

**HELENA HOUSING AUTHORITY**  
**Helena, Montana**

**MANAGEMENT'S DISCUSSION & ANALYSIS**  
**AND AUDITED FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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**HELENA HOUSING AUTHORITY  
Helena, Montana**

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

**FOR THE FISCAL YEAR ENDED JUNE 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  
Helena Housing Authority  
Helena, Montana 59601

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

**Report on Financial Statements**

We have audited the accompanying financial statements of the Helena Housing Authority as of and for the year ended June 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 Helena Housing Authority, as of June 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 Helena 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 October 8, 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.  
Certified Public Accountants

Lawrenceville, Georgia  
October 8, 2014

**HELENA HOUSING AUTHORITY**  
Helena, Montana

**MANAGEMENT'S DISCUSSION & ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**HELENA HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2014**

As management of the Helena Housing Authority, we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activity of the Authority for the year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with the Authority's audited financial statements.

Questions concerning any of the information provided in this report or requests for any additional information should be addressed to the Executive Director, Helena Housing Authority.

**FINANCIAL HIGHLIGHTS**

- The total Assets of the Authority exceeded its total Liabilities as of June 30, 2014 by \$8,763,059 (net position).
- The Authority's cash and cash equivalents balance as of June 30, 2014 was \$1,728,488, representing a decrease of \$70,625 from June 30, 2013. This decrease was primarily the result the use of Housing Assistance Payment reserves.
- The Authority had intergovernmental revenues of \$3,180,317 from HUD operating grants and \$821,066 from HUD capital grants for the year ended June 30, 2014.
- The Authority's net capital assets for the year increased by \$658,998. This was the result of the construction of the Early Learning Center.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial statements included in this annual report are those of a special-purpose government engaged only in a business-type activity. The financial statements consist of three parts: management's discussion and analysis (this section), the basic financial statements, and supplementary information. The basic financial statements include a balance sheet, statement of revenues, expenses and changes in net position, and a statement of cash flows.

- The basic financial statements consist of financial statements of the Authority's major and non-major enterprise programs, which operate similar to business activities and for which the Authority follows an accrual basis of accounting.
- The basic financial statements also include a "Notes to Basic Financial Statements" section that explains some of the information in the fund financial statements and provides more detailed data.

**HELENA HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2014**

- The Notes to Basic Financial Statements are followed by a "Supplementary Information" section, which presents the Financial Data Schedule of the Authority required by the U.S. Department of Housing and Urban Development (HUD).

**BASIC FINANCIAL STATEMENTS**

The basic financial statements provide detailed information about the Authority's most significant funds. The Authority has one kind of fund:

- Enterprise Fund – The Authority's activities are its Enterprise Fund, which is accounted for in a manner similar to businesses operating in the public sector. The funding is primarily made available through the HUD operating subsidy and grant income. The net position of these funds represents accumulated earnings since their inception and are generally restricted for program purposes.

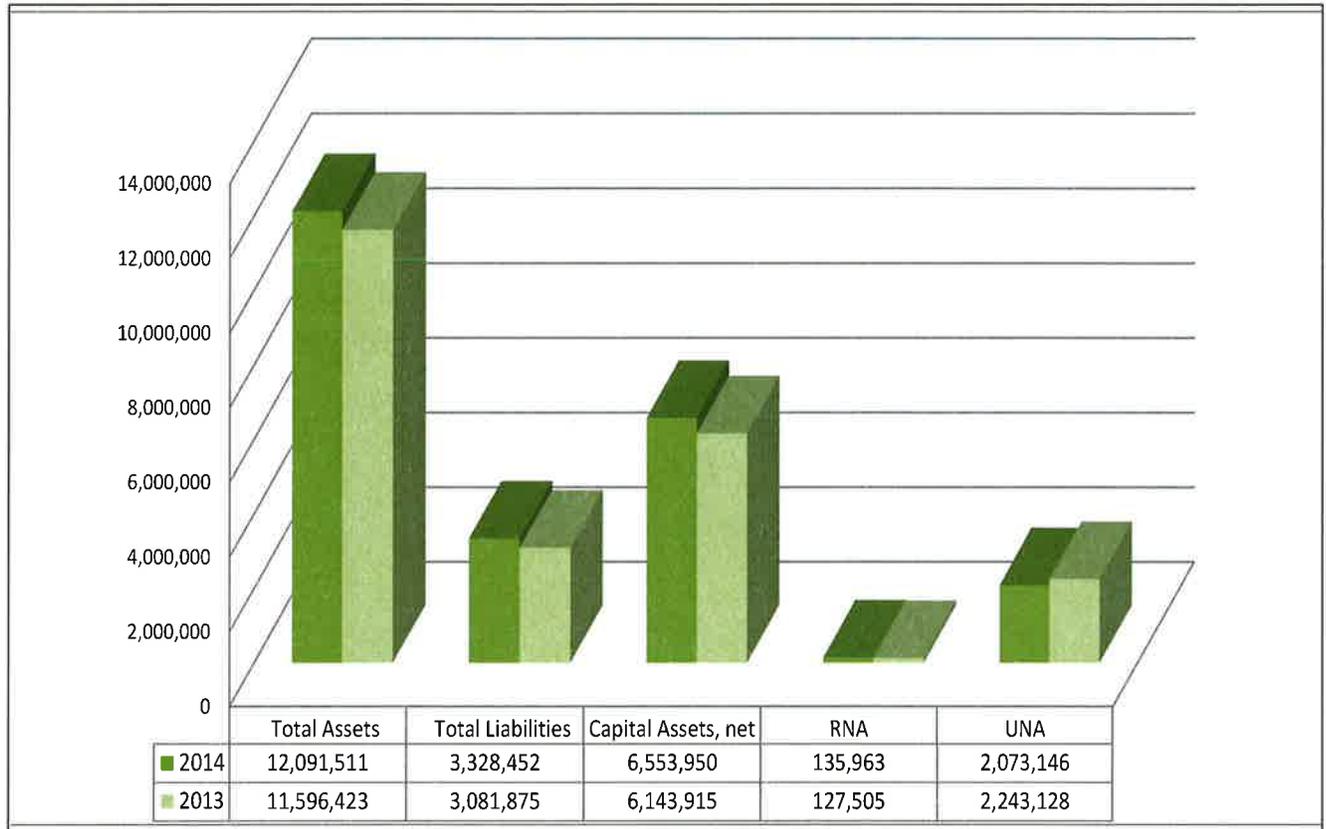
**FINANCIAL ANALYSIS OF THE AUTHORITY**

The following is management's representation of how the Authority performed during the fiscal year ended June 30, 2014 as compared to the prior year's actual results.

The following table summarizes the changes in assets, liabilities, and net position between June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>	<u>Total Change</u>	<u>% Change</u>
<b>ASSETS</b>				
Current Assets	\$ 1,954,599	\$ 2,077,910	\$ (123,311)	-5.93%
Capital Assets	9,548,328	8,889,330	658,998	7.41%
Non-Current Assets	<u>588,584</u>	<u>629,183</u>	<u>(40,599)</u>	-6.45%
Total Assets	<u>\$ 12,091,511</u>	<u>\$ 11,596,423</u>	<u>\$ 495,088</u>	4.27%
<b>LIABILITIES</b>				
Current Liabilities	\$ 467,987	\$ 445,652	\$ 22,335	5.01%
Non-Current Liabilities	<u>2,860,465</u>	<u>2,636,223</u>	<u>224,242</u>	8.51%
Total Liabilities	<u>3,328,452</u>	<u>3,081,875</u>	<u>246,577</u>	8.00%
<b>NET POSITION</b>				
Net Investment in Capital Assets	6,553,950	6,143,915	410,035	6.67%
Restricted	135,963	127,505	8,458	6.63%
Unrestricted	<u>2,073,146</u>	<u>2,243,128</u>	<u>(169,982)</u>	-7.58%
Total Net Position	<u>8,763,059</u>	<u>8,514,548</u>	<u>248,511</u>	2.92%
Total Liabilities and Net Position	<u>\$ 12,091,511</u>	<u>\$ 11,596,423</u>	<u>\$ 495,088</u>	4.27%

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended June 30, 2014**



A discussion of the changes in assets, liabilities, and net position for the fiscal year 2014 compared to the fiscal year 2013 is as follows:

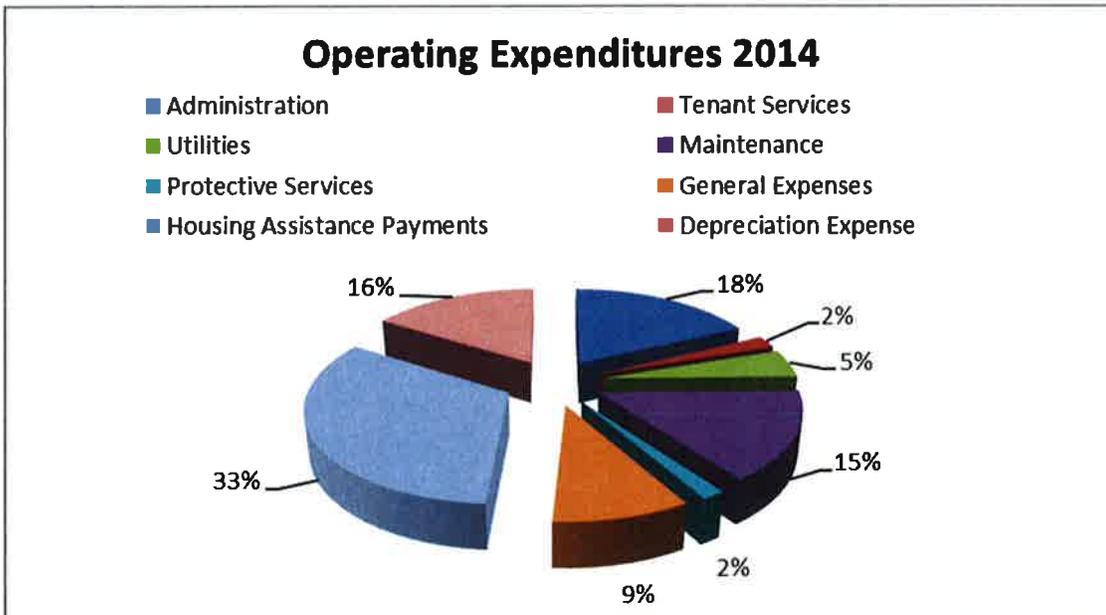
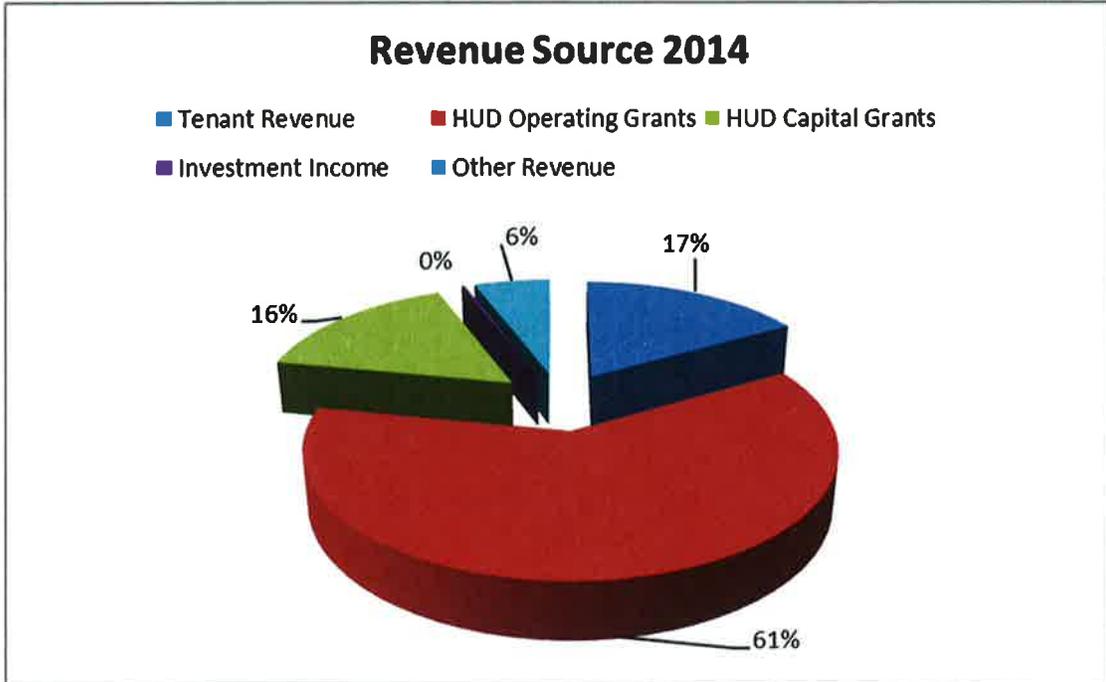
- Total Assets increased by \$495,088 or 4.27%. The increase is a direct result of additional capital improvements related to the Phase II of the EPC and construction of the Early Learning Center, net of reductions in accounts receivables and cash position.
- Total Liabilities increased by \$246,577, or 8.00% due to increases in EPC note payable.
- Unrestricted net position (operating equity) decreased by \$169,982 in light of appropriation decreases.

**HELENA HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2014**

The following table summarizes the changes in revenues and expenses between June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>% Change</u>
<b>REVENUE</b>				
Tenant Revenue	\$ 867,114	\$ 816,133	\$ 50,981	6.25%
HUD Operating Grants	3,180,317	3,280,804	(100,487)	-3.06%
HUD Capital Grants	821,066	488,144	332,922	68.20%
Investment Income	12,066	14,064	(1,998)	-14.21%
Other Revenue	<u>295,772</u>	<u>292,603</u>	<u>3,169</u>	1.08%
Total Revenue	<u>5,176,335</u>	<u>4,891,748</u>	<u>284,587</u>	5.82%
<b>EXPENSES</b>				
Administration	878,964	943,277	(64,313)	-6.82%
Tenant Services	101,730	115,219	(13,489)	-11.71%
Utilities	238,611	223,365	15,246	6.83%
Maintenance	752,398	794,128	(41,730)	-5.25%
Protective Services	80,310	78,177	2,133	2.73%
General Expenses	461,620	507,475	(45,855)	-9.04%
Housing Assistance Payments	1,625,614	1,696,431	(70,817)	-4.17%
Depreciation Expense	<u>788,577</u>	<u>842,059</u>	<u>(53,482)</u>	-6.35%
Total Expenses	<u>4,927,824</u>	<u>5,200,131</u>	<u>(272,307)</u>	-5.24%
Change in Net Position	248,511	(308,383)	556,894	-180.59%
Beginning Net Position	<u>8,514,548</u>	<u>8,822,931</u>	<u>(308,383)</u>	-3.50%
Ending Net Position	\$ <u>8,763,059</u>	\$ <u>8,514,548</u>	\$ <u>248,511</u>	2.92%

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2014**



A discussion of the change between the revenues and expenses for the fiscal year (FY) 2014 compared to 2013 is as follows:

**HELENA HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2014**

A discussion of the change between the revenues and expenses for the fiscal year (FY) 2014 compared to 2013 is as follows:

- Overall Revenue decreased by a net amount of \$284,587 or 5.82%.
  - Tenant rental revenue increased by \$50,981 or 6.25% from the prior fiscal year primarily due to an increase in rents charged to tenants.
  - Governmental operating grants decreased by \$100,487 or 3.06%. This decrease was the result of lower HUD subsidy in the Public Housing Program along with, a reduction in Section 8 funding. Capital Fund Activity increased by \$332,922 or 68.2% due to increased draws made during the year.
  - Other revenues increased by \$1,171 or 0.38%. This is a net increase in the various components of other revenue, which includes interest income, fraud recovery, and other miscellaneous revenues.
- Overall Expenses decreased by a net amount of \$272,307 or 5.24%.
  - Administrative expenses decreased by \$64,313 or 6.82%. This decrease was the result of lower administrative costs across the board, especially office and legal expenses.
  - Tenant (resident) services decreased by \$13,489 or 11.71% due to a decrease in resident services expenditures as a result of budget cuts.
  - Utilities expense increased by \$15,246 or 6.83%. The increase is essentially the net result of higher electricity and the additional expense of street lighting. Management remains committed to conservation and continues to educate both residents and employees of the Authority to conserve the use of electric, gas, and water.
  - Maintenance expenses decreased by \$41,730 or 5.25%. The decrease is largely due to the decrease in maintenance contract costs and the overall reduction in salaries and related benefits.
  - Protective Service costs increased by \$2,133 or 2.73%.
  - Housing Assistance Payments (HAP) decreased by \$70,817 or 4.17% due to a decrease in funding received from HUD, along with a decrease in the number of vouchers leased.
  - Other general expenses decreased by \$45,855 or 9.04%. This is a net decrease in the various components including interest expense, bad debt, PILOT, and compensated absences.

**HELENA HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2014**

**CAPITAL ASSETS**

The following table summarizes the changes in capital assets between June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>	<u>Total Change</u>	<u>% Change</u>
Land	\$ 869,114	\$ 869,114	\$ 0	0.00%
Buildings & Improvements	20,202,158	17,724,903	2,477,255	13.98%
Equipment	408,184	414,777	(6,593)	-1.59%
Infrastructure	126,538	126,538	0	0.00%
Construction in Progress	20,000	1,544,371	(1,524,371)	-98.70%
	<u>21,625,994</u>	<u>20,679,703</u>	<u>946,291</u>	<u>4.58%</u>
Accumulated Depreciation	<u>(12,077,666)</u>	<u>(11,790,373)</u>	<u>(287,293)</u>	<u>2.44%</u>
Net Capital Assets	\$ <u>9,548,328</u>	\$ <u>8,889,330</u>	\$ <u>658,998</u>	<u>7.41%</u>

The change in Capital Assets is primarily due to the construction of the Early Learning Center (ELC). The ELC was primarily funded through the Capital Fund Program of \$821,066. In addition, the Authority wrote-off fully depreciated unidentified modernization costs.

**DEBT ADMINISTRATION**

The following table summarizes the changes in long-term debt between June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>	<u>Net Change</u>
Long-term Capital Debt (current portion)	\$ 159,095	\$ 126,657	\$ 32,438
Long-term Capital Debt, net of current	<u>2,835,283</u>	<u>2,618,758</u>	<u>216,525</u>
Total Long-Term Capital Debt	\$ <u>2,994,378</u>	\$ <u>2,745,415</u>	\$ <u>248,963</u>

The change in long-term debt was solely related to the second phase energy performance contract that was put in to effect.

**CURRENTLY KNOWN FACTS AND/OR CONDITIONS / EXPECTATIONS**

The Helena Housing Authority remains committed to providing quality affordable housing for eligible neighbors in the Helena community and promote opportunities to enhance life skills and personal achievement. To achieve this goal, the agency has been diligent in exploring new partnerships, programs, and funding that may fill voids left by decreased funding.

**HELENA HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2014**

This past year we completed the construction of the Early Learning Center Building, which allowed Helena Housing Authority to retain partnerships that focus on early childhood and adult education for residents of public housing and for the Helena Community.

As we look at coming years our focus will be to continue to look at ways in which Helena Housing Authority can expand our portfolio and seek funding opportunities for possible redevelopment. In addition, we will look at increasing safety and security for the residents of public housing.

**Financial Stability**

Over the course of the last few years, the agency has worked diligently to position itself for financial success. This year was no different. We absorbed shortfalls in funding by not filling vacant positions within the agency. While this has increased duties for existing employees, it has freed up some financial resources that can be leveraged within different areas of the agency. We will continue to closely monitor and assess our program budgets to avoid overages and unnecessary expenses. We will also strive to increase the collection of rent and aged receivables within public housing. Other areas we continue to monitor for cost saving benefits are agency utilities, unit turnovers and tenant damages.

**Community Focus & Partnerships**

HHA is pleased to continue its focus of working with its local community partners to facilitate success within the low-income housing arena. This year, with the help of the Career Training Institute (CTI), we were successful in helping 24 individuals gain employment. We also saw 5 residents enroll in post-secondary education, 1 participant completed the nursing program and 17 additional folks received resume assistance and 7 residents completed their high school equivalency. Participants in this program also received a wide variety of supportive services that helped them achieve employment goals.

In the coming year, we will be looking to expand our partnerships within the community and review their effectiveness. Since the success of our clients is directly related to the services they have access too, we would like to insure the programs produce measurable benefits. We have engaged in many conversations with our local community on how to facilitate participation and working to implement some new programs and resources.

**Celebrating Success**

This past year the HHA celebrated success in several areas but there are several areas that stand out the most. Our Energy Performance Contract is in year three. With the EPC HHA reduced the carbon footprint within our community by reducing water consumption by 43%, electricity by 37% and natural gas by 54%. These figures are valued at \$245,402. Of the funds saved, \$28,065 was actual cash savings above debt service.

**HELENA HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2014**

The Housing Authority has also completed our Early Learning/Job Training Center. Funding for this new facility came from the Capital Fund Education and Training Grant received in 2011. This facility is currently a registered LEED Platinum Certified facility rating by the United States Green Building Council. This building contains three classrooms; one which houses a pre-school, a Head Start room. In addition, there is a community room that can be utilized by other community organizations.

**Resident Services**

Fiscal year 2014 saw many changes in federal funding. These changes impacted HHA's ability to provide continued support services to those who live in public housing or receive housing choice vouchers. However, the agency was still able to facilitate some success among residents through the Resident Council/Resident Management Corporation (RC/RMC). This past year the staff at the Helena Housing Authority met with the RC/RMC to help them understand what types of services would help residents be successful and insure their success in housing. The RC/RMC armed themselves with this information and sought out many resources to bring back to tenants. Through their diligence, they were successful in assisting with coordinating two well attended cooking classes for resident families. They also brought 8 guest speakers to their meetings to discuss available services for residents. The agency will continue to work to strengthen the RC/RMC to help insure resources are available to tenants despite funding reductions.

The Helena Housing Authority utilized portion of the Capital Funds to provide police services to our residents and sites. We also will be working with local police department to provide coverage around the clock as a result of increased activity on our sites.

**Public Housing Transformation**

In 2012 Helena Housing Authority completed our master plan of redeveloping the Stewart Home site. By completing the master plan it allowed Helena Housing Authority to determine the location of the construction of the Early Learning Job Training Center. Construction of this project was achieved in early 2014 and occupied in March 2014. With the completion of the master plan, Helena Housing Authority's future focus is to investigate funding opportunities to enable HHA to move forward with the redevelopment of the Stewart Homes public housing complex.

**CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Director, Helena Housing Authority, 812 Abbey Street, Helena, MT 59601.

**HELENA HOUSING AUTHORITY**  
**Helena, Montana**

**FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**HELENA HOUSING AUTHORITY**  
**Helena, Montana**

**STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

**ASSETS**

**Current Assets**

Cash & cash equivalents - unrestricted	\$ 1,404,183
Cash & cash equivalents - restricted	324,305
Accounts receivable	33,369
Notes receivable	7,701
Prepaid expenses	141,600
Inventories	<u>43,441</u>
 Total Current Assets	 <u>1,954,599</u>

**Noncurrent Assets**

Notes receivable	<u>588,584</u>
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Capital Assets:

Land	869,114
Infrastructure	126,538
Buildings & improvements	20,202,158
Furniture & equipment	408,184
Construction in progress/infrastructure	<u>20,000</u>

21,625,994

Less: Accumulated depreciation	<u>(12,077,666)</u>
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Total Capital Assets - Net	<u>9,548,328</u>
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Total Noncurrent Assets	<u>10,136,912</u>
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<b>TOTAL ASSETS</b>	<b>\$ <u><u>12,091,511</u></u></b>
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The accompanying notes are an integral part of the financial statements.

**LIABILITIES & NET POSITION****Current Liabilities**

Accounts payable	\$	95,631
Accrued liabilities		21,387
Unearned revenue		3,532
Long-term liabilities - current portion		159,095
Tenant security deposits/escrow deposits		<u>188,342</u>
Total Current Liabilities		<u>467,987</u>

**Noncurrent Liabilities**

Mortgage & Notes payable		2,835,283
Accrued compensated absences		<u>25,182</u>
Total Noncurrent Liabilities		<u>2,860,465</u>

TOTAL LIABILITIES 3,328,452

**NET POSITION**

Net investment in capital assets		6,553,950
Restricted		135,963
Unrestricted		<u>2,073,146</u>
TOTAL NET POSITION		<u>8,763,059</u>

**TOTAL LIABILITIES & NET POSITION** \$ 12,091,511

**HELENA HOUSING AUTHORITY**  
**Helena, Montana**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**Operating Revenue**

Dwelling rent	\$	867,114
Governmental grants & subsidy		3,180,317
Other income		295,772
<b>Total Operating Revenue</b>		<b><u>4,343,203</u></b>

**Operating Expenses**

Administration		878,964
Tenant services		101,730
Utilities		238,611
Maintenance & operations		752,398
Protective services		80,310
General expense		357,421
Housing assistance payments		1,625,614
Depreciation		788,577
<b>Total Operating Expense</b>		<b><u>4,823,625</u></b>

<b>Net Operating Income/(Loss)</b>		<b><u>(480,422)</u></b>
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**Nonoperating Revenues/(Expenses)**

Investment income		391
Mortgage interest income		11,675
Interest expense		(104,199)
<b>Net Nonoperating Revenues/(Expenses)</b>		<b><u>(92,133)</u></b>

<b>Net Income/(Loss) before capital contributions</b>		<b><u>(572,555)</u></b>
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Capital grants		<u>821,066</u>
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<b>Increase/(Decrease) in Net Position</b>		<b>248,511</b>
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Total Net Position - beginning		<u>8,514,548</u>
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<b>Total Net Position - ending</b>	<b>\$</b>	<b><u><u>8,763,059</u></u></b>
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The accompanying notes are an integral part of the financial statements.

**HELENA HOUSING AUTHORITY**  
Helena, Montana

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from customers and users	\$ 1,162,886
Governmental grants & subsidy - operations	3,180,317
Payments to suppliers	(1,678,873)
Payments for housing assistance	(1,625,614)
Payments to employees	(680,035)
	<hr/>
NET CASH PROVIDED/(USED) FROM OPERATING ACTIVITIES	358,681

**CASH FLOWS FROM INVESTING ACTIVITIES**

Advances on notes receivable	40,374
Interest received	12,066
	<hr/>
NET CASH PROVIDED/(USED) FROM INVESTING ACTIVITIES	52,440

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

Grant revenue - capital grants	821,066
Acquisition of capital assets - capital grants	(821,066)
Acquisition of capital assets - operations	(258,346)
Acquisition of capital assets - EPC	(368,164)
Proceeds from notes payable	368,164
Repayment of notes payable	(119,201)
Payment of interest	(104,199)
	<hr/>
NET CASH PROVIDED/(USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(481,746)
	<hr/>
NET INCREASE/(DECREASE) IN CASH	(70,625)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,799,113
	<hr/>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 1,728,488

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

**HELENA HOUSING AUTHORITY**  
**Helena, Montana**

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**Reconciliation of operating income to net cash**

**provided by operating activities:**

Net Income/(Loss) from operations	\$	(480,422)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation & amortization		788,577
Decrease (Increase) in accounts receivable		47,422
Decrease (Increase) in prepaid expenses		(1,638)
Decrease (Increase) in inventory		7,128
Increase (Decrease) in accounts payable		35,538
Increase (Decrease) in accrued liabilities		(50,281)
Increase (Decrease) in unearned revenue		(1,622)
Increase (Decrease) in security/trust deposits		<u>13,979</u>
 NET CASH PROVIDED/(USED) FROM OPERATING ACTIVITIES	 \$	 <u><u>358,681</u></u>

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

**HELENA HOUSING AUTHORITY**  
Helena, Montana

**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2014

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

**1. Introduction:**

The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP). Effective for fiscal year 2014, 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 the 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 to 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.

**2. Organization:**

The Helena Housing Authority ("The Authority") is a public body and a body corporate and politic organized under the laws of the State of Montana for the purpose of providing adequate housing for qualified low-income individuals. Created on October 1, 1938, under the requirements of Section 7-15-44, Montana Code Annotated, the Authority is governed by a board of seven commissioners appointed by the Mayor of the City of Helena. The Authority sets policy for the operation and management of Public Housing properties, HUD, Section 8 program, and other affordable housing. Additionally, the Authority has entered into annual contribution contracts with the U. S. Department of Housing and Urban Development ("HUD") to be the administrator of the housing and housing related programs described herein. The Authority is not subject to Federal or State income taxes and is not required to file Federal or State income tax returns.

**3. Reporting Entity:**

In determining how to define the reporting entity, management has considered all potential component units by applying the criteria set forth in Section 2100 and 2600 of the *Codification of Government Accounting Standards Board and Financial Accounting Standards Board and Statement Number 14 and Number 61 of the Government Accounting Standards Board, the Financial Reporting Entity*.

**Financial Accountability** - The Authority is responsible for its debts, does not impose a financial burden on the City of Helena and is entitled to all surpluses. No separate agency receives a financial benefit nor imposes a financial burden on the Authority.

**Appointment of a Voting Majority** - The Authority is governed by a Board of Commissioners appointed by the Mayor of Helena and has governance responsibilities over all activities related to all housing activities within the City of Helena. The Board of Commissioners has decision making authority and the power to designate management. The members do not serve at the discretion of the City; i.e., they can be removed only for cause. The Authority's Board elects its own chairperson.

**HELENA HOUSING AUTHORITY**  
Helena, Montana

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
(Continued)

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

**3. Reporting Entity: (Cont'd)**

Imposition of Will - The County has no influence over the management, budget, or policies of the Authority. The Authority's Board of Commissioners has the responsibility to significantly influence the Authority's operations. This includes, but is not limited to, adoption of the budget, personnel management, sole title to, and residual interest in all assets (including facilities and properties), signing contracts, issuing bonds, and deciding which programs are to be provided.

On the basis of the application of these criteria, the Authority is a legally separate entity that is fiscally independent of other governments, and there are no other entities that are to be reported as component units of the Authority nor for the Authority to be included in the City's financial reports; therefore, the Authority reports independently. During the review of the Authority's budgets, annual contributions contract, minutes of the Board of Commissioner's meetings, cash receipts and cash disbursements for the reporting period disclosed that the Authority operated the following programs under Annual Contributions Contracts:

**Low Rent Public Housing Program** – The objective of the program is to provide decent, safe, and sanitary housing and related facilities for eligible low-income families and the elderly. HUD makes grants to the Authority based on housing needs to ensure the lower income character of the project operated by the Authority. Low Rent is composed of the Central Operating Cost Center, ME Anderson project, Stewart Homes project, and Scattered Sites projects.

**Family Investment Center** – The objective of this program is to provide families living in public and Indian housing with better access to educational and employment opportunities by: developing facilities in or near public housing for training and support services; mobilizing public and private resources to expand and improve the delivery of such services; providing funding for essential training and support services that cannot otherwise be funded; and improving the capacity of management to access the training and service needs of families, coordinate the provision of training and services that meet such needs and ensure the long-term provision of such training and services.

**Section 8 Housing Choice Voucher Program** – The objective of the program is to help low-income families obtain decent, safe, and sanitary housing through a system of rental subsidies. HUD entered into an Annual Contributions Contract (ACC) with the Authority. The Authority enters into a housing assistance payment contract with owners of private dwellings. The owners rent housing to eligible low-income families who typically pay the highest of 30 percent of adjusted income, 10 percent of gross income, or the portion of welfare assistance designated to meet housing costs for rent. The Authority, in a housing assistance payment, pays the remaining portion of the rent for the unit to the owner.

**Capital Fund Program** – The objective of this program is to improve the physical condition of the Low Rent Public Housing units and to upgrade the management of the program.

**Business Activities:**

**Stewart Homes Redevelopment** – The objective of this program is to redevelop 132 public housing units that are in need of demolition and replacement. The Authority is currently in the process of obtaining funding for this project.

**HELENA HOUSING AUTHORITY**  
Helena, Montana

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
(Continued)

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

**4. Basis of Presentation, Basis of Accounting and Measurement Focus:**

Basis of Accounting - The Authority uses the accrual basis of accounting in the proprietary funds. Under this method, revenues are recorded when earned, and expenses are recorded when liabilities are incurred, regardless of when the related cash flow takes place.

Basis of Presentation - The financial statements of the Authority are presented from a fund perspective. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Authority functions. The fund is a separate accounting entity with a self-balancing set of accounts. The accounting and financial reporting method applied by a fund is determined by the fund's measurement focus. The accounting objectives are determination of net income, financial position and cash flows. All assets and liabilities associated with the Proprietary Fund's activities are included on the Statement of Net Position. The Authority uses the following proprietary fund:

Enterprise fund - This type of fund is reported using an economic resources measurement focus. Additionally, it is used to account for operations that are financed and operated in a manner similar to private businesses where a fee is charged to external users for services provided.

**5. Revenues and Expenses:**

Revenues and expenses are recognized in essentially the same manner as used in commercial accounting. Revenues relating to the Authority's operating activities including rental related income, interest income and other sources of revenues are recognized in the accounting period in which they are earned. Other major sources of revenues include the operating subsidy from HUD and other HUD funding for capital and operating expenses.

**6. Encumbrances:**

Encumbrances represent commitments related to unperformed contracts for goods or services. The Authority does not utilize encumbrance accounting.

**7. Budgets:**

The Authority adopts budgets on the basis of accounting consistent with the basis of accounting for the fund to which the budget applies. The Authority prepares annual operating budgets that are formally adopted by its Governing Board of Commissioners. The budgets for programs funded by HUD form the basis of the Federal Financial Assistance received through HUD.

**8. Inventories:**

Inventories of operating supplies are valued at the lower of cost or market, using the first-in, first-out cost method.

**HELENA HOUSING AUTHORITY**  
**Helena, Montana**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
(Continued)

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

**9. Capital Assets and Depreciation:**

Capital assets used in operations are recorded at historical cost, or estimated historical cost if historical cost is not available. The Authority has established a capitalization floor limit of \$1,000. Depreciation of capital assets is computed using the straight-line method at rates considered sufficient to prorate the cost of the property, plant, and equipment over the estimated useful life of the asset.

The estimated useful lives for each major class of depreciable capital assets are as follows:

Buildings	40-75 years
Improvements	15-40 years
Equipment	3-10 years

**10. Collection Losses:**

Collection losses on accounts receivable are expensed, in the appropriate Fund, on the specific write-off method.

**11. Insurance:**

The primary technique used for risk financing is the purchase of insurance policies from commercial insurers that include a large deductible amount. The use of a large deductible clause reduces the cost of insurance, but, should losses occur, the portion of the uninsured loss is not expected to be significant with respect to the financial position of the Authority. The Authority secures required insurance coverage through the competitive bid process. As of the date of the fieldwork, the Authority had the required coverage in force.

**12. Cash and Investments:**

Montana statutes authorize the Authority to invest in: direct obligations of the United States Government and securities issued by agencies of the United States if the investment is a direct obligation of the agency; savings or time deposits in a state or national bank, building or loan association, savings and loan association, or credit union located in Montana; investments of the S.T.I.P. managed by the Montana Board of Investments; or repurchase agreements. Investments of local governmental entities are subject to various risks. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. Concentration of credit risk is the risk of loss attributed to the magnitude of a local government's investment in a single issuer. Custodial credit risk is the risk that in the event of a bank failure, the local government's deposits may not be returned to it.

**HELENA HOUSING AUTHORITY**  
Helena, Montana

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
(Continued)

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

**13. Compensated Absences:**

Employees of the Authority accrue vacation and sick leave benefits based on the hours worked during the year and the employee's years of service. 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 that 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. Vacation and sick pay is recorded as an expense and related liability in the year earned by employees. Employees of the Authority accrue vacation and sick leave benefits based on the hours worked during the year and the employee's years of service.

**14. 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.

**15. New Accounting Pronouncements:**

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

**HELENA HOUSING AUTHORITY**  
**Helena, Montana**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
(Continued)

**NOTE B - CASH AND CASH EQUIVALENTS:**

Cash and cash equivalents consist of cash on hand and cash in bank. Cash in bank is held in various demand deposit, savings deposit, and certificates of deposit accounts. The carrying amount of cash and cash equivalents at June 30, 2014 totaled \$1,728,488, with the bank balance totaling \$1,775,984. Of the bank balance, \$250,000 is covered by FDIC insurance and the remaining amount is supposed to be collateralized using the dedicated method. However, as of June 30, 2014, the Authority did not have 100% of their cash and cash equivalents collateralized, which is explained in full detail in Finding 2014-001. At June 30, 2014, the Authority had liquidated all of its investments.

**Interest rate risk** - As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's typically limits its investment portfolio to maturities of 12 months or less.

**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 cash balances are in Valley Bank of Helena and are fully collateralized at 100% and pledged securities are in the custody of another banking party. 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 certificates of deposits. The Authority has no policy regarding credit risk.

**Restricted Cash:**

The Authority reserves cash in the amount of HAP equity as required by HUD. The HAP cash and equity balances are as follows:

HAP – cash & equity	<u>\$ 135,963</u>
---------------------	-------------------

Rental deposits are reserved until refunded to the tenant or used to cover expenses upon departure. The tenant security deposit cash and liability balances are as follows:

Tenant security deposit – cash & liability	<u>\$ 188,342</u>
--	-------------------

**Collateralization:**

As of June 30, 2014 the following securities were pledged as collateral to secure the deposits of the Helena Housing Authority:

**Glacier Bank**

<u>Security</u>	<u>Cusip</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Market Value</u>
Elyria	290641R43	12/1/2016	2.00%	\$ 538,065
LC	527588EV5	7/1/2030	4.05%	<u>618,802</u>
				<u>\$ 1,156,867</u>

**HELENA HOUSING AUTHORITY**  
**Helena, Montana**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
(Continued)

**NOTE C - ACCOUNTS RECEIVABLE:**

Accounts receivable at June 30, 2014, consisted of the following:

A/R - Tenants (net of allowance of \$2,182)	\$ 9,583
A/R - HUD	18,289
A/R - Security deposits	5,497
Notes receivable – current portion	<u>7,701</u>
	<u>\$ 41,070</u>

**NOTE D - PREPAID CHARGES:**

Prepaid charges at June 30, 2014, consisted of the following:

Prepaid insurance	\$ 17,830
Prepaid development fees	123,770
Inventory	<u>43,441</u>
	<u>\$ 185,041</u>

**NOTE E - CAPITAL ASSETS:**

A summary of changes in capital assets are as follows:

	Beginning Balances	Additions/ Increases	Transfers	Dispositions/ Decreases	Ending Balances
<b>Enterprise Activities</b>					
<b>Capital assets not being depreciated:</b>					
Land	\$ 869,114	\$ -	\$ -	\$ -	\$ 869,114
Construction in progress	<u>1,544,371</u>	<u>-</u>	<u>(1,524,371)</u>	<u>-</u>	<u>20,000</u>
<b>Total capital assets not being depreciated</b>	<u>2,413,485</u>	<u>-</u>	<u>(1,524,371)</u>	<u>-</u>	<u>889,114</u>
Buildings & improvements	17,724,903	1,443,576	1,524,371	(490,692)	20,202,158
Infrastructure	126,538	-	-	-	126,538
Furniture & equipment	<u>414,777</u>	<u>4,000</u>	<u>-</u>	<u>(10,593)</u>	<u>408,184</u>
<b>Total capital assets being depreciated</b>	<u>18,266,218</u>	<u>1,447,576</u>	<u>1,524,371</u>	<u>(501,285)</u>	<u>20,736,880</u>
Less accumulated depreciation for:					
Buildings & improvements	11,382,614	758,766	-	(490,691)	11,650,689
Infrastructure	62,026	6,974	-	-	69,000
Furniture & equipment	<u>345,733</u>	<u>22,837</u>	<u>-</u>	<u>10,593</u>	<u>357,977</u>
<b>Total accumulated depreciation</b>	<u>11,790,373</u>	<u>788,577</u>	<u>-</u>	<u>(480,098)</u>	<u>12,077,666</u>
<b>Total capital assets being depreciated</b>	<u>6,475,845</u>				<u>8,659,214</u>
<b>Enterprise activity capital assets, net</b>	<u>\$ 8,889,330</u>				<u>\$ 9,548,328</u>

**HELENA HOUSING AUTHORITY**  
**Helena, Montana**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
(Continued)

**NOTE F - NOTES RECEIVABLE:**

**Roadrunner Residence LP**

(advances made toward the development of the Roadrunner Residence)

Note receivable, interest at 3% per annum, principal and interest of \$2,783 due annually beginning December 31, 1999, maturing December 31, 2029, secured by land and building	\$ 51,084
Note receivable, interest at 3% per annum, principal and interest of \$3,629 due annually beginning December 31, 2004, maturing December 31, 2029, secured by land and building	41,250
Note receivable, interest at 3% per annum, principal and interest of \$4,920 due annually beginning December 31, 2010, maturing December 31, 2029, secured by land and building	54,827

**Wilder Apartments LP**

(advances made by the Authority toward the development of the Wilder Apartments):

Note receivable, interest at 2% per annum, interest only payment of \$6,000 due annually beginning January 1, 2007, maturing January 1, 2026, secured by land and building	300,000
Note receivable, interest at 1% per annum, loan deferred until maturity of January 1, 2021, unsecured	<u>149,124</u>
Total Notes Receivable at June 30, 2014	596,285
Less current portion	<u>(7,701)</u>
Notes Receivable – noncurrent	<u>\$ 588,584</u>

**NOTE G - ACCOUNTS PAYABLE:**

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

Vendors and contractors payable	\$ 49,173
Payments in Lieu of Taxes	46,458
Tenant security deposits	<u>188,342</u>
	<u>\$ 283,973</u>

**HELENA HOUSING AUTHORITY**  
Helena, Montana

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
(Continued)

**NOTE H - ACCRUED LIABILITIES & UNEARNED REVENUE:**

Accrued liabilities and unearned revenue at June 30, 2014, consisted of the following:

Accrued compensation absences – current portion	\$ 19,487
Unearned revenue – tenants’ prepaid rent	3,532
Other current liabilities	1,900
Notes payable – current	<u>159,095</u>
	<u>\$ 184,014</u>

**NOTE I - OTHER NON-CURRENT LIABILITIES:**

As on June 30, 2014, non-current liabilities consisted of the following:

Accrued compensation absences – noncurrent portion	\$ <u>25,182</u>
--	------------------

	Beginning Balances	Increases	Decreases	Ending Balances	Current Portion
Compensated absences	<u>\$ 59,411</u>	<u>\$ 26,975</u>	<u>\$ (41,717)</u>	<u>\$ 44,669</u>	<u>\$ 19,487</u>

**NOTE J - LONG-TERM DEBT:**

On May 13, 2010, the Authority issued a Line of Credit in the amount of \$1,745,085 to finance an Energy Performance Contract (EPC), which was subsequently converted to a 15 year construction loan with an interest rate of 4.00%. The principal balance outstanding as of June 30, 2013 is \$1,472,409. On December 19, 2012, the Authority issued another Line of Credit in the amount of \$1,593,240 which is being used to finance Phase II of the Energy Performance Contract. The maturity date of this loan is December 19, 2013 and bears interest at a rate of 3.50% per annum. The total amount drawn on this loan at June 30, 2013 was \$1,273,006. On February 28, 2014 these two loans were consolidated into one loan with monthly payments of \$21,780.82, interest of 3.50% per annum and a final maturity of February 28, 2029. The following table gives the amortization schedule over the life of the loan:

	Principal	Interest	Totals
2015	\$ 159,095	\$ 102,275	\$ 261,370
2016	164,762	96,608	261,370
2017	170,623	90,747	261,370
2018	176,689	84,681	261,370
2019	182,976	78,394	261,370
2020-2024	1,017,245	289,605	1,306,850
2025-2029	<u>1,122,988</u>	<u>96,738</u>	<u>1,219,726</u>
Totals	<u>\$ 2,994,378</u>	<u>\$ 839,048</u>	<u>\$ 3,833,426</u>

**HELENA HOUSING AUTHORITY**  
**Helena, Montana**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
(Continued)

**NOTE K - EMPLOYEE RETIREMENT PLAN:**

**Plan Description**

Public Employees' Retirement System (PERS): All employees of the Authority that work the equivalent of 120 working days or more in any fiscal year participate in the Public Employees Retirement System (PERS). The PERS is a statewide retirement plan established in 1945 and is governed by Title 19, Chapters 2 and 3 of the Montana Code Annotated providing retirement services for substantially all public employees. The PERS is a mandatory multiple-employer, cost sharing plan administered by the Public Employees' Retirement Division (PERD), consisting of a defined benefit plan and a defined contribution plan. New employees to the system have twelve months to decide whether to participate in the defined contribution plan or the defined benefit plan. If an election is not made within the twelve months, the employee must then participate in the defined benefit plan.

The PERS offers retirement, disability and death benefits to plan members and their beneficiaries. Benefit eligibility is age 60 with at least five years of service; age 65 regardless of service; or 30 years of service regardless of age. Actuarial reduced benefits may be taken with 25 years of service or at age 50 with at least five years of service. Monthly retirement benefits are determined by taking 1/56 times the number of years of service times the highest average salary for employees with less than 25 years of service, or 1/50 times the number of years of service times the highest average salary for those employees with at least 25 years of service. Members' rights become vested after five years of service. The authority to establish, amend and provide cost of living adjustments for the plan is assigned to the State legislature.

The PERS financial information is reported in the Public Employees Retirement Board's published "Comprehensive Annual Financial Report" for the fiscal year end. It is available from PERS at 1712 Ninth Avenue, P.O. Box 200131, Helena, Montana, 59620-0131, 406-444-3154.

Required employer contributions received and percentage of required amount:

June 30, 2014	\$58,175	100%
June 30, 2013	\$51,973	100%
June 30, 2012	\$54,552	100%
June 30, 2011	\$48,540	100%
June 30, 2010	\$48,443	100%

On-behalf payments made by Authority to PERS on behalf of employees totaled \$56,925, and total covered wages were \$720,571 for the fiscal year ended June 30, 2014.

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

**NOTE L - 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. There were no permanent impairments experienced by the Authority that required material adjustments to the Statement of Net Position.

**HELENA HOUSING AUTHORITY**  
**Helena, Montana**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
(Continued)

**NOTE M - ECONOMIC DEPENDENCY:**

Helena Housing Authority receives a substantial amount of grant revenue from the U.S. Department of Housing and Urban Development.

**NOTE N - RELATED PARTY TRANSACTIONS:**

As stated in Note F to the financial statements, at June 30, 2014, there was \$596,285 in notes receivable from the Roadrunner Residence LP and Wilder Apartments LP which are related parties of the Authority. Both Roadrunner Residence and Wilder Apartments are not considered component units of the Authority with ownership of .01% of each entity. The entities have contracted with the Authority to manage the day-to-day operations. During 2014, \$10,205 and \$14,473 of management fees were earned from Roadrunner Residence and Wilder Apartments, respectively. There were also incentive management fees and asset management fees earned on Wilder Apartments in the amount of \$7,009 during 2014.

Further, the Authority provides payroll and other administrative services on a reimbursement basis. As of June 30, 2014, all accounts were repaid and there was no amount outstanding.

**NOTE O - CONTINGENCIES:**

**Legal:**

The Authority has been named as the defendant in various lawsuits. As of the date of this report, the Authority was unable to determine the likelihood of loss nor able to estimate the amount, if any, of a contingent liability pertaining to these matters.

**Grants and contracts:**

The Authority receives financial assistance from federal agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements that are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability to the Authority. There were no such liabilities recorded as of June 30, 2014.

**Capital fund:**

The Authority receives capital funding each year for ongoing capital improvements and repairs and maintenance. As of June 30, 2014, the Authority has approximately \$18,015 of remaining and available capital funds for 2012, and \$133,498 of remaining and available funds for 2013.

**NOTE P - PRIOR PERIOD ADJUSTMENTS:**

No prior period adjustments were recorded for Fiscal Year 2014.

**NOTE Q - SUPPLEMENTAL INFORMATION:**

The supplemental information has been included in order to show the financial statements of the 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 Authority.

**HELENA HOUSING AUTHORITY**  
**Helena, Montana**

**SINGLE AUDIT SECTION**

**FOR THE FISCAL YEAR ENDED JUNE 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  
Helena Housing Authority  
Helena, Montana 59601

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 Helena Housing Authority, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Helena Housing Authority's basic financial statements, and have issued our report thereon dated October 8, 2014.

**Internal Control Over Financial Reporting**

Management of the Helena 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 Helena 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.  
Certified Public Accountants

Lawrenceville, Georgia  
October 8, 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  
Helena Housing Authority  
Helena, Montana 59601

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

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

We have audited the Helena 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 Helena Housing Authority's major federal programs for the year ended June 30, 2014. The Helena 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 Helena 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 Helena 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 Helena Housing Authority's compliance with those requirements.

**Opinion on Each Major Federal Program**

In our opinion, the Helena 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 June 30, 2014.

## Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items no. 2014-001. Our opinion on each major federal program is not modified with respect to these matters.

## Report on Internal Control Over Compliance

The management of the Helena 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 Helena 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, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2014-001 that we consider to be a significant deficiency.

The Authority's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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, P.C.  
Certified Public Accountants

Lawrenceville, Georgia  
October 8, 2014

**HELENA HOUSING AUTHORITY**  
**Helena, Montana**

**STATUS OF PRIOR AUDIT FINDINGS**

The prior audit report for the period ended June 30, 2013, contained no formal audit findings.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Section I – Summary of Auditor’s Results:**

**Financial Statements**

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

**Federal Awards**

Internal controls over major programs:	
Material weakness(es) identified?	<b>No</b>
Significant deficiency(ies) identified not considered to be material weaknesses?	<b>Yes</b>
Type of report issued on the compliance for major programs:	<b>Unmodified</b>
Any audit findings disclosed that are required to be reported in Accordance with Circular A-133, Section .510(a)?	<b>Yes</b>
Identification of major programs:	
-CFDA #14.850	Low-Income Public Housing (Type A)
-CFDA #14.871	Housing Choice Voucher Program (Type A)
-CFDA #14.872	Capital Fund Program (Type A)
Dollar threshold used to distinguish between Type A and Type B programs:	<b>\$300,000</b>
Did the Authority qualify as a low-risk auditee?	<b>No</b>

**Section II – Financial Statement Findings**

***Findings related to financial statements in accordance with GAGAS:***

NONE REPORTED

**HELENA HOUSING AUTHORITY**  
Helena, Montana

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
(Continued)

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

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

**Finding 2014-001, Controls over Collateralization of Cash  
14.850, Significant Deficiency and Other Matter**

**Condition:**

Upon reviewing the bank statements and corresponding bank reconciliations, we noted that the collateralization obtained by the bank did not adequately cover all the deposits on hand as of June 30, 2014. The Housing Authority approved on September 6, 2013 the release of collateral which put the PHA funds at risk. The bank requested the removal of the collateral due to the State of Montana regulations which only required 50% coverage. However, HUD requires 100% coverage of all funds over the FDIC limits. When listing all deposits on hand as of June 30, 2014, it was determined that the PHA had an exposure of \$369,117 in funds not properly collateralized or insured. Additionally, we could not locate a signed General Depository Agreement which requires the bank to properly insure all deposits on hand.

**Criteria:**

The Low-Rent Housing Financial Management Handbook, 7475, along with the PIH Notice 96-33 dated June 4, 1996 requires 100% of all Housing Authority funds be properly collateralized with specific U.S. Government Securities or certain approved securities listed in the Handbook or the Notice. Additionally, proper internal controls dictate that personnel at the Housing Authority should maintain a file of all collateral which illustrates compliance of the applicable financial institution with the General Depository Agreement.

**Cause:**

The Housing Authority has failed to implement a procedure which reviews the funds held by each financial institution and obtains the adequate evidence that the funds have been properly secured pursuant to HUD's requirements.

**Effect:**

Improper controls over reviewing and obtaining collateralization can result in a loss of funds if the financial institution runs into financial difficulty and is unable to cover all of its assets.

**Recommendation:**

We recommend that the Housing Authority maintain a file which contains a list of all funds held at each financial institution and periodically obtain evidence that adequate collateral is obtained in accordance with HUD regulations on all amounts in excess of FDIC insurance. We also recommend that the Housing Authority maintain on file a fully executed General Depository Agreement, HUD 51999, as required by the PIH Notice 96-33.

**Response:**

When we became aware of the funds not properly collateralized we contacted the bank immediately. The bank has agreed to sign a current HUD 51999 and obtain collateralization on an ongoing basis. As of October 21, 2014 the Valley Bank has fully collateralized all deposits. We have also implemented procedures to insure that the bank is in compliance with the HUD regulations of a consistent and routine basis.

**Contact Person:**

Leslie Torgerson, Executive Director

**Anticipated Completion Date:**

Currently complete as of issue date of the audit report.

**HELENA HOUSING AUTHORITY**  
Helena, Montana

**SUPPLEMENTAL INFORMATION**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**HELENA HOUSING AUTHORITY**  
**Helena, Montana**

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

<u>Account Description</u>	<u>Central Office Cost Center</u>	<u>Special Needs Assistance 14.235</u>	<u>Shelter Plus Care 14.238</u>	<u>Low-Rent Public Hsg 14.850</u>	<u>Housing Choice Vouchers 14.871</u>
<b>ASSETS:</b>					
<b>CURRENT ASSETS:</b>					
Cash:					
Cash - unrestricted	\$ 296,957	\$ 0	\$ 0	\$ 455,799	\$ 32,964
Cash - restricted for modernization	0	0	0	0	0
Cash - restricted	0	0	0	0	135,963
Cash - tenant security deposits	0	0	0	188,342	0
<b>Total Cash</b>	<u>296,957</u>	<u>0</u>	<u>0</u>	<u>644,141</u>	<u>168,927</u>
Accounts and notes receivables:					
Accounts receivable - HUD	0	10,475	1,971	5,843	0
Accounts receivable - other government	0	0	0	0	0
Accounts receivable - miscellaneous	0	0	0	5,497	0
Accounts receivable - tenants rents	0	0	0	11,765	0
Allowance for doubtful accounts-tenants	0	0	0	(2,182)	0
Allowance for doubtful accounts-other	0	0	0	0	0
Notes Receivable - current	0	0	0	0	0
Fraud recovery	0	0	0	0	0
Allowance for doubtful-fraud	0	0	0	0	0
Accrued interest receivable	0	0	0	0	0
<b>Total receivables - net</b>	<u>0</u>	<u>10,475</u>	<u>1,971</u>	<u>20,923</u>	<u>0</u>
Current investments:					
Investments - unrestricted	0	0	0	0	0
Investments - restricted	0	0	0	0	0
Prepaid expenses and other assets	360	0	0	16,366	18
Inventories	0	0	0	43,441	0
Allowance for obsolete inventories	0	0	0	0	0
Interprogram due from	0	0	0	0	11,062
<b>TOTAL CURRENT ASSETS</b>	<u>297,317</u>	<u>10,475</u>	<u>1,971</u>	<u>724,871</u>	<u>180,007</u>
<b>NONCURRENT ASSETS:</b>					
Capital Assets:					
Land	0	0	0	869,114	0
Infrastructure	0	0	0	113,608	0
Buildings	0	0	0	14,468,417	0
Furniture & equipment - admin	107,060	0	0	290,579	3,180
Improvements	18,274	0	0	4,858,093	0
Work in process	0	0	0	0	0
Accumulated depreciation	(107,013)	0	0	(11,227,693)	(3,180)
<b>Total capital assets - net</b>	<u>18,321</u>	<u>0</u>	<u>0</u>	<u>9,372,118</u>	<u>0</u>
Notes receivable - noncurrent	0	0	0	0	0
Other assets	0	0	0	0	0
<b>TOTAL NONCURRENT ASSETS</b>	<u>18,321</u>	<u>0</u>	<u>0</u>	<u>9,372,118</u>	<u>0</u>
<b>TOTAL ASSETS</b>	<u>\$ 315,638</u>	<u>\$ 10,475</u>	<u>\$ 1,971</u>	<u>\$ 10,096,989</u>	<u>\$ 180,007</u>

Promotion of Humanities 45.130	Business Activities	Elimination	TOTAL
\$ 0	\$ 618,463	\$ 0	\$ 1,404,183
0	0	0	0
0	0	0	135,963
0	0	0	188,342
<u>0</u>	<u>618,463</u>	<u>0</u>	<u>1,728,488</u>
0	0	0	18,289
0	0	0	0
0	0	0	5,497
0	0	0	11,765
0	0	0	(2,182)
0	0	0	0
0	7,701	0	7,701
0	0	0	0
0	0	0	0
0	0	0	0
<u>0</u>	<u>7,701</u>	<u>0</u>	<u>41,070</u>
0	0	0	0
0	0	0	0
0	124,856	0	141,600
0	0	0	43,441
0	0	0	0
0	0	(11,062)	0
<u>0</u>	<u>751,020</u>	<u>(11,062)</u>	<u>1,954,599</u>
0	0	0	869,114
0	12,930	0	126,538
0	811,113	0	15,279,530
0	7,365	0	408,184
0	46,261	0	4,922,628
20,000	0	0	20,000
0	(739,780)	0	(12,077,666)
<u>20,000</u>	<u>137,889</u>	<u>0</u>	<u>9,548,328</u>
0	588,584	0	588,584
0	0	0	0
<u>20,000</u>	<u>726,473</u>	<u>0</u>	<u>10,136,912</u>
<u>\$ 20,000</u>	<u>\$ 1,477,493</u>	<u>\$ (11,062)</u>	<u>\$ 12,091,511</u>

**HELENA HOUSING AUTHORITY**  
**Helena, Montana**

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

<u>Account Description</u>	Central Office Cost Center	Special Needs Assistance 14.235	Shelter Plus Care 14.238	Low-Rent Public Hsg 14.850	Housing Choice Vouchers 14.871
<b>LIABILITIES AND NET POSITION:</b>					
<b>LIABILITIES:</b>					
<b>CURRENT LIABILITIES:</b>					
Cash overdraft	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Accounts payable < 90 days	104	1,281	0	37,587	1,286
Accrued salaries/payroll withholding	0	0	0	0	0
Accrued compensated absences	2,715	45	0	13,411	2,826
Accrued interest payable	0	0	0	0	0
Accounts payable - HUD PHA programs	0	0	0	0	0
Accounts payable - other gov.	0	0	0	46,458	0
Tenant security deposits	0	0	0	188,342	0
Unearned revenue	0	0	0	3,532	0
Current portion of L-T debt - capital projects	0	0	0	159,095	0
Current portion of L-T debt - operating	0	0	0	0	0
Other current liabilities	0	0	0	1,900	0
Accrued liabilities - other	0	0	0	0	0
Interprogram (due to)	0	9,091	1,971	0	0
<b>TOTAL CURRENT LIABILITIES</b>	<u>2,819</u>	<u>10,417</u>	<u>1,971</u>	<u>450,325</u>	<u>4,112</u>
<b>NONCURRENT LIABILITIES:</b>					
Long-term debt, net of current - capital projects	0	0	0	2,835,283	0
Long-term debt, net of current - operating	0	0	0	0	0
Accrued comp. absences - long term	3,507	58	0	17,330	3,654
Noncurrent liabilities - other	0	0	0	0	0
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>3,507</u>	<u>58</u>	<u>0</u>	<u>2,852,613</u>	<u>3,654</u>
<b>TOTAL LIABILITIES</b>	<u>6,326</u>	<u>10,475</u>	<u>1,971</u>	<u>3,302,938</u>	<u>7,766</u>
<b>NET POSITION:</b>					
Net investment in capital assets	18,321	0	0	6,377,740	0
Restricted	0	0	0	0	135,963
Unrestricted	290,991	0	0	416,311	36,278
<b>TOTAL NET POSITION</b>	<u>309,312</u>	<u>0</u>	<u>0</u>	<u>6,794,051</u>	<u>172,241</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 315,638</u>	<u>\$ 10,475</u>	<u>\$ 1,971</u>	<u>\$ 10,096,989</u>	<u>\$ 180,007</u>

Promotion of Humanities 45.130	Business Activities	Elimination	TOTAL
\$ 0	\$ 0	\$ 0	\$ 0
0	8,915	0	49,173
0	0	0	0
0	490	0	19,487
0	0	0	0
0	0	0	0
0	0	0	46,458
0	0	0	188,342
0	0	0	3,532
0	0	0	159,095
0	0	0	0
0	0	0	1,900
0	0	0	0
0	0	(11,062)	0
0	9,405	(11,062)	467,987
0	0	0	2,835,283
0	0	0	0
0	633	0	25,182
0	0	0	0
0	633	0	2,860,465
0	10,038	(11,062)	3,328,452
20,000	137,889	0	6,553,950
0	0	0	135,963
0	1,329,566	0	2,073,146
20,000	1,467,455	0	8,763,059
\$ 20,000	\$ 1,477,493	\$ (11,062)	\$ 12,091,511

**HELENA HOUSING AUTHORITY**  
Helena, Montana

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

<u>Account Description</u>	<u>Central Office Cost Center</u>	<u>Special Needs Assistance 14.235</u>	<u>Shelter Plus Care 14.238</u>	<u>Low-Rent Public Hsg 14.850</u>	<u>Housing Choice Vouchers 14.871</u>
<b>REVENUES:</b>					
Net tenant rental revenue	\$ 0	\$ 0	\$ 0	\$ 717,240	\$ 0
Tenant revenue - other	<u>0</u>	<u>0</u>	<u>0</u>	<u>149,874</u>	<u>0</u>
Total tenant revenue	0	0	0	867,114	0
HUD PHA grants - operating	0	128,131	31,765	1,344,539	1,675,882
HUD PHA grants - capital	0	0	0	821,066	0
Administrative fee	0	0	0	0	0
Management fee	343,062	0	0	0	0
Asset management fee	43,920	0	0	0	0
Bookkeeping fee	60,255	0	0	0	0
Other fee	0	0	0	0	0
Investment income - unrestricted	28	0	0	57	40
Proceeds from assets sold	0	0	0	0	0
Cost of assets sold	0	0	0	0	0
Mortgage interest income	0	0	0	0	0
Fraud income	0	0	0	3,254	1,536
Other revenue	25,020	3	0	132,286	14,201
Investment income - restricted	0	0	0	0	0
Gain/(loss) on disposition	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL REVENUES</b>	<b>\$ <u>472,285</u></b>	<b>\$ <u>128,134</u></b>	<b>\$ <u>31,765</u></b>	<b>\$ <u>3,168,316</u></b>	<b>\$ <u>1,691,659</u></b>
<b>EXPENSES:</b>					
<b>Administrative</b>					
Administrative salaries	\$ 172,424	\$ 2,991	\$ 986	\$ 179,574	\$ 61,731
Auditing fees	2,580	0	0	10,750	8,170
Outside Management Fees	0	0	0	0	0
Management fees	0	0	0	298,770	44,292
Bookkeeping fees	0	0	0	32,572	27,683
Advertising & marketing	2,768	0	0	611	0
Employee benefits - administrative	53,261	1,157	375	61,809	23,241
Office expense	104,830	12	0	36,514	13,509
Legal expense	9,631	0	0	33,895	1,447
Travel expense	1,822	0	0	0	1,535
Other operating - administrative	<u>23,093</u>	<u>2,324</u>	<u>0</u>	<u>51,150</u>	<u>49,814</u>
Total Administrative Expense	<u>370,409</u>	<u>6,484</u>	<u>1,361</u>	<u>705,645</u>	<u>231,422</u>
Asset management fee	<u>0</u>	<u>0</u>	<u>0</u>	<u>43,920</u>	<u>0</u>
<b>Tenant services</b>					
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	<u>0</u>	<u>0</u>	<u>0</u>	<u>30,853</u>	<u>0</u>
Total Tenant Services	<u>0</u>	<u>0</u>	<u>0</u>	<u>30,853</u>	<u>0</u>

Promotion of Humanities 45.130	Business Activities	Elimination	TOTAL
\$ 0	\$ 0	\$ 0	\$ 717,240
<u>0</u>	<u>0</u>	<u>0</u>	<u>149,874</u>
0	0	0	867,114
0	0	0	3,180,317
0	0	0	821,066
0	0	0	0
0	0	(343,062)	0
0	0	(43,920)	0
0	0	(60,255)	0
0	0	0	0
0	266	0	391
0	0	0	0
0	0	0	0
0	11,675	0	11,675
0	0	0	4,790
0	238,429	(118,957)	290,982
0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
\$ <u>0</u>	\$ <u>250,370</u>	\$ <u>(566,194)</u>	\$ <u>5,176,335</u>
\$ 0	\$ 32,627	\$ 0	\$ 450,333
0	0	0	21,500
0	0	0	0
0	0	(343,062)	0
0	0	(60,255)	0
0	0	0	3,379
0	12,699	0	152,542
0	7,833	(106,272)	56,426
0	3,269	0	48,242
0	0	0	3,357
<u>0</u>	<u>16,804</u>	<u>0</u>	<u>143,185</u>
<u>0</u>	<u>73,232</u>	<u>(509,589)</u>	<u>878,964</u>
<u>0</u>	<u>0</u>	<u>(43,920)</u>	<u>0</u>
0	0	0	0
0	0	0	0
0	0	0	0
<u>0</u>	<u>70,877</u>	<u>0</u>	<u>101,730</u>
<u>0</u>	<u>70,877</u>	<u>0</u>	<u>101,730</u>

**HELENA HOUSING AUTHORITY**  
Helena, Montana

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

<u>Account Description</u>	Central Office <u>Cost Center</u>	Special Needs Assistance <u>14.235</u>	Shelter Plus Care <u>14.238</u>	Low-Rent Public Hsg <u>14.850</u>	Housing Choice Vouchers <u>14.871</u>
<b>Utilities</b>					
Water	181	0	0	120,333	0
Electricity	4,159	0	0	62,725	0
Gas	2,473	0	0	16,910	0
Labor	0	0	0	0	0
Sewer	0	0	0	0	0
Other utilities	0	0	0	12,814	0
Employee benefits - utilities	0	0	0	0	0
<b>Total Utilities Expense</b>	<u>6,813</u>	<u>0</u>	<u>0</u>	<u>212,782</u>	<u>0</u>
<b>Ordinary Maintenance &amp; Operation</b>					
Labor	0	0	0	228,031	0
Materials	795	0	0	148,786	0
Employee benefit contributions	0	0	0	78,487	0
Garbage & trash removal contracts	1,251	0	0	58,133	0
Heating & cooling contracts	0	0	0	4,291	0
Snow Removal contracts	0	0	0	36,413	0
Elevator contracts	0	0	0	3,520	0
Landscape & grounds contracts	0	0	0	35,801	0
Carpentry/General repairs	0	0	0	0	0
Electrical contracts	0	0	0	0	0
Plumbing contracts	0	0	0	3,157	0
Extermination contracts	0	0	0	424	0
Routine maintenance contracts	0	0	0	72,557	0
Contract costs - other	0	0	0	16,242	0
<b>Total Ordinary Maintenance &amp; Operation</b>	<u>2,046</u>	<u>0</u>	<u>0</u>	<u>685,842</u>	<u>0</u>
<b>Protective services</b>					
Protective services - salaries	0	0	0	0	0
Protective services - contract costs	0	0	0	80,310	0
Employee benefits - protective services	0	0	0	0	0
Other protective services	0	0	0	0	0
<b>Total Protective Services</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>80,310</u>	<u>0</u>
<b>Insurance Premiums</b>					
Property insurance	0	0	0	117,654	0
Liability insurance	1,213	0	0	21,356	160
Workmen's compensation	1,220	0	0	11,792	406
Insurance - other	1,969	0	0	8,754	0
<b>Total Insurance Premiums</b>	<u>4,402</u>	<u>0</u>	<u>0</u>	<u>159,556</u>	<u>566</u>
<b>General Expenses</b>					
Other general expense	0	0	0	0	0
Compensated absences	6,897	0	0	16,304	2,469
Payments in lieu of taxes	0	0	0	50,446	0
Bad debt - tenant rents	0	0	0	99,037	0
Bad debt - other	0	0	0	0	0
Severance expense	0	0	0	0	0
<b>Total General Expenses</b>	<u>6,897</u>	<u>0</u>	<u>0</u>	<u>165,787</u>	<u>2,469</u>

Promotion of Humanities 45.130	Business Activities	Elimination	TOTAL
0	604	0	121,118
0	12,464	0	79,348
0	5,948	0	25,331
0	0	0	0
0	0	0	0
0	0	0	12,814
0	0	0	0
0	19,016	0	238,611
0	1,671	0	229,702
0	2,765	0	152,346
0	0	0	78,487
0	1,787	0	61,171
0	0	0	4,291
0	2,122	0	38,535
0	0	0	3,520
0	0	0	35,801
0	0	0	0
0	0	0	0
0	0	0	3,157
0	0	0	424
0	0	0	72,557
0	3,100	0	19,342
0	11,445	0	699,333
0	0	0	0
0	0	0	80,310
0	0	0	0
0	0	0	0
0	0	0	80,310
0	9,021	0	126,675
0	1,454	0	24,183
0	135	0	13,553
0	0	0	10,723
0	10,610	0	175,134
0	5,370	0	5,370
0	1,305	0	26,975
0	459	0	50,905
0	0	0	99,037
0	0	0	0
0	0	0	0
0	7,134	0	182,287

**HELENA HOUSING AUTHORITY**  
Helena, Montana

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

<u>Account Description</u>	Central Office Cost Center	Special Needs Assistance 14.235	Shelter Plus Care 14.238	Low-Rent Public Hsg 14.850	Housing Choice Vouchers 14.871
<b>Financial Expenses</b>					
Interest expense - Mortgage Payable	0	0	0	0	0
Interest expense - Notes Payable	0	0	0	104,199	0
Amortization - issuance costs	0	0	0	0	0
<b>Total Financial Expenses</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>104,199</u>	<u>0</u>
<b>TOTAL OPERATING EXPENSE</b>	<u>390,567</u>	<u>6,484</u>	<u>1,361</u>	<u>2,188,894</u>	<u>234,457</u>
<b>EXCESS OPERATING REVENUE</b>	<u>81,718</u>	<u>121,650</u>	<u>30,404</u>	<u>979,422</u>	<u>1,457,202</u>
<b>Other Expenses</b>					
Extraordinary maintenance	0	0	0	53,065	0
Home-Ownership/Tenant Protection	0	0	0	0	0
Housing assistance payments	0	121,650	30,404	0	1,473,560
HAP Portability-In	0	0	0	0	12,685
Depreciation expense	6,154	0	0	725,429	96
<b>Total Other Expenses</b>	<u>6,154</u>	<u>121,650</u>	<u>30,404</u>	<u>778,494</u>	<u>1,486,341</u>
<b>TOTAL EXPENSES</b>	<u>\$ 396,721</u>	<u>\$ 128,134</u>	<u>\$ 31,765</u>	<u>\$ 2,967,388</u>	<u>\$ 1,720,798</u>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<u>\$ 75,564</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 200,928</u>	<u>\$ (29,139)</u>
Operating transfer - in	0	0	0	201,872	0
Operating transfer - out	(4,559)	0	0	(92,532)	0
Transfer of equity	0	0	0	0	0
Prior period adjustments	0	0	0	0	0
<b>Beginning Net Position</b>	<u>238,307</u>	<u>0</u>	<u>0</u>	<u>6,483,783</u>	<u>201,380</u>
<b>Ending Net Position</b>	<u>\$ 309,312</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 6,794,051</u>	<u>\$ 172,241</u>
<b>Administrative Fund Equity</b>	-	-	-	-	36,278
<b>Housing Choice Voucher Equity</b>	-	-	-	-	135,963
<b>Units Available</b>	-	336	78	4,392	4,351
<b>Units Leased</b>	-	299	78	4,343	3,720

Promotion of Humanities 45.130	Business Activities	Elimination	TOTAL
0	0	0	0
0	0	0	104,199
0	0	0	0
0	0	0	104,199
0	192,314	(553,509)	2,460,568
0	58,056	(12,685)	2,715,767
0	0	0	53,065
0	0	0	0
0	0	0	1,625,614
0	0	(12,685)	0
0	56,898	0	788,577
0	56,898	(12,685)	2,467,256
\$ 0	\$ 249,212	\$ (566,194)	\$ 4,927,824
\$ 0	\$ 1,158	\$ 0	\$ 248,511
0	0	(201,872)	0
0	(104,781)	201,872	0
0	0	0	0
0	0	0	0
20,000	1,571,078	0	8,514,548
\$ 20,000	\$ 1,467,455	\$ 0	\$ 8,763,059
-	-	-	36,278
-	-	-	135,963
-	-	-	9,157
-	-	-	8,440

**HELENA HOUSING AUTHORITY**  
**Helena, Montana**

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

	Type	Federal CFDA #	Expenditures
<b><u>FEDERAL GRANTOR</u></b>			
<b><u>U.S. DEPARTMENT OF HOUSING &amp; URBAN DEVELOPMENT:</u></b>			
<b>Public Housing:</b>			
Low Rent Public Housing - subsidy	A - Major	14.850	\$ 1,073,382
Capital Fund Program	A - Major	14.872	1,092,223
<b>Section 8 Housing Choice Voucher Program:</b>			
Housing Choice Voucher Program	A - Major	14.871	1,675,882
Special Needs Assistance	B - Nonmajor	14.235	128,131
Shelter Plus Care	B - Nonmajor	14.238	31,765
<b>TOTAL FEDERAL FINANCIAL AWARDS</b>			<b>\$ 4,001,383</b>
<b>Threshold for Type A &amp; Type B</b>			<b>\$ 300,000</b>

The accompany notes are an integral part of this schedule.

**HELENA HOUSING AUTHORITY**  
**Helena, Montana**

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

**NOTE A - BASIS OF PRESENTATION:**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Helena Housing Authority and is presented on the post-GASB 34 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 - SUBRECIPIENTS:**

The Helena Housing Authority provided no federal awards to subrecipients during the fiscal year ending June 30, 2014.

**NOTE C - DISCLOSURE OF OTHER FORMS OF ASSISTANCE:**

- The Helena Housing Authority received no federal awards of non-monetary assistance that are required to be disclosed for the year ended June 30, 2014.
- The Helena Housing Authority had no loan guarantees, or federally restricted endowment funds required to be disclosed for the fiscal year ended June 30, 2014.
- The Helena Housing Authority maintains the following limits of insurance as of June 30, 2014:

Property	\$ 34,102,404
Liability	\$ 2,000,000
Business Auto	\$ 500,000
Worker Compensation	Statutory
Directors & Officers Liability	\$ 1,000,000
ERISA Bond	\$ 75,000

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

**HELENA HOUSING AUTHORITY**  
**Helena, Montana**

**SUPPLEMENTAL INFORMATION**  
**SPECIAL REPORTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**HELENA HOUSING AUTHORITY**  
**Helena, Montana**

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

**Grant Year MT06-C004-501-10**

- 1 The Actual Capital Fund Program Costs of Phase MT06-C004-501-10 are as follows:

Funds Approved	\$ 576,479
Funds Expended	<u>576,479</u>
Excess of Funds Approved	<u>\$ -</u>
Funds Advanced	\$ 576,479
Funds Expended	<u>576,479</u>
Excess of Funds Advanced	<u>\$ -</u>

- 2 Audit period additions were \$446,068.12 and accordingly were audited by Rector, Reeder & Lofton, P.C.
- 3 The total program costs as stated on the Annual Statement/Performance and Evaluation Report is in agreement with the Actual Modernization Cost Certificate dated June 30, 2014 as 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.