsidy as of September 30, 2014, is being reflected in restricted net position in the basic financial statements.

MISSOULA HOUSING AUTHORITY
Missoula, Montana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

(Continued)

NOTE Q - COMMITMENTS & CONTINGENCIES: (Cont'd)

Capital Funds:

The Authority receives capital funding each year for ongoing capital improvements and repairs and maintenance and has received Capital Fund Stimulus Funds for additional capital improvements and acquisitions. As of September 30, 2014, the Authority has approximately \$107,645 of remaining and available capital funds.

NOTE R - LONG-TERM LEASE PAYABLE:

Beginning March 15, 2002, the Authority entered into an office space lease with Russell Square Housing Limited Partnership. This lease is considered to be an operating lease. The lease term is for 15 years at an annual rate of \$7.91 per square foot. As of September 30, 2014, the Authority paid \$40,317 for office rent. The future minimum lease payments are as follows:

2015	\$ 40,317
2016	40,317
2017	<u>40,317</u>
	<u>\$ 120,951</u>

NOTE S - RISK MANAGEMENT:

The Authority is exposed to all common perils associated with the ownership and rental of real estate properties. A risk management program has been established to minimize loss occurrence and to transfer risk through various levels of insurance. Property, casualty, employee dishonesty and public officials' liability forms are used to cover the respective perils.

Commercial carriers insure all common perils such as business auto, computer and other miscellaneous policies.

NOTE T - IMPAIRMENT OF CAPITAL ASSETS:

In accordance with new financial reporting standards issued by the Government Accounting Standards Board's, Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries" requires certain note disclosures. During the fiscal year ended September 30, 2014, the Missoula Housing Authority experienced the following:

1. There were no material un-reimbursed casualty losses incurred during the audit period.
2. There were no permanent impairments experienced by the Missoula Housing Authority that required material adjustments to the Statement of Net Position.

NOTE U - PRIOR PERIOD ADJUSTMENTS:

The Authority had no prior period adjustment for September 30, 2014.

MISSOULA HOUSING AUTHORITY
Missoula, Montana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014
(Continued)

NOTE V - SUBSEQUENT EVENTS:

There were no material subsequent events which require disclosure at September 30, 2014.

NOTE W - SUPPLEMENTAL INFORMATION:

The supplemental information has been included in order to show the financial statements of the Housing Authority on the GAAP basis of accounting but in the format of the HUD Handbook 7476.3, *Audit Guide*. This is due to the fact that some supplemental information is reviewed by the field office and provides greater detail concerning the operations of the Housing Authority.

MISSOULA HOUSING AUTHORITY
Missoula, Montana

SINGLE AUDIT SECTION

FISCAL YEAR ENDED SEPTEMBER 30, 2014



**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 AUDITORS' REPORT

Board of Commissioners
Missoula Housing Authority
Missoula, Montana 59801

Rocky Mountain, Denver
Public Housing Division
1670 Broadway
Denver, Colorado 80202

We 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 Missoula Housing Authority, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Missoula Housing Authority's basic financial statements, and have issued our report thereon dated December 10, 2014.

Internal Control Over Financial Reporting

Management of the Missoula Housing Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit of the financial statements, we considered the Housing Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority's internal control. Accordingly, we 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.

Our 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 our audit we did not identify any deficiencies in internal control that we 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 Missoula Housing Authority's financial statements are free of material misstatement, we 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 the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our 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 our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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.

Rector, Reeder & Lofton, P.C.
Rector, Reeder & Lofton, PC
Certified Public Accountants

Lawrenceville, Georgia
December 10, 2014



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE;
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB A-133**

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Missoula Housing Authority
Missoula, Montana 59801

Rocky Mountain, Denver
Public Housing Division
1670 Broadway
Denver, Colorado 80202

Report on Compliance for Each Major Federal Program

We have audited the Missoula Housing Authority's compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Missoula Housing Authority's major federal programs for the year ended September 30, 2014. The Missoula Housing 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 each of its major federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Missoula Housing Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our 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, *Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we 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 Missoula Housing Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the Missoula Housing Authority's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, the Missoula Housing Authority complied, in all material respects, with the 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, 2014.

Report on Internal Control Over Compliance

The management of the Missoula Housing 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 our audit of compliance, we considered Missoula Housing Authority'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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we 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 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.

Our 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. We did not identify any deficiencies in internal control over compliance that we 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 our 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.


Rector, Reeder & Lofton, PC
Certified Public Accountants

Lawrenceville, Georgia
December 10, 2014

MISSOULA HOUSING AUTHORITY
Missoula, Montana

STATUS OF PRIOR AUDIT FINDINGS

The prior audit report for the period ended September 30, 2013 had one formal audit finding the status of which is as follows:

Finding 2013-001 Procurement Deficiencies

Significant Deficiency & Noncompliance with Procurement regulations and policy; CDFA # 14.850, 14.872

Current status:

The Authority implemented appropriate internal control procedures to ensure compliance with all federal programs and Authority policies as it relates to compliance requirements for procurement. Consequently, *this finding is considered cleared.*

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor’s Results:

Financial Statements

Type of report issued on the financial statements:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant Deficiency(ies) identified not considered to be material weaknesses?	None reported
Noncompliance material to the financial statements noted?	No

Federal Awards

Internal controls over major programs:	
Material weakness(es) identified?	No
Significant Deficiency(ies) identified not considered to be material weaknesses?	None reported

Type of report issued on the compliance for major programs:	Unmodified
---	-------------------

Any audit findings disclosed that are required to be reported in Accordance with Circular A-133, Section .510(a)?	No
---	-----------

Identification of major programs:	
➤ Low-Rent Public Housing Program	CFDA #14.850
➤ Housing Choice Vouchers Program	CFDA #14.871
➤ Capital Fund Program	CFDA #14.872
➤ Supportive Housing Program	CFDA #14.235

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
--	------------------

Did the Authority qualify as a low-risk auditee?	No
--	-----------

Section II – Financial Statement Findings:

Findings related to financial statements in accordance with GAGAS:

None reported.

Section III – Federal Award Findings and Questioned Costs:

Findings and questioned costs for Federal Awards as defined in Section .510:

None reported.

MISSOULA HOUSING AUTHORITY
Missoula, Montana

SUPPLEMENTAL INFORMATION

FISCAL YEAR ENDED SEPTEMBER 30, 2014

**Missoula Housing Authority
Missoula, Montana**

**FINANCIAL DATA SUBMISSION SUMMARY
NET POSITION ACCOUNTS
September 30, 2014**

<u>Account Description</u>	<u>Business Activities</u>	<u>Blended Component Unit</u>	<u>Low-Rent Public Hsg 14.850</u>	<u>Shelter Plus Care 14.238</u>	<u>Housing Choice Vouchers 14.871</u>
ASSETS:					
CURRENT ASSETS:					
Cash:					
Cash - unrestricted	\$ 1,489,300	\$ 346,363	\$ 550,935	\$ 340	\$ 252,593
Cash - restricted - modernization	160,915	0	1,901,350	0	0
Cash - other restricted	0	0	1,608,563	0	183,915
Cash - tenant security deposits	2,000	25,850	51,376	0	0
Total Cash	1,652,215	372,213	4,112,224	340	436,508
Accounts and notes receivables:					
Accounts receivable - PHA projects	0	0	0	0	0
Accounts receivable - HUD	0	0	76,894	0	0
Accounts receivable - other government	0	0	0	0	2,599
Accounts receivable - miscellaneous	24,989	0	199	0	9,202
Accounts receivable - tenants rents	2,586	6,351	8,601	0	0
Allowance for doubtful accounts - tenants	(510)	0	(3,005)	0	0
Allowance for doubtful accounts - other	(1,825)	0	0	0	(375)
Notes receivable - current	363,661	200,000	0	0	0
Fraud recovery	0	0	0	0	15,991
Allowance for doubtful accounts - fraud	0	0	0	0	(1,134)
Accrued interest receivable	20,192	73,476	0	0	0
Total receivables - net	409,093	279,827	82,689	0	26,283
Current investments:					
Investments - unrestricted	0	0	0	0	0
Investments - restricted	0	0	0	0	0
Prepaid expenses and other assets	168	17,518	302	0	201
Inventories	0	0	33	0	0
Allowance for obsolete inventories	0	0	0	0	0
Assets held for sale	0	0	0	0	0
Interprogram due from	841,915	0	11,912	0	0
TOTAL CURRENT ASSETS	2,903,391	669,558	4,207,160	340	462,992
NONCURRENT ASSETS:					
Capital Assets:					
Land	454,512	345,759	730,817	0	0
Buildings	821,931	2,018,081	9,099,627	0	0
Furniture & equipment - dwelling	55,267	0	30,522	0	0
Furniture & equipment - admin	5,746	17,466	99,004	0	43,775
Improvements	57,864	10,199	1,160,882	0	0
Construction in process	61,929	84,823	1,272,571	0	0
Accumulated depreciation	(417,539)	(72,884)	(7,161,532)	0	(41,176)
Total capital assets - net	1,039,710	2,403,444	5,231,891	0	2,599
Notes receivable - noncurrent	1,452,106	111,984	0	0	0
Other assets	0	0	300	0	0
Investment in joint ventures	498,925	1,523,243	0	0	0
TOTAL NONCURRENT ASSETS	2,990,741	4,038,671	5,232,191	0	2,599
TOTAL ASSETS	\$ 5,894,132	\$ 4,708,229	\$ 9,439,351	\$ 340	\$ 465,591

VA Homeless Providers Grant 64.024	Uptown SRO/MR 14.249	ROSS 14.870	Rural Self-Help Housing Technical Assistance 10.420	Supportive Housing Program 14.235	Central Office Cost Center 165.756	Elimination	TOTAL
\$ 63,639	\$ 4,232	\$ 0	\$ 5,617	\$ 0	\$ 165,756	\$ 0	\$ 2,878,775
0	0	0	0	0	0	0	2,062,265
0	0	0	270,104	0	0	0	2,062,582
1,240	0	0	0	0	0	0	80,466
<u>64,879</u>	<u>4,232</u>	<u>0</u>	<u>275,721</u>	<u>0</u>	<u>165,756</u>	<u>0</u>	<u>7,084,088</u>
0	0	0	0	0	0	0	0
0	0	21,103	0	84,109	0	0	182,106
14,578	0	0	0	0	4,601	0	21,778
0	0	0	0	1,154	640	0	36,184
1,254	0	0	0	0	0	0	18,792
(800)	0	0	0	0	0	0	(4,315)
0	0	0	0	0	0	0	(2,200)
0	0	0	0	0	0	0	563,661
0	0	0	0	0	0	0	15,991
0	0	0	0	0	0	0	(1,134)
0	0	0	0	0	0	0	93,668
<u>15,032</u>	<u>0</u>	<u>21,103</u>	<u>0</u>	<u>85,263</u>	<u>5,241</u>	<u>0</u>	<u>924,531</u>
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
101	0	0	0	0	32,785	0	51,075
0	0	0	0	0	16,088	0	16,121
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	106,186	(960,013)	0
<u>80,012</u>	<u>4,232</u>	<u>21,103</u>	<u>275,721</u>	<u>85,263</u>	<u>326,056</u>	<u>(960,013)</u>	<u>8,075,815</u>
343,852	0	0	0	0	0	0	1,874,940
1,290,653	0	0	0	0	25,479	0	13,255,771
17,545	0	0	0	0	0	0	103,334
23,408	0	0	0	0	226,119	0	415,518
6,633	0	0	0	0	15,037	0	1,250,615
0	0	0	1,000	0	0	0	1,420,323
(434,892)	0	0	0	0	(231,080)	0	(8,359,103)
<u>1,247,199</u>	<u>0</u>	<u>0</u>	<u>1,000</u>	<u>0</u>	<u>35,555</u>	<u>0</u>	<u>9,961,398</u>
0	0	0	0	0	0	0	1,564,090
0	0	0	0	0	0	0	300
0	0	0	0	0	0	0	2,022,168
<u>1,247,199</u>	<u>0</u>	<u>0</u>	<u>1,000</u>	<u>0</u>	<u>35,555</u>	<u>0</u>	<u>13,547,956</u>
<u>\$ 1,327,211</u>	<u>\$ 4,232</u>	<u>\$ 21,103</u>	<u>\$ 276,721</u>	<u>\$ 85,263</u>	<u>\$ 361,611</u>	<u>\$ (960,013)</u>	<u>\$ 21,623,771</u>

**Missoula Housing Authority
Missoula, Montana**

**FINANCIAL DATA SUBMISSION SUMMARY
NET POSITION ACCOUNTS
September 30, 2014**

<u>Account Description</u>	<u>Business Activities</u>	<u>Blended Component Unit</u>	<u>Low-Rent Public Hsg 14.850</u>	<u>Shelter Plus Care 14.238</u>	<u>Housing Choice Vouchers 14.871</u>
LIABILITIES AND NET POSITION:					
LIABILITIES:					
CURRENT LIABILITIES:					
Cash overdraft	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Accounts payable < 90 days	3,212	11,201	11,424	0	1,538
Accrued salaries/payroll withholding	9,000	6,746	6,382	0	9,004
Accrued compensated absences	6,384	1,947	3,605	0	2,951
Accrued interest payable	0	6,591	5,778	0	0
Accounts payable - HUD PHA programs	0	0	0	0	0
Accounts payable - other gov.	0	0	0	0	0
Tenant security deposits	2,000	25,850	51,376	0	0
Unearned revenue	1,230	5,642	611	115	458
Current portion of L-T debt - capital projects	0	133,523	120,292	0	0
Other current liabilities	0	0	7,850	0	0
Accrued liabilities - other	0	0	4,344	0	0
Interprogram (due to)	0	862,555	0	225	0
Loan liability - current	0	0	0	0	0
TOTAL CURRENT LIABILITIES	21,826	1,054,055	211,662	340	13,951
NONCURRENT LIABILITIES:					
Long-term debt, net of current	235,000	1,990,516	1,637,552	0	0
Accrued comp. absences - long term	25,540	7,786	14,420	0	11,806
Loan liability - noncurrent	0	0	0	0	0
Noncurrent liabilities - other	0	0	20,958	0	101,305
TOTAL NONCURRENT LIABILITIES	260,540	1,998,302	1,672,930	0	113,111
TOTAL LIABILITIES	282,366	3,052,357	1,884,592	340	127,062
NET POSITION:					
Net Investment in Capital Assets	804,710	279,405	3,474,047	0	2,599
Restricted	17,302	0	3,489,443	0	82,610
Unrestricted	4,789,754	1,376,467	591,269	0	253,320
TOTAL NET POSITION	5,611,766	1,655,872	7,554,759	0	338,529
TOTAL LIABILITIES AND NET POSITION	\$ 5,894,132	\$ 4,708,229	\$ 9,439,351	\$ 340	\$ 465,591

VA Homeless Providers Grant 64.024	Uptown SRO/MR 14.249	ROSS 14.870	Rural Self-Help Housing Technical Assistance 10.420	Supportive Housing Program 14.235	Central Office Cost Center	Elimination	TOTAL
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
5,137	138	5,750	131,762	14	6,276	0	176,452
656	0	2,608	5,782	0	48,127	0	88,305
339	0	0	0	0	5,333	0	20,559
0	0	0	0	0	0	0	12,369
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
1,240	0	0	0	0	0	0	80,466
0	4,094	0	0	0	0	0	12,150
0	0	0	0	0	0	0	253,815
0	0	0	138,343	0	3,552	0	149,745
0	0	0	0	0	0	0	4,344
0	0	12,745	1,000	83,488	0	(960,013)	0
0	0	0	0	0	0	0	0
<u>7,372</u>	<u>4,232</u>	<u>21,103</u>	<u>276,887</u>	<u>83,502</u>	<u>63,288</u>	<u>(960,013)</u>	<u>798,205</u>
0	0	0	0	0	0	0	3,863,068
1,354	0	0	0	0	21,330	0	82,236
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	122,263
<u>1,354</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>21,330</u>	<u>0</u>	<u>4,067,567</u>
<u>8,726</u>	<u>4,232</u>	<u>21,103</u>	<u>276,887</u>	<u>83,502</u>	<u>84,618</u>	<u>(960,013)</u>	<u>4,865,772</u>
1,247,199	0	0	1,000	0	35,555	0	5,844,515
0	0	0	0	0	0	0	3,589,355
<u>71,286</u>	<u>0</u>	<u>0</u>	<u>(1,166)</u>	<u>1,761</u>	<u>241,438</u>	<u>0</u>	<u>7,324,129</u>
<u>1,318,485</u>	<u>0</u>	<u>0</u>	<u>(166)</u>	<u>1,761</u>	<u>276,993</u>	<u>0</u>	<u>16,757,999</u>
<u>\$ 1,327,211</u>	<u>\$ 4,232</u>	<u>\$ 21,103</u>	<u>\$ 276,721</u>	<u>\$ 85,263</u>	<u>\$ 361,611</u>	<u>\$ (960,013)</u>	<u>\$ 21,623,771</u>

**Missoula Housing Authority
Missoula, Montana**

**FINANCIAL DATA SUBMISSION SUMMARY
REVENUES, EXPENSES, AND CHANGES IN NET POSITION ACCOUNTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

<u>Account Description</u>	<u>Business Activities</u>	<u>Blended Component Unit</u>	<u>Low-Rent Public Hsg 14.850</u>	<u>Shelter Plus Care 14.238</u>	<u>Housing Choice Vouchers 14.871</u>
REVENUES:					
Net tenant rental revenue	\$ 78,111	\$ 552,229	\$ 207,002	\$ 0	\$ 0
Tenant revenue - other	424	11,745	16,924	0	0
Total tenant revenue	<u>78,535</u>	<u>563,974</u>	<u>223,926</u>	<u>0</u>	<u>0</u>
HUD PHA grants - operating	0	0	805,502	30,263	5,055,697
HUD PHA grants - capital	0	0	265,268	0	0
Management fee	0	0	0	0	0
Asset management fee	0	0	0	0	0
Bookkeeping fee	0	0	0	0	0
Front line service fee	0	0	0	0	0
Other fees	0	0	0	0	0
Other government grants	5,169	0	0	0	0
Investment income - unrestricted	301	16	1,999	0	62
Mortgage interest income	46,121	20,173	0	0	0
Fraud income	120	0	0	0	20,270
Other revenue	714,633	155,073	6,088	0	34,415
Gain/(loss) on disposition	0	0	1,979,780	0	0
Investment income - restricted	0	0	128	0	0
TOTAL REVENUES	<u>\$ 844,879</u>	<u>\$ 739,236</u>	<u>\$ 3,282,691</u>	<u>\$ 30,263</u>	<u>\$ 5,110,444</u>
EXPENSES:					
Administrative					
Administrative salaries	\$ 238,246	\$ 113,817	\$ 92,789	\$ 0	\$ 128,890
Auditing fees	3,470	5,338	10,676	0	8,007
Management fees	0	40,551	128,950	2,700	173,394
Bookkeeping fees	0	0	13,725	0	0
Advertising & marketing	119	1,334	2,198	0	1,438
Employee benefits - administrative	54,228	23,728	30,882	0	44,719
Office expense	23,226	20,930	26,543	0	20,297
Legal expense	0	62	0	0	0
Travel expense	9,704	993	2,716	0	4,521
Allocated Overhead	0	0	0	0	0
Other operating - administrative	16,158	18,360	25,922	0	9,765
Total Administrative Expense	<u>345,151</u>	<u>225,113</u>	<u>334,401</u>	<u>2,700</u>	<u>391,031</u>
Asset management fee	<u>0</u>	<u>0</u>	<u>18,650</u>	<u>0</u>	<u>0</u>
Tenant Services					
Tenant services - salaries	0	0	0	0	0
Relocation costs	0	0	0	0	0
Employee benefits - tenant services	0	0	0	0	0
Other tenant services	1,488	9,463	251	0	133,254
Total Tenant Services	<u>1,488</u>	<u>9,463</u>	<u>251</u>	<u>0</u>	<u>133,254</u>
Utilities					
Water	3,734	14,478	46,812	0	0
Electricity	6,727	42,143	18,217	0	434
Gas	6,377	15,204	7,747	0	289
Sewer	1,057	6,713	10,940	0	0
Other utilities	0	0	0	0	0
Employee benefits - utilities	0	0	0	0	0
Total Utilities Expense	<u>17,895</u>	<u>78,538</u>	<u>83,716</u>	<u>0</u>	<u>723</u>

VA Homeless Providers Grant 64.024	Uptown SRO/MR 14.249	ROSS 14.870	Rural Self-Help Housing Technical Assistance 10.420	Supportive Housing Program 14.235	Central Office Cost Center	Elimination	TOTAL
\$ 134,103	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (36,168)	\$ 935,277
1,401	0	0	0	0	0	0	30,494
<u>135,504</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(36,168)</u>	<u>965,771</u>
0	47,808	128,484	0	909,199	0	0	6,976,953
0	0	0	0	0	0	0	265,268
0	0	0	0	0	107,641	(107,641)	0
0	0	0	0	0	18,650	(18,650)	0
0	0	0	0	0	13,725	(13,725)	0
0	0	0	0	0	258,275	(91,880)	166,395
0	0	0	0	0	727,985	(315,640)	412,345
160,750	0	0	31,738	0	0	0	197,657
9	0	0	0	0	32	0	2,419
0	0	0	0	0	0	0	66,294
0	0	0	0	0	0	0	20,390
1,290	0	0	0	0	35,464	0	946,963
0	0	0	0	0	0	0	1,979,780
0	0	0	0	0	0	0	128
<u>\$ 297,553</u>	<u>\$ 47,808</u>	<u>\$ 128,484</u>	<u>\$ 31,738</u>	<u>\$ 909,199</u>	<u>\$ 1,161,772</u>	<u>\$ (583,704)</u>	<u>\$ 12,000,363</u>
\$ 8,336	\$ 0	\$ 17	\$ 21,693	\$ 0	\$ 451,195	\$ 0	\$ 1,054,983
667	0	0	0	0	9,342	0	37,500
7,950	11,640	10,833	0	87,745	0	(423,281)	40,482
0	0	0	0	0	0	(13,725)	0
2	0	0	0	0	2,434	0	7,525
2,072	0	448	4,948	0	185,749	0	346,774
7,078	0	60	2,203	0	54,929	0	155,266
55	0	0	0	0	0	0	117
0	0	0	0	0	6,012	0	23,946
0	0	0	0	0	0	0	0
45	0	0	0	0	83,461	(36,168)	117,543
<u>26,205</u>	<u>11,640</u>	<u>11,358</u>	<u>28,844</u>	<u>87,745</u>	<u>793,122</u>	<u>(473,174)</u>	<u>1,784,136</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(18,650)</u>	<u>0</u>
0	0	32,804	0	0	0	0	32,804
0	0	0	0	0	0	0	0
0	0	14,322	0	0	0	0	14,322
192,843	0	70,000	30	0	201	0	407,530
<u>192,843</u>	<u>0</u>	<u>117,126</u>	<u>30</u>	<u>0</u>	<u>201</u>	<u>0</u>	<u>454,656</u>
4,503	0	0	0	0	0	0	69,527
10,693	0	0	0	0	1,528	0	79,742
8,157	0	0	0	0	1,019	0	38,793
683	0	0	0	0	0	0	19,393
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
<u>24,036</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,547</u>	<u>0</u>	<u>207,455</u>

**Missoula Housing Authority
Missoula, Montana**

**FINANCIAL DATA SUBMISSION SUMMARY
REVENUES, EXPENSES, AND CHANGES IN NET POSITION ACCOUNTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

<u>Account Description</u>	<u>Business Activities</u>	<u>Blended Component Unit</u>	<u>Low-Rent Public Hsg 14.850</u>	<u>Shelter Plus Care 14.238</u>	<u>Housing Choice Vouchers 14.871</u>
Ordinary Maintenance & Operation					
Labor	2,117	24,504	22,305	0	0
Materials	1,644	17,039	27,600	0	3,367
Employee benefit contributions	2,025	0	13,023	0	0
Garbage & trash removal contracts	1,728	4,924	38,753	0	0
Heating & cooling contracts	61	66	710	0	0
Snow Removal contracts	2,426	8,372	25,761	0	0
Elevator maintenance contracts	0	4,268	0	0	0
Landscape & grounds contracts	310	8,269	2,139	0	0
Unit turnaround contracts	0	0	0	0	0
Electrical contracts	0	442	645	0	0
Plumbing contracts	991	0	7,422	0	0
Extermination contracts	0	0	575	0	0
Janitorial contracts	1,708	1,660	5,599	0	0
Routine maintenance contracts	1,777	0	6,532	0	0
Contract costs - other	6,976	23,463	87,405	0	0
Total Ordinary Maintenance & Operation	<u>21,763</u>	<u>93,007</u>	<u>238,469</u>	<u>0</u>	<u>3,367</u>
Protective Services					
Protective services - salaries	0	0	728	0	0
Employee benefits - protective services	0	0	0	0	0
Other protective services - contract costs	0	0	71	0	0
Total Protective Services	<u>0</u>	<u>0</u>	<u>799</u>	<u>0</u>	<u>0</u>
Insurance Premiums					
Property insurance	7,468	12,261	29,528	0	0
Liability insurance	1,298	15,489	11,654	0	13,176
Workmen's compensation	0	0	0	0	0
Insurance - other	1,764	401	5,503	0	2,642
Total Insurance Premiums	<u>10,530</u>	<u>28,151</u>	<u>46,685</u>	<u>0</u>	<u>15,818</u>
General Expenses					
Other general expense	520	46,058	46,003	0	0
Compensated absences	15,615	5,419	629	0	5,156
Payments in lieu of taxes	959	0	10,088	0	0
Bad debt - tenant rents	440	0	10	0	0
Bad debt - mortgages	0	0	0	0	0
Bad debt - other	2,242	0	3,514	0	1,855
Severance expense	0	0	0	0	0
Total General Expenses	<u>19,776</u>	<u>51,477</u>	<u>60,244</u>	<u>0</u>	<u>7,011</u>
Financial Expenses					
Interest expense - mortgage payable	0	0	78,128	0	0
Interest expense - notes payable	0	7,883	0	0	0
Amortization - issuance costs	0	0	0	0	0
Total Financial Expenses	<u>0</u>	<u>7,883</u>	<u>78,128</u>	<u>0</u>	<u>0</u>
TOTAL OPERATING EXPENSE	<u>416,603</u>	<u>493,632</u>	<u>861,343</u>	<u>2,700</u>	<u>551,204</u>
EXCESS OPERATING REVENUE	<u>428,276</u>	<u>245,604</u>	<u>2,421,348</u>	<u>27,563</u>	<u>4,559,240</u>

VA Homeless Providers Grant 64.024	Uptown SRO/MR 14.249	ROSS 14.870	Rural Self-Help Housing Technical Assistance 10.420	Supportive Housing Program 14.235	Central Office Cost Center	Elimination	TOTAL
2,271	0	0	0	0	218,817	0	270,014
3,794	0	0	0	0	0	0	53,444
1,316	0	0	0	0	102,539	0	118,903
1,441	0	0	0	0	47	0	46,893
451	0	0	0	0	0	0	1,288
1,656	0	0	0	0	3,219	0	41,434
0	0	0	0	0	0	0	4,268
0	0	0	0	0	0	0	10,718
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	1,087
3,606	0	0	0	0	0	0	12,019
0	0	0	0	0	0	0	575
1,368	0	0	0	0	6,197	0	16,532
0	0	0	0	0	0	0	8,309
7,485	0	0	3,030	0	6,068	(91,880)	42,547
23,388	0	0	3,030	0	336,887	(91,880)	628,031
0	0	0	0	0	0	0	728
0	0	0	0	0	0	0	0
1,244	0	0	0	0	0	0	1,315
1,244	0	0	0	0	0	0	2,043
3,561	0	0	0	0	1,009	0	53,827
1,280	0	0	0	0	584	0	43,481
0	0	0	0	0	0	0	0
1,913	0	0	0	0	4,714	0	16,937
6,754	0	0	0	0	6,307	0	114,245
21	0	0	0	0	0	0	92,602
535	0	0	0	0	12,418	0	39,772
0	0	0	0	0	0	0	11,047
3,239	0	0	0	0	0	0	3,689
0	0	0	0	0	0	0	0
1,846	0	0	0	0	0	0	9,457
0	0	0	0	0	0	0	0
5,641	0	0	0	0	12,418	0	156,567
0	0	0	0	0	0	0	78,128
0	0	0	0	0	0	0	7,883
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	86,011
280,111	11,640	128,484	31,904	87,745	1,151,482	(583,704)	3,433,144
17,442	36,168	0	(166)	821,454	10,290	0	8,567,219

**Missoula Housing Authority
Missoula, Montana**

**FINANCIAL DATA SUBMISSION SUMMARY
REVENUES, EXPENSES, AND CHANGES IN NET POSITION ACCOUNTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

<u>Account Description</u>	Business Activities	Blended Component Unit	Low-Rent Public Hsg 14.850	Shelter Plus Care 14.238	Housing Choice Vouchers 14.871
Other Expenses					
Extraordinary maintenance	0	0	0	0	0
Casualty losses	0	0	0	0	0
Housing assistance payments	0	0	0	27,563	4,495,658
Portability HAP expense	0	0	0	0	27,793
Depreciation expense	34,350	67,277	442,820	0	2,275
Total Other Expenses	<u>34,350</u>	<u>67,277</u>	<u>442,820</u>	<u>27,563</u>	<u>4,525,726</u>
TOTAL EXPENSES	\$ 450,953	\$ 560,909	\$ 1,304,163	\$ 30,263	\$ 5,076,930
EXCESS OF REVENUE OVER EXPENSES	\$ 393,926	\$ 178,327	\$ 1,978,528	\$ 0	\$ 33,514
Transfer of funds	0	0	0	0	0
Special Item - OPEB	0	0	0	0	0
Transfer of equity	0	0	0	(1,761)	0
Prior period adjustments	0	0	0	0	0
Beginning Net Position	<u>5,217,840</u>	<u>1,477,545</u>	<u>5,576,231</u>	<u>1,761</u>	<u>305,015</u>
Ending Net Position	\$ 5,611,766	\$ 1,655,872	\$ 7,554,759	\$ 0	\$ 338,529
Administrative Fund Equity	-	-	-	-	255,919
Housing Choice Voucher Equity	-	-	-	-	82,610
Units Available	24	840	1,614	60	9,288
Units Leased	24	800	1,592	60	8,831

VA Homeless Providers Grant 64.024	Uptown SRO/MR 14.249	ROSS 14.870	Rural Self-Help Housing Technical Assistance 10.420	Supportive Housing Program 14.235	Central Office Cost Center	Elimination	TOTAL
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	36,168	0	0	821,454	0	0	5,380,843
0	0	0	0	0	0	0	27,793
47,565	0	0	0	0	18,742	0	613,029
47,565	36,168	0	0	821,454	18,742	0	6,021,665
\$ 327,676	\$ 47,808	\$ 128,484	\$ 31,904	\$ 909,199	\$ 1,170,224	\$ (583,704)	\$ 9,454,809
\$ (30,123)	\$ 0	\$ 0	\$ (166)	\$ 0	\$ (8,452)	\$ 0	\$ 2,545,554
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	501	0	0	1,761	(501)	0	0
0	0	0	0	0	0	0	0
1,348,608	(501)	0	0	0	285,946	0	14,212,445
\$ 1,318,485	\$ 0	\$ 0	\$ (166)	\$ 1,761	\$ 276,993	\$ 0	\$ 16,757,999
-	-	-	-	-	-	-	255,919
-	-	-	-	-	-	-	82,610
204	168	-	-	1,284	-	-	13,482
182	165	-	-	1,284	-	-	12,938

**Missoula Housing Authority
Missoula, Montana**

**FINANCIAL DATA SUBMISSION SUMMARY
NET POSITION ACCOUNTS - AMPs
September 30, 2014**

<u>Account Description</u>	<u>MT033000001</u>	<u>MT033000002</u>	<u>MT033000003</u>	<u>MT033000004</u>	<u>MT033000005</u>
ASSETS:					
CURRENT ASSETS:					
Cash:					
Cash - unrestricted	\$ 278,567	\$ 262,470	\$ 9,676	\$ 0	\$ 0
Cash - restricted - modernization	1,901,350	0	0	0	0
Cash - other restricted	30,749	6,645	1,571,169	0	0
Cash - tenant security deposits	29,151	21,425	0	0	0
Total Cash	<u>2,239,817</u>	<u>290,540</u>	<u>1,580,845</u>	<u>0</u>	<u>0</u>
Accounts and notes receivables:					
Accounts receivable - PHA projects	0	0	0	0	0
Accounts receivable - HUD	31,151	43,170	0	0	2,573
Accounts receivable - other government	0	0	0	0	0
Accounts receivable - miscellaneous	199	0	0	0	0
Accounts receivable - tenants rents	4,137	4,415	0	0	0
Allowance for doubtful accounts-tenants	(1,960)	(1,035)	0	0	0
Fraud recovery	0	0	0	0	0
Allowance for doubtful accounts - other	0	0	0	0	0
Accrued interest receivable	0	0	0	0	0
Total receivables - net	<u>33,527</u>	<u>46,550</u>	<u>0</u>	<u>0</u>	<u>2,573</u>
Current investments:					
Investments - unrestricted	0	0	0	0	0
Investments - restricted	0	0	0	0	0
Prepaid expenses and other assets	168	134	0	0	0
Inventories	33	0	0	0	0
Allowance for obsolete inventories	0	0	0	0	0
Interprogram due from	11,912	0	0	0	0
TOTAL CURRENT ASSETS	<u>2,285,457</u>	<u>337,224</u>	<u>1,580,845</u>	<u>0</u>	<u>2,573</u>
NONCURRENT ASSETS:					
Capital Assets:					
Land	652,580	78,237	0	0	0
Buildings	5,222,712	3,555,802	0	0	0
Furniture & equipment - dwelling	20,230	6,204	0	0	0
Furniture & equipment - admin	45,435	52,975	594	0	0
Improvements	643,019	517,605	258	0	0
Construction in process	1,220,091	0	0	0	0
Accumulated depreciation	(4,210,643)	(2,942,601)	(852)	0	0
Total capital assets - net	<u>3,593,424</u>	<u>1,268,222</u>	<u>0</u>	<u>0</u>	<u>0</u>
Notes receivable - noncurrent	0	0	0	0	0
Other assets	300	0	0	0	0
Investment in joint ventures	0	0	0	0	0
TOTAL NONCURRENT ASSETS	<u>3,593,724</u>	<u>1,268,222</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL ASSETS	<u>\$ 5,879,181</u>	<u>\$ 1,605,446</u>	<u>\$ 1,580,845</u>	<u>\$ 0</u>	<u>\$ 2,573</u>

<u>MT033000006</u>	<u>Other Project</u>	<u>TOTAL</u>
\$ 222	\$ 0	\$ 550,935
0	0	1,901,350
0	0	1,608,563
<u>800</u>	<u>0</u>	<u>51,376</u>
<u>1,022</u>	<u>0</u>	<u>4,112,224</u>
0	0	0
0	0	76,894
0	0	0
0	0	199
49	0	8,601
(10)	0	(3,005)
0	0	0
0	0	0
<u>0</u>	<u>0</u>	<u>0</u>
<u>39</u>	<u>0</u>	<u>82,689</u>
0	0	0
0	0	0
0	0	302
0	0	33
0	0	0
<u>0</u>	<u>0</u>	<u>11,912</u>
<u>1,061</u>	<u>0</u>	<u>4,207,160</u>
0	0	730,817
321,113	0	9,099,627
4,088	0	30,522
0	0	99,004
0	0	1,160,882
52,480	0	1,272,571
<u>(7,436)</u>	<u>0</u>	<u>(7,161,532)</u>
<u>370,245</u>	<u>0</u>	<u>5,231,891</u>
0	0	0
0	0	300
<u>0</u>	<u>0</u>	<u>0</u>
<u>370,245</u>	<u>0</u>	<u>5,232,191</u>
<u>\$ 371,306</u>	<u>\$ 0</u>	<u>\$ 9,439,351</u>

Missoula Housing Authority
Missoula, Montana

FINANCIAL DATA SUBMISSION SUMMARY
NET POSITION ACCOUNTS - AMPs
September 30, 2014

<u>Account Description</u>	<u>MT033000001</u>	<u>MT033000002</u>	<u>MT033000003</u>	<u>MT033000004</u>	<u>MT033000005</u>
LIABILITIES AND NET POSITION:					
LIABILITIES:					
CURRENT LIABILITIES:					
Cash overdraft	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Accounts payable < 90 days	5,019	2,563	0	0	2,573
Accrued salaries/payroll withholding	3,906	2,446	0	0	0
Accrued compensated absences	2,482	1,086	0	0	0
Accrued interest payable	4,507	1,271	0	0	0
Accounts payable - HUD PHA programs	0	0	0	0	0
Accounts payable - other gov.	0	0	0	0	0
Tenant security deposits	29,151	21,425	0	0	0
Unearned revenue	541	70	0	0	0
Current portion of L-T debt - capital borrowings	86,140	34,152	0	0	0
Other current liabilities	4,890	0	0	0	0
Accrued liabilities - other	0	4,344	0	0	0
Interprogram (due to)	0	0	0	0	0
TOTAL CURRENT LIABILITIES	<u>136,636</u>	<u>67,357</u>	<u>0</u>	<u>0</u>	<u>2,573</u>
NONCURRENT LIABILITIES:					
Long-term debt, net of current - capital borrowings	1,396,334	241,218	0	0	0
Accrued comp. absences - long term	9,928	4,345	0	0	0
Noncurrent liabilities - other	13,825	7,133	0	0	0
TOTAL NONCURRENT LIABILITIES	<u>1,420,087</u>	<u>252,696</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL LIABILITIES	<u>1,556,723</u>	<u>320,053</u>	<u>0</u>	<u>0</u>	<u>2,573</u>
NET POSITION:					
Net Investment in Capital Assets	2,110,950	992,852	0	0	0
Restricted	1,918,274	0	1,571,169	0	0
Unrestricted	293,234	292,541	9,676	0	0
TOTAL NET POSITION	<u>4,322,458</u>	<u>1,285,393</u>	<u>1,580,845</u>	<u>0</u>	<u>0</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 5,879,181</u>	<u>\$ 1,605,446</u>	<u>\$ 1,580,845</u>	<u>\$ 0</u>	<u>\$ 2,573</u>

<u>MT033000006</u>	<u>Other Project</u>	<u>TOTAL</u>
\$ 0	\$ 0	\$ 0
1,269	0	11,424
30	0	6,382
37	0	3,605
0	0	5,778
0	0	0
0	0	0
800	0	51,376
0	0	611
0	0	120,292
2,960	0	7,850
0	0	4,344
<u>0</u>	<u>0</u>	<u>0</u>
<u>5,096</u>	<u>0</u>	<u>211,662</u>
0	0	1,637,552
147	0	14,420
<u>0</u>	<u>0</u>	<u>20,958</u>
<u>147</u>	<u>0</u>	<u>1,672,930</u>
<u>5,243</u>	<u>0</u>	<u>1,884,592</u>
370,245	0	3,474,047
0	0	3,489,443
<u>(4,182)</u>	<u>0</u>	<u>591,269</u>
<u>366,063</u>	<u>0</u>	<u>7,554,759</u>
<u>\$ 371,306</u>	<u>\$ 0</u>	<u>\$ 9,439,351</u>

**Missoula Housing Authority
Missoula, Montana**

**FINANCIAL DATA SUBMISSION SUMMARY
REVENUES, EXPENSES, AND CHANGES IN
NET POSITION ACCOUNTS - COMBINED SCHEDULE - AMP's
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

<u>Account Description</u>	<u>MT033000001</u>	<u>MT033000002</u>	<u>MT033000003</u>	<u>MT033000004</u>	<u>MT033000005</u>
REVENUES:					
Net tenant rental revenue	\$ 111,510	\$ 92,528	\$ 0	\$ 0	\$ 0
Tenant revenue - other	12,509	4,415	0	0	0
Total tenant revenue	<u>124,019</u>	<u>96,943</u>	<u>0</u>	<u>0</u>	<u>0</u>
HUD PHA grants - operating	519,626	236,191	0	0	46,003
HUD PHA grants - capital	217,343	19,236	0	0	0
Management fee	0	0	0	0	0
Asset management fee	0	0	0	0	0
Bookkeeping fee	0	0	0	0	0
Front line service fee	0	0	0	0	0
Other government grants	0	0	0	0	0
Investment income - unrestricted	18	62	1,919	0	0
Mortgage interest income	0	0	0	0	0
Fraud income	0	0	0	0	0
Other revenue	3,636	2,452	0	0	0
Gain/(loss) on disposition	1,979,780	0	0	0	0
Investment income - restricted	128	0	0	0	0
TOTAL REVENUES	\$ <u>2,844,550</u>	\$ <u>354,884</u>	\$ <u>1,919</u>	\$ <u>0</u>	\$ <u>46,003</u>
EXPENSES:					
Administrative					
Administrative salaries	\$ 62,573	\$ 30,035	\$ 0	\$ 0	\$ 0
Auditing fees	6,178	3,163	0	0	0
Management fees	91,537	36,413	0	0	0
Bookkeeping fees	9,742	3,855	0	0	0
Advertising & marketing	1,902	296	0	0	0
Employee benefits - administrative	21,684	9,180	0	0	0
Office expense	19,249	7,201	79	0	0
Legal expense	0	0	0	0	0
Travel expense	1,824	892	0	0	0
Allocated Overhead	0	0	0	0	0
Other operating - administrative	2,151	23,771	0	0	0
Total Administrative Expense	<u>216,840</u>	<u>114,806</u>	<u>79</u>	<u>0</u>	<u>0</u>
Asset management fee	<u>13,200</u>	<u>5,280</u>	<u>0</u>	<u>0</u>	<u>0</u>
Tenant Services					
Tenant services - salaries	0	0	0	0	0
Relocation	0	0	0	0	0
Employee benefits - tenant services	0	0	0	0	0
Other tenant services	231	20	0	0	0
Total Tenant Services	<u>231</u>	<u>20</u>	<u>0</u>	<u>0</u>	<u>0</u>
Utilities					
Water	27,100	18,733	0	0	0
Electricity	12,178	5,906	110	0	0
Gas	3,195	4,412	0	0	0
Sewer	4,009	6,797	0	0	0
Other utilities	0	0	0	0	0
Employee benefits - utilities	0	0	0	0	0
Total Utilities Expense	<u>46,482</u>	<u>35,848</u>	<u>110</u>	<u>0</u>	<u>0</u>

<u>MT033000006</u>	<u>Other Project</u>	<u>TOTAL</u>
\$ 2,964	\$ 0	\$ 207,002
0	0	16,924
<u>2,964</u>	<u>0</u>	<u>223,926</u>
3,682	0	805,502
28,689	0	265,268
0	0	0
0	0	0
0	0	0
0	0	0
0	0	1,999
0	0	0
0	0	0
0	0	6,088
0	0	1,979,780
0	0	128
<u>\$ 35,335</u>	<u>\$ 0</u>	<u>\$ 3,282,691</u>

\$ 181	\$ 0	\$ 92,789
1,335	0	10,676
1,000	0	128,950
128	0	13,725
0	0	2,198
18	0	30,882
14	0	26,543
0	0	0
0	0	2,716
0	0	0
0	0	25,922
<u>2,676</u>	<u>0</u>	<u>334,401</u>

<u>170</u>	<u>0</u>	<u>18,650</u>
------------	----------	---------------

0	0	0
0	0	0
0	0	0
0	0	251
<u>0</u>	<u>0</u>	<u>251</u>

979	0	46,812
23	0	18,217
140	0	7,747
134	0	10,940
0	0	0
0	0	0
<u>1,276</u>	<u>0</u>	<u>83,716</u>

**Missoula Housing Authority
Missoula, Montana**

**FINANCIAL DATA SUBMISSION SUMMARY
REVENUES, EXPENSES, AND CHANGES IN
NET POSITION ACCOUNTS - COMBINED SCHEDULE - AMP's
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

<u>Account Description</u>	<u>MT033000001</u>	<u>MT033000002</u>	<u>MT033000003</u>	<u>MT033000004</u>	<u>MT033000005</u>
Ordinary Maintenance & Operation					
Labor	15,567	6,738	0	0	0
Materials	20,680	6,721	41	0	0
Employee benefit contributions	9,081	3,942	0	0	0
Garbage & trash removal contracts	25,444	12,917	0	0	0
Heating & cooling contracts	144	566	0	0	0
Snow removal contracts	17,873	7,091	0	0	0
Elevator maintenance contracts	0	0	0	0	0
Landscape & grounds contracts	1,454	685	0	0	0
Unit turnaround contracts	0	0	0	0	0
Electrical contracts	544	101	0	0	0
Plumbing contracts	4,114	3,308	0	0	0
Extermination contracts	575	0	0	0	0
Janitorial contracts	4,489	1,110	0	0	0
Routine maintenance contracts	0	6,532	0	0	0
Contract costs - other	56,297	30,230	0	0	0
Total Ordinary Maintenance & Operation	<u>156,262</u>	<u>79,941</u>	<u>41</u>	<u>0</u>	<u>0</u>
Protective Services					
Protective services - salaries	728	0	0	0	0
Employee benefits - protective services	0	0	0	0	0
Other protective services	71	0	0	0	0
Total Protective Services	<u>799</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
General Expenses					
Property insurance	18,964	10,288	276	0	0
Liability insurance	8,186	3,399	69	0	0
Workmen's compensation	0	0	0	0	0
Insurance - other	3,451	2,052	0	0	0
Other general expense	0	0	0	0	46,003
Compensated absences	4	442	0	0	0
Payments in lieu of taxes	5,038	4,831	0	0	0
Bad debt - tenant rents	0	0	0	0	0
Bad debt - mortgages	0	0	0	0	0
Bad debt - other	3,514	0	0	0	0
Severance expense	0	0	0	0	0
Total General Expenses	<u>39,157</u>	<u>21,012</u>	<u>345</u>	<u>0</u>	<u>46,003</u>
Financial Expenses					
Interest expense - mortgage payable	60,940	17,188	0	0	0
Interest expense - notes payable	0	0	0	0	0
Amortization - issuance costs	0	0	0	0	0
Total Financial Expenses	<u>60,940</u>	<u>17,188</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL OPERATING EXPENSE	<u>533,911</u>	<u>274,095</u>	<u>575</u>	<u>0</u>	<u>46,003</u>
EXCESS OPERATING REVENUE	<u>2,310,639</u>	<u>80,789</u>	<u>1,344</u>	<u>0</u>	<u>0</u>

<u>MT033000006</u>	<u>Other Project</u>	<u>TOTAL</u>
0	0	22,305
158	0	27,600
0	0	13,023
392	0	38,753
0	0	710
797	0	25,761
0	0	0
0	0	2,139
0	0	0
0	0	645
0	0	7,422
0	0	575
0	0	5,599
0	0	6,532
878	0	87,405
<u>2,225</u>	<u>0</u>	<u>238,469</u>
0	0	728
0	0	0
0	0	71
<u>0</u>	<u>0</u>	<u>799</u>
0	0	29,528
0	0	11,654
0	0	0
0	0	5,503
0	0	46,003
183	0	629
219	0	10,088
10	0	10
0	0	0
0	0	3,514
0	0	0
<u>412</u>	<u>0</u>	<u>106,929</u>
0	0	78,128
0	0	0
0	0	0
<u>0</u>	<u>0</u>	<u>78,128</u>
<u>6,759</u>	<u>0</u>	<u>861,343</u>
<u>28,576</u>	<u>0</u>	<u>2,421,348</u>

Missoula Housing Authority
Missoula, Montana

**FINANCIAL DATA SUBMISSION SUMMARY
REVENUES, EXPENSES, AND CHANGES IN
NET POSITION ACCOUNTS - COMBINED SCHEDULE - AMP's
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

<u>Account Description</u>	<u>MT033000001</u>	<u>MT033000002</u>	<u>MT033000003</u>	<u>MT033000004</u>	<u>MT033000005</u>
Other Expenses					
Extraordinary maintenance	0	0	0	0	0
Casualty losses	0	0	0	0	0
Housing assistance payments	0	0	0	0	0
Depreciation expense	307,037	128,346	0	0	0
Total Other Expenses	<u>307,037</u>	<u>128,346</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL EXPENSES	\$ <u>840,948</u>	\$ <u>402,441</u>	\$ <u>575</u>	\$ <u>0</u>	\$ <u>46,003</u>
EXCESS OF REVENUE OVER EXPENSES	\$ <u>2,003,602</u>	\$ <u>(47,557)</u>	\$ <u>1,344</u>	\$ <u>0</u>	\$ <u>0</u>
Transfer of funds	0	0	0	0	0
Transfer of equity	17,913	8,206	(371,043)	0	0
Prior period adjustments	0	0	0	0	0
Beginning Net Position	<u>2,300,943</u>	<u>1,324,744</u>	<u>1,950,544</u>	<u>0</u>	<u>0</u>
Ending Net Position	\$ <u>4,322,458</u>	\$ <u>1,285,393</u>	\$ <u>1,580,845</u>	\$ <u>0</u>	\$ <u>0</u>
Units Available	828	528	-	-	240
Units Leased	813	522	-	-	240

<u>MT033000006</u>	<u>Other Project</u>	<u>TOTAL</u>
0	0	0
0	0	0
0	0	0
7,437	0	442,820
<u>7,437</u>	<u>0</u>	<u>442,820</u>
<u>\$ 14,196</u>	<u>\$ 0</u>	<u>\$ 1,304,163</u>
<u>\$ 21,139</u>	<u>\$ 0</u>	<u>\$ 1,978,528</u>
0	0	0
344,924	0	0
0	0	0
0	0	5,576,231
<u>\$ 366,063</u>	<u>\$ 0</u>	<u>\$ 7,554,759</u>
18	-	1,614
17	-	1,592

**Missoula Housing Authority
Missoula, Montana**

**FINANCIAL DATA SUBMISSION SUMMARY
NET POSITION ACCOUNTS - COMPONENT UNITS
September 30, 2014**

<u>Account Description</u>	<u>MHA Holding</u>	<u>GCN</u>	<u>IDC</u>	<u>Bristlecone</u>	<u>TOTAL</u>
ASSETS:					
CURRENT ASSETS:					
Cash:					
Cash - unrestricted	\$ 173,283	\$ 2,910	\$ 5,360	\$ 164,810	\$ 346,363
Cash - restricted	0	0	0	0	0
Cash - tenant security deposits	25,850	0	0	0	25,850
Total Cash	199,133	2,910	5,360	164,810	372,213
Accounts and notes receivables:					
Accounts receivable - HUD	0	0	0	0	0
Accounts receivable - other government	0	0	0	0	0
Accounts receivable - miscellaneous	0	0	0	0	0
Accounts receivable - tenants rents	6,351	0	0	0	6,351
Allowance for doubtful accounts - tenants	0	0	0	0	0
Allowance for doubtful accounts - other	0	0	0	0	0
Notes receivable - current	200,000	0	0	0	200,000
Accrued interest receivable	32,788	40,688	0	0	73,476
Total receivables - net	239,139	40,688	0	0	279,827
Current investments:					
Investments - unrestricted	0	0	0	0	0
Investments - restricted	0	0	0	0	0
Prepaid expenses and other assets	17,484	0	0	34	17,518
Inventories	0	0	0	0	0
Allowance for obsolete inventories	0	0	0	0	0
Interprogram due from	0	0	0	0	0
TOTAL CURRENT ASSETS	455,756	43,598	5,360	164,844	669,558
NONCURRENT ASSETS:					
Capital Assets:					
Land	0	345,759	0	0	345,759
Buildings	2,018,081	0	0	0	2,018,081
Furniture & equipment	16,678	0	0	788	17,466
Improvements	1,200	0	0	8,999	10,199
Construction in process	80,313	0	0	4,510	84,823
Accumulated depreciation	(72,884)	0	0	0	(72,884)
Total capital assets - net	2,043,388	345,759	0	14,297	2,403,444
Notes receivable - noncurrent	0	111,984	0	0	111,984
Other assets	0	0	0	0	0
Investment in joint ventures	0	702,252	820,991	0	1,523,243
TOTAL NONCURRENT ASSETS	2,043,388	1,159,995	820,991	14,297	4,038,671
TOTAL ASSETS	\$ 2,499,144	\$ 1,203,593	\$ 826,351	\$ 179,141	\$ 4,708,229

**Missoula Housing Authority
Missoula, Montana**

**FINANCIAL DATA SUBMISSION SUMMARY
NET POSITION ACCOUNTS - COMPONENT UNITS
September 30, 2014**

<u>Account Description</u>	<u>MHA Holding</u>	<u>GCN</u>	<u>IDC</u>	<u>Bristlecone</u>	<u>TOTAL</u>
LIABILITIES AND NET POSITION:					
LIABILITIES:					
CURRENT LIABILITIES:					
Cash overdraft	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Accounts payable < 90 days	10,867	0	0	334	11,201
Accrued salaries/payroll withholding	670	0	0	6,076	6,746
Accrued compensated absences	772	0	0	1,175	1,947
Accrued interest payable	0	6,591	0	0	6,591
Accounts payable - HUD PHA programs	0	0	0	0	0
Accounts payable - other gov.	0	0	0	0	0
Tenant security deposits	25,850	0	0	0	25,850
Unearned revenue	5,642	0	0	0	5,642
Current portion of L-T debt - capital borrowings	0	133,523	0	0	133,523
Other current liabilities	0	0	0	0	0
Accrued liabilities - other	0	0	0	0	0
Interprogram (due to)	37,044	123,234	698,507	3,770	862,555
TOTAL CURRENT LIABILITIES	<u>80,845</u>	<u>263,348</u>	<u>698,507</u>	<u>11,355</u>	<u>1,054,055</u>
NONCURRENT LIABILITIES:					
Long-term debt, net of current - capital borrowings	1,990,516	0	0	0	1,990,516
Accrued comp. absences - long term	3,084	0	0	4,702	7,786
Noncurrent liabilities - other	0	0	0	0	0
TOTAL NONCURRENT LIABILITIES	<u>1,993,600</u>	<u>0</u>	<u>0</u>	<u>4,702</u>	<u>1,998,302</u>
TOTAL LIABILITIES	<u>2,074,445</u>	<u>263,348</u>	<u>698,507</u>	<u>16,057</u>	<u>3,052,357</u>
NET POSITION:					
Net Investment in Capital Assets	52,872	212,236	0	14,297	279,405
Restricted	0	0	0	0	0
Unrestricted	371,827	728,009	127,844	148,787	1,376,467
TOTAL NET POSITION	<u>424,699</u>	<u>940,245</u>	<u>127,844</u>	<u>163,084</u>	<u>1,655,872</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 2,499,144</u>	<u>\$ 1,203,593</u>	<u>\$ 826,351</u>	<u>\$ 179,141</u>	<u>\$ 4,708,229</u>

**Missoula Housing Authority
Missoula, Montana**

**FINANCIAL DATA SUBMISSION SUMMARY
REVENUES, EXPENSES, AND CHANGES IN NET POSITION ACCOUNTS
COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

<u>Account Description</u>	<u>MHA Holding</u>	<u>GCN</u>	<u>IDC</u>	<u>Bristlecone</u>	<u>TOTAL</u>
REVENUES:					
Net tenant rental revenue	\$ 552,229	\$ 0	\$ 0	\$ 0	\$ 552,229
Tenant revenue - other	<u>11,745</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>11,745</u>
Total tenant revenue	563,974	0	0	0	563,974
HUD PHA grants - operating	0	0	0	0	0
HUD PHA grants - capital	0	0	0	0	0
Management fee	0	0	0	0	0
Asset management fee	0	0	0	0	0
Bookkeeping fee	0	0	0	0	0
Front line service fee	0	0	0	0	0
Other government grants	0	0	0	0	0
Investment income - unrestricted	16	0	0	0	16
Mortgage interest income	12,001	4,479	3,693	0	20,173
Fraud income	0	0	0	0	0
Other revenue	6,366	7,500	23,683	117,524	155,073
Gain/(loss) on disposition	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL REVENUES	\$ <u>582,357</u>	\$ <u>11,979</u>	\$ <u>27,376</u>	\$ <u>117,524</u>	\$ <u>739,236</u>
EXPENSES:					
Administrative					
Administrative salaries	\$ 24,556	\$ 0	\$ 0	\$ 89,261	\$ 113,817
Auditing fees	2,669	0	0	2,669	5,338
Management fees	40,551	0	0	0	40,551
Bookkeeping fees	0	0	0	0	0
Advertising & marketing	434	0	0	900	1,334
Employee benefits - administrative	939	0	0	22,789	23,728
Office expense	19,340	0	0	1,590	20,930
Legal expense	0	0	0	62	62
Travel expense	891	0	0	102	993
Rent	0	0	0	0	0
Other operating - administrative	<u>603</u>	<u>0</u>	<u>0</u>	<u>17,757</u>	<u>18,360</u>
Total Administrative Expense	<u>89,983</u>	<u>0</u>	<u>0</u>	<u>135,130</u>	<u>225,113</u>
Asset management fee	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Tenant Services					
Tenant services - salaries	0	0	0	0	0
Employee benefits - tenant services	0	0	0	0	0
Other tenant services	<u>9,463</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>9,463</u>
Total Tenant Services	<u>9,463</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>9,463</u>

**Missoula Housing Authority
Missoula, Montana**

**FINANCIAL DATA SUBMISSION SUMMARY
REVENUES, EXPENSES, AND CHANGES IN NET POSITION ACCOUNTS
COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

<u>Account Description</u>	<u>MHA Holding</u>	<u>GCN</u>	<u>IDC</u>	<u>Bristlecone</u>	<u>TOTAL</u>
Utilities					
Water	14,478	0	0	0	14,478
Electricity	42,143	0	0	0	42,143
Gas	15,204	0	0	0	15,204
Sewer	6,713	0	0	0	6,713
Other utilities	0	0	0	0	0
Employee benefits - utilities	0	0	0	0	0
Total Utilities Expense	<u>78,538</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>78,538</u>
Ordinary Maintenance & Operation					
Labor	24,504	0	0	0	24,504
Materials	16,501	0	0	538	17,039
Employee benefit contributions	0	0	0	0	0
Garbage & trash removal contracts	4,924	0	0	0	4,924
Heating & cooling contracts	66	0	0	0	66
Snow removal contracts	8,372	0	0	0	8,372
Elevator maintenance contracts	4,268	0	0	0	4,268
Landscape & grounds contracts	8,269	0	0	0	8,269
Unit turnaround contracts	0	0	0	0	0
Electrical contracts	442	0	0	0	442
Plumbing contracts	0	0	0	0	0
Extermination contracts	0	0	0	0	0
Janitorial contracts	1,660	0	0	0	1,660
Routine maintenance contracts	0	0	0	0	0
Contract costs - other	21,799	0	0	1,664	23,463
Total Ordinary Maintenance & Operation	<u>90,805</u>	<u>0</u>	<u>0</u>	<u>2,202</u>	<u>93,007</u>
Protective Services					
Protective services - salaries	0	0	0	0	0
Total Protective Services	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Insurance Premiums					
Property insurance	12,261	0	0	0	12,261
Liability insurance	3,272	0	0	12,217	15,489
Workmen's compensation	0	0	0	0	0
Insurance - other	66	0	0	335	401
Total Insurance Premiums	<u>15,599</u>	<u>0</u>	<u>0</u>	<u>12,552</u>	<u>28,151</u>

**Missoula Housing Authority
Missoula, Montana**

**FINANCIAL DATA SUBMISSION SUMMARY
REVENUES, EXPENSES, AND CHANGES IN NET POSITION ACCOUNTS
COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

<u>Account Description</u>	<u>MHA Holding</u>	<u>GCN</u>	<u>IDC</u>	<u>Bristlecone</u>	<u>TOTAL</u>
General Expenses					
Other general expense	2,084	584	43,390	0	46,058
Compensated absences	3,276	0	0	2,143	5,419
Payments in lieu of taxes	0	0	0	0	0
Bad debt - tenant rents	0	0	0	0	0
Bad debt - other	0	0	0	0	0
Severance expense	0	0	0	0	0
Total General Expenses	<u>5,360</u>	<u>584</u>	<u>43,390</u>	<u>2,143</u>	<u>51,477</u>
Financial Expenses					
Interest expense - mortgage payable	0	0	0	0	0
Interest expense - notes payable	0	4,739	3,144	0	7,883
Amortization - issuance costs	0	0	0	0	0
Total Financial Expenses	<u>0</u>	<u>4,739</u>	<u>3,144</u>	<u>0</u>	<u>7,883</u>
TOTAL OPERATING EXPENSE	<u>289,748</u>	<u>5,323</u>	<u>46,534</u>	<u>152,027</u>	<u>493,632</u>
EXCESS OPERATING REVENUE	<u>292,609</u>	<u>6,656</u>	<u>(19,158)</u>	<u>(34,503)</u>	<u>245,604</u>
Other Expenses					
Extraordinary maintenance	0	0	0	0	0
Casualty losses	0	0	0	0	0
Depreciation expense	67,277	0	0	0	67,277
Total Other Expenses	<u>67,277</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>67,277</u>
TOTAL EXPENSES	<u>\$ 357,025</u>	<u>\$ 5,323</u>	<u>\$ 46,534</u>	<u>\$ 152,027</u>	<u>\$ 560,909</u>
EXCESS OF REVENUE OVER EXPENSES	<u>\$ 225,332</u>	<u>\$ 6,656</u>	<u>\$ (19,158)</u>	<u>\$ (34,503)</u>	<u>\$ 178,327</u>
Transfer of funds	0	0	0	0	0
Transfer of equity	0	0	0	0	0
Required Annual Debt Principal Payments	0	0	0	0	0
Prior period adjustments	0	0	0	0	0
Beginning Net Position	<u>199,367</u>	<u>933,589</u>	<u>147,002</u>	<u>197,587</u>	<u>1,477,545</u>
Ending Net Position	<u>\$ 424,699</u>	<u>\$ 940,245</u>	<u>\$ 127,844</u>	<u>\$ 163,084</u>	<u>\$ 1,655,872</u>

MISSOULA HOUSING AUTHORITY
Missoula, MT

SCHEDULE OF EXPENDITURES OF FEDERAL FINANCIAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>Type</u>	<u>Federal CFDA #</u>	<u>Expenditures</u>
<u>FEDERAL GRANTOR</u>			
<u>U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT:</u>			
Public Housing:			
Low Rent Public Housing - subsidy	A - Major	14.850	\$ 766,154
Capital Fund Program	A - Major	14.872	304,616
ROSS	B - Nonmajor	14.870	128,484
Section 8 Housing Assistance Program:			
Supportive Housing Program	A - Major	14.235	909,199
Shelter Plus Care	B - Nonmajor	14.238	30,263
Mod Rehab/SRO	B - Nonmajor	14.249	47,808
Housing Choice Voucher	A - Major	14.871	5,055,697
<u>U.S. DEPARTMENT OF AGRICULTURE:</u>			
Rural Self-Help Housing - Technical Assistance	B - Nonmajor	10.420	31,738
<u>U.S. DEPARTMENT OF VETERANS ADMINISTRATION:</u>			
Veteran's Affairs Homeless Providers Grant Program	B - Nonmajor	62.024	<u>160,750</u>
TOTAL FEDERAL FINANCIAL AWARDS			\$ <u><u>7,434,709</u></u>
Threshold for Type A & Type B			\$ <u><u>300,000</u></u>

MISSOULA HOUSING AUTHORITY
Missoula, Montana

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

NOTE A - BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Missoula Housing Authority and is presented on the full 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*.

NOTE B - SUB-RECIPIENTS:

The Missoula Housing Authority provided no federal awards to sub-recipients during the fiscal year ending September 30, 2014.

NOTE C - DISCLOSURE OF OTHER FORMS OF ASSISTANCE:

- The Missoula Housing Authority received no federal awards of non-monetary assistance that are required to be disclosed for the year ended September 30, 2014.

- The Missoula Housing Authority had the following loans, and loan guarantees to be disclosed as of September 30, 2014.

1. Russell Square Limited Partnership LP – Missoula Housing Authority is an operating deficit guarantor as a general partner for Russell Square Partnership. This guarantee includes the servicing of outstanding loan balances in the event of a default. As of September 30, 2014, the outstanding loan balance was \$1,722,896. No direct assistance or utilization of this guarantor relationship was noted during the audit period.

2. Maclay Commons Associates Limited Partnership – Missoula Housing Authority is an operating deficit guarantor as a general partner for Maclay Commons Limited Partnership. This guarantee includes the servicing of outstanding loan balance in the event of a default. As of September 30, 2014, the outstanding loan balance was \$723,155. No direct assistance or utilization of this guarantor relationship was noted during the audit period.

- There were no federally restricted endowment funds required to be disclosed for the fiscal year ended September 30, 2014.

- The Missoula Housing Authority maintains the following limits of insurance as of September 30, 2014:

Property	\$ 23,248,697
Liability	\$ 5,000,000
Director & Officers	\$ 2,000,000
Commercial Auto	\$ 300,000
Worker Compensation	\$ 500,000
Employee Dishonesty	\$ 500,000

Settled claims have not exceeded the above commercial insurance coverage limits over the past three years.

MISSOULA HOUSING AUTHORITY
Missoula, Montana

SUPPLEMENTAL INFORMATION
SPECIAL REPORTS

FISCAL YEAR ENDED SEPTEMBER 30, 2014

MISSOULA HOUSING AUTHORITY
Missoula, Montana

STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND PROGRAM COSTS
September 30, 2014

PHASE MT06P033-501-11

1 The Actual Capital Fund Program Costs of MT06P033-501-11 are as follows:

Funds Approved	\$ 256,128
Funds Expended	<u>256,128</u>
Excess of Funds Approved	<u>\$ -</u>
Funds Advanced	\$ 256,128
Funds Expended	<u>256,128</u>
Excess of Funds Advanced	<u>\$ -</u>

- 2 All costs were incurred in the prior audit and were not reaudited by Rector, Reeder & Lofton, P.C.
- 3 The distribution of costs by major cost accounts as shown on the Final Statement of Modernization Cost dated February 24, 2014, accompanying the Actual Modernization Cost Certificate submitted to HUD for approval is in agreement with the PHA's records.
- 4 All Capital Fund Program costs have been paid and all related liabilities have been discharged through payment.

MISSOULA HOUSING AUTHORITY
Missoula, Montana

STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND PROGRAM COSTS
September 30, 2014

PHASE MT06P033-501-12

- 1 The Actual Capital Fund Program Costs of MT06P033-501-12 are as follows:

Funds Approved	\$	218,761
Funds Expended		<u>218,761</u>
Excess of Funds Approved	\$	<u><u>-</u></u>
Funds Advanced	\$	218,761
Funds Expended		<u>218,761</u>
Excess of Funds Advanced	\$	<u><u>-</u></u>

- 2 Audit period additions were \$115,471.17 and accordingly were audited by Rector, Reeder & Lofton, P.C.
- 3 The distribution of costs by major cost accounts as shown on the Final Statement of Modernization Cost dated February 24, 2014, accompanying the Actual Modernization Cost Certificate submitted to HUD for approval is in agreement with the PHA's records.
- 4 All Capital Fund Program costs have been paid and all related liabilities have been discharged through payment.

MISSOULA HOUSING AUTHORITY
Missoula, Montana

STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND PROGRAM COSTS
September 30, 2014

PHASE MT06R033-501-13

- 1 The Actual Capital Fund Program Costs of MT06R033-501-13 are as follows:

Funds Approved	\$	28,689
Funds Expended		<u>28,689</u>
Excess of Funds Approved	\$	<u><u>-</u></u>
Funds Advanced	\$	28,689
Funds Expended		<u>28,689</u>
Excess of Funds Advanced	\$	<u><u>-</u></u>

- 2 Audit period additions were \$28,689.00 and accordingly were audited by Rector, Reeder & Lofton, P.C.
- 3 The distribution of costs by major cost accounts as shown on the Final Statement of Modernization Cost dated January 31, 2014, accompanying the Actual Modernization Cost Certificate submitted to HUD for approval is in agreement with the PHA's records.
- 4 All Capital Fund Program costs have been paid and all related liabilities have been discharged through payment.