

HOUSING AUTHORITY OF GLASGOW
GLASGOW, MONTANA

BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

YEAR ENDED MARCH 31, 2014

HOUSING AUTHORITY OF GLASGOW
 GLASGOW, MONTANA
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HOUSING AUTHORITY OF GLASGOW
GLASGOW, MONTANA
MARCH 31, 2014

BOARD OF COMMISSIONERS

Doyle Euell	Chairman
Erika Bengochea	Commissioner
Tammy Dunn	Commissioner
Nixie Gagne	Commissioner
Kay Hedalen	Commissioner
Meghan Bechel.....	Commissioner
Lisa Olk	Commissioner



CHMS, P.C.
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Independent Auditor's Report

Board of Commissioners
Housing Authority of Glasgow
Glasgow, Montana

Report on the Financial Statements

We have audited the accompanying financial statements of Housing Authority of Glasgow, as of and for the year ended March 31, 2014, and the related notes to the financial statements, which collectively comprise Housing Authority of Glasgow's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Housing Authority of Glasgow's 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 *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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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 basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Housing Authority of Glasgow, as of March 31, 2014, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4–8 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 inquiries 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 procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Housing Authority of Glasgow's basic financial statements. The Financial Data Schedule, as required by the Consolidated Audit Guide for Audits of HUD programs issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2014 on our consideration of Housing Authority of Glasgow's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Housing Authority of Glasgow's internal control over financial reporting and compliance.



CHMS, P.C.
Certified Public Accountants
Glasgow, Montana

November 1, 2014

Housing Authority of Glasgow
Management's Discussion and Analysis

This discussion and analysis of the Housing Authority of Glasgow's financial performance provide an overview of the Authority's financial activities for the fiscal year ended **March 31, 2014**. Please review it in conjunction with the Authority's basic financial statements.

USING THIS ANNUAL REPORT

The financial statements, related notes and Management's Discussion and Analysis provide information about the Authority's financial position and activities. The Statement of Net Position presents the Authority's assets, liabilities and net position as of **March 31, 2014**, with current and long-term portions of assets and liabilities separately identified. The Statement of Revenues, Expenses and Changes in Net Position present the Authority's operating results and changes in net position for the year ended **March 31, 2014**. The Statement of Cash Flows provides information about the flow of cash within the authority by activity for the year ended **March 31, 2014**. The notes to the financial statements provide additional detailed information.

FINANCIAL HIGHLIGHTS

The Authority's total net position changed from a year ago, increasing from \$3,038,814 to **\$3,086,709**. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2).

The Authority's overall financial position went up from fiscal year 2013 to 2014 with a decrease in interest paid on investments and the increase in intergovernmental funding. Total Revenues were slightly up by 4.92% and operating expenses were up by 6.89% meaning an operating loss of -\$240,945.

Rents – Fiscal year 2014 rental income decreased over 2013 due to a stable occupancy but a slight decrease in tenant household income. The Authority charges 30% of the household income as rent, a decrease in household income results in a decrease in rental income. Occupancy information comparing fiscal years follows:

	2014	2013
Units Vacated	18	18
Units Leased Up	18	17
Average Days Vacant	30.5	31.0

Intergovernmental – Intergovernmental revenue consists of performance funding and capital funds from the Department of Housing and Urban Development (HUD). Performance funding is intended to subsidize tenant rents to cover operating expenses.

Capital funds cover significant repairs and improvements as identified in the Authority's five year capital project plans. The Authority receives performance funds based on a percent of each year's operating budget and capital funds are allocated to smaller agencies based on a funding formula. Most significantly, intergovernmental revenue is dependent upon Congress's funding of HUD. Fiscal year 2014 HUD the operating funds were up 87.37% or \$43,148 more than fiscal year 2013 revenues. Capital Funds were also up in 2014.

Operating Expenses - Overall operating expenses increased 6.89% from fiscal year 2013 to fiscal year 2014. There was a decrease in the Administration expense and in Extraordinary Maintenance. All other categories experienced an increase.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Capital Assets in 2014 increased from 2013 due to using reserves for installing a new water main and paving the streets and the substantial decrease in interest paid on these reserves.

Debt Administration

As of March 31, 2014, the Authority did not have long-term debt obligations.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Housing Authority of Glasgow, P.O. Box 1126, Glasgow, MT 59230.

Rocky Zimdars
Executive Director

TABLE 1 - NET POSITION

	<u>2014</u>	<u>2013</u>	<u>Change</u>
Current Assets	177,022	921,756	-744,734
Capital Assets	3,004,026	2,182,377	821,649
Total Assets	<u>3,181,048</u>	<u>3,104,133</u>	<u>76,915</u>
Current Liabilities	84,491	56,265	28,226
Long-Term Liabilities	9,848	9,054	794
Total Liabilities	<u>94,339</u>	<u>65,319</u>	<u>29,020</u>
Net Position			
Net Investment in Capital Assets	3,004,026	2,182,377	821,649
Unrestricted	82,683	856,437	-773,754
Total Net Position	<u>3,086,709</u>	<u>3,038,814</u>	<u>47,895</u>

TABLE 2 - CHANGES IN NET POSITION

	<u>2014</u>	<u>2013</u>	<u>Change</u>	
			<u>Dollar</u>	<u>Percent</u>
OPERATING REVENUES				
Rents	\$223,125	\$225,668	-\$2,543	-1.13%
Intergovernmental	92,531	49,383	43,148	87.37%
Other Income	290	26,071	-25,781	-98.89%
Total Operating Revenue	315,946	301,122	14,824	4.92%
OPERATING EXPENSES				
Administration	98,280	99,391	-1,111	-1.12%
Utilities	112,248	104,289	7,959	7.63%
Maintenance	119,336	108,846	10,490	9.64%
General Expenses	91,500	81,540	9,960	12.21%
Tenant Services	90	85	5	5.88%
Extraordinary Maintenance	0	26,905	-26,905	-100.00%
Depreciation	135,437	99,923	35,514	35.54%
Total Operating Expenses	556,891	520,979	35,912	6.89%
NON-OPERATING REVENUES (EXPENSES)				
Interest Revenue	1,167	4,239	-3,072	-72.47%
Intergovernmental	287,673	34,243	253,430	740.09%
Net Non-Operating	288,840	38,482	250,358	650.58%
CHANGE IN NET POSITION	\$47,895	-\$181,375	\$229,270	126.41%

TABLE 3 - REVENUES AND EXPENSES

The following table illustrates the composition of the Authority's revenues and expenses

REVENUES	Year Ended March 31, 2014		Year Ended March 31, 2013	
	Dollars	% of Total	Dollars	% of Total
Rents	223,125	71%	225,668	66%
Intergovernmental	92,531	29%	83,626	25%
Other Income	290	0%	26,071	8%
Interest	1,167	0%	4,239	1%
Total Revenue	317,113	100%	339,604	100%
EXPENSES				
Administration	98,280	18%	99,391	19%
Utilities	112,248	20%	104,289	20%
Maintenance	119,336	22%	108,846	21%
General Expenses	91,500	16%	81,540	16%
Tenant Services	90	0%	85	0%
Extraordinary maintenance	0	0%	26,905	5%
Depreciation	135,437	24%	99,923	19%
Total Expenses	556,891	100%	520,979	100%
				0%

HOUSING AUTHORITY OF GLASGOW
 GLASGOW, MONTANA
 STATEMENT OF NET POSITION
 MARCH 31, 2014

ASSETS

Current Assets

Cash and Cash Equivalents (Note B)	\$	58,002
Investments (Note B)		91,905
Tenant Accounts Receivable		4,661
Accrued Interest Receivable		682
Prepaid Insurance		20,838
Other Prepaid Expenses		934
Total Current Assets		177,022

Noncurrent Assets

Capital Assets (Net of Accumulated Depreciation) (Note C)		3,004,026
Total Noncurrent Assets		3,004,026
Total Assets		3,181,048

LIABILITIES

Current Liabilities

Accounts Payable		40,522
Accrued Salaries and Benefits		14,588
Tenants' Prepaid Rents		1,396
Tenant Security Deposits Payable		14,510
Current Portion Compensated Absences Payable (Note D)		13,475
Total Current Liabilities		84,491

Noncurrent Liabilities

Compensated Absences (Note D)		9,848
Total Noncurrent Liabilities		9,848
Total Liabilities		94,339

NET POSITION

Net Investment in Capital Assets		3,004,026
Unrestricted		82,683
Total Net Position	\$	3,086,709

See notes to the financial statements.

HOUSING AUTHORITY OF GLASGOW
 GLASGOW, MONTANA
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 FOR THE YEAR ENDED MARCH 31, 2014

Operating Revenues

Rentals and Tenant Charges	\$ 223,125
Intergovernmental Revenue	92,531
Miscellaneous	290
Total Operating Revenues	315,946

Operating Expenses

Administration	98,280
Utilities	112,248
Maintenance	119,336
General Expenses	91,500
Tenant Services	90
Depreciation	135,437
Total Operating Expenses	556,891
Operating Loss	(240,945)

Non-Operating Revenues (Expenses)

Interest Income	1,167
Total Non-Operating Revenues	1,167
Income (Loss) Before Contributions	(239,778)
Capital Contributions	287,673

Change in Net Position	47,895
Net Position, Beginning of Year	3,038,814
Net Position, End of Year	\$ 3,086,709

See notes to the financial statements.

HOUSING AUTHORITY OF GLASGOW
GLASGOW, MONTANA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2014

Cash Flows from Operating Activities

Cash Received From Customers	\$ 222,472
Cash Received From Other Government for Operations	92,531
Cash Paid to Employees	(180,190)
Cash Paid to Suppliers	(213,280)
Other Receipts	290
Net Cash Used by Operating Activities	<u>(78,177)</u>

Cash Flows from Capital and Related Financing Activities

Cash Received From Other Government for Capital	287,673
Acquisition of Capital Assets	(957,086)
Net Cash Used by Capital and Related Financing Activities	<u>(669,413)</u>

Cash Flows from Investing Activities

Interest on Investments	2,554
Sale of Investments	635,012
Net Cash Provided by Investing Activities	<u>637,566</u>

Net Decrease in Cash and Cash Equivalents	(110,024)
Cash and Cash Equivalents, Beginning of Year	168,026
Cash and Cash Equivalents, End of Year	<u>\$ 58,002</u>

**Reconciliation of Operating Income to Net Cash Provided
By Operating Activities**

Operating Loss	<u>\$ (240,945)</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	135,437
(Increase) in Prepaid Insurance	(1,180)
(Increase) in Other Prepaid Expenses	(150)
(Increase) in Other Current Assets	(359)
Increase in Accounts Payable	23,733
Increase in Accrued Salaries and Benefits	3,521
(Decrease) In Other Current Liabilities	(494)
Increase in Tenant Security Deposits Payable	200
Increase in Compensated Absences Payable	2,060
Total Adjustments	<u>162,768</u>
Net Cash Used by Operating Activities	<u>\$ (78,177)</u>

See notes to the financial statements.

HOUSING AUTHORITY OF GLASGOW
GLASGOW, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Housing Authority of Glasgow, Glasgow, Montana, was incorporated on June 7, 1960, under the provisions of state law. The Authority operates a low-income, HUD-assisted housing project. The Authority is governed by a Board of Commissioners which is comprised of six appointed members.

As defined by generally accepted accounting principles, the financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

The accompanying financial statements present only Housing Authority of Glasgow, as they have no component units that would be included in the financial data of the Authority.

BASIS OF PRESENTATION AND BASIS OF ACCOUNTING

The statement of net position and the statement of revenues, expenses and changes in net position show information about the overall financial position and activities of the Authority.

These statements are reported using the economic resources measurement focus and the accrual basis of accounting. The activities of the Authority are generally financed through tenant charges and operating subsidies. Revenues are recorded when earned and expenses are recorded at the time the liability is incurred, regardless of when the related cash flows take place. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which eligibility requirements have been met.

Budgets: A budget is adopted each year in accordance with HUD Annual Contributions Contract for the Low Rent Housing Program.

Capital Assets: Capital assets, which include plant, property, and equipment with a cost of \$5,000 or more, are reported in the financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Depreciation is computed using the straight-line method. The following is a summary of asset classifications and range of depreciable lives.

	<u>Estimated Useful Life (Years)</u>
Buildings	40-50
Improvements Other Than Buildings	10-50
Office Equipment and Furniture	5-10
Machinery and Equipment	5-10

HOUSING AUTHORITY OF GLASGOW
GLASGOW, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting: The accounts of the Authority are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operation of each fund is accounted for within a separate set of self-balancing accounts. The following fund type is used by the Authority.

Proprietary Fund Type

Enterprise Fund - to account for all transactions of the Authority, and financed primarily from tenant charges and operating subsidies. Enterprise funds are accounted for in a manner similar to any profit-making business, where the determination of net income is necessary or useful to sound financial administration.

Contributions: Enterprise fund resources received from grants, entitlements, or shared revenues which may be utilized for operating or for either operations or capital acquisitions or construction are reported as non-operating revenues. Capital contributions are reported separately after non-operating revenue and expenses.

Restricted / Unrestricted Assets: When an expense is incurred for purposes for which both restricted and unrestricted assets are available, restricted resources are applied first.

FASB Documents: In September, 1993, GASB issued Statement No. 20 which requires proprietary activities to apply all applicable GASB pronouncements as well as FASB pronouncements, APB Opinions and Accounting Research Bulletins issued on or before November 30, 1989, unless these conflict with or contradict GASB pronouncements. Governments have an option of whether or not to apply FASB pronouncements issued after that date to their proprietary activities. In accordance with GASB 20, management has elected not to apply FASB pronouncements issued after November 30, 1989.

Statement of Cash Flows - Cash and Cash Equivalents: For purposes of the statement of cash flows, the Authority considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Allowance for Uncollectible Accounts: No allowance for estimated uncollectible accounts receivable is maintained. The Authority uses the direct write-off method. Under the direct write-off method, instead of anticipating bad debts in advance, they are recognized in the periods in which the accounts are determined to be uncollectible. It is the opinion of management that accounts represented on the balance sheet are collectible.

Compensated Absences: Liabilities incurred because of accumulated unused vacation and sick pay which is payable upon termination is included in the financial statements. The liability for vacation pay is recorded as a current liability, payable within one year. The liability for unused sick leave is recorded as a non-current liability.

HOUSING AUTHORITY OF GLASGOW
GLASGOW, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Operating Revenues and Expenses: Operating revenues are considered revenues associated with the collection of rents and rents subsidies. Operating expenses are considered expenses associated with the general maintenance, administration, and depreciation of the facilities. Revenue and expenses that are not in this category are considered non-operating.

NOTE B - CASH AND INVESTMENTS

Statutes authorize the Authority to invest in a savings or time deposit with any solvent bank, building and loan association, savings and loan association, or credit union, in obligations of the U.S. Treasury, repurchase agreements, and the State Treasurer's Investment Pool. The Authority's investments at March 31, 2014, consisted of Certificates of Deposits.

Cash and investments as of March 31, 2014, are classified in the accompanying financial statements as follows:

Statement of Net Position	
Cash and Cash Equivalents	\$ 58,002
Investments	91,905
Total Cash and Investments	<u>\$ 149,907</u>

The Authority's cash and investments are comprised of the following at March 31, 2014:

Petty Cash	\$ 200
Cash in Banks	
Demand Deposits	57,802
Time Deposits	91,905
Total	<u>\$ 149,907</u>

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Housing Authority requires 100% security on money held in financial institutions.

As of March 31, 2014, the Authority's bank balances were insured.

HOUSING AUTHORITY OF GLASGOW
GLASGOW, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2014

NOTE C - CAPITAL ASSETS

A summary of the proprietary fund type property, plant, and equipment at March 31, 2014 consists of the following:

	Balance 04/01/13	Additions	Deletions	Balance 03/31/14
Capital assets not being depreciated				
Land	\$ 20,556	\$ -	\$ -	\$ 20,556
Other Capital Assets				
Land Improvements	176,717	-	-	176,717
Buildings	3,209,560	-	-	3,209,560
Furniture, Equipment, and Machinery - Dwellings	198,552	-	-	198,552
Furniture, Equipment, and Machinery - Administration	78,219	2,628	-	80,847
Infrastructure	216,027	954,458	-	1,170,485
Total other capital assets at historical cost	<u>3,879,075</u>	<u>957,086</u>	<u>-</u>	<u>4,836,161</u>
Less Accumulated Depreciation for:				
Land Improvements	166,996	3,534	-	170,530
Buildings	1,323,936	70,828	-	1,394,764
Furniture, Equipment, and Machinery - Dwellings	85,545	15,697	-	101,242
Furniture, Equipment, and Machinery - Administration	74,948	1,615	-	76,563
Infrastructure	65,829	43,763	-	109,592
Total accumulated depreciation	<u>1,717,254</u>	<u>135,437</u>	<u>-</u>	<u>1,852,691</u>
Other Capital Assets, net of Depreciation	<u>2,161,821</u>	<u>821,649</u>	<u>-</u>	<u>2,983,470</u>
Net Capital Assets	<u>\$ 2,182,377</u>	<u>\$ 821,649</u>	<u>\$ -</u>	<u>\$ 3,004,026</u>

NOTE D - LONG-TERM LIABILITIES

Compensated Absences Payable

Compensated absences payable, which represent vacation and sick leave earned by employees which is payable upon termination, were as follows:

	Balance 04/01/13	Increase (Decrease)	Balance 03/31/14
Vacation and Sick Leave	<u>\$ 21,263</u>	<u>\$ 2,060</u>	<u>\$ 23,323</u>

HOUSING AUTHORITY OF GLASGOW
 GLASGOW, MONTANA
 NOTES TO THE FINANCIAL STATEMENTS
 MARCH 31, 2014

NOTE E - RISK MANAGEMENT

The Authority faces a considerable number of risks of loss, including a) damage to and loss of property and contents, b) employee torts, c) professional liability, i.e. errors and omissions, d) environmental damage, e) workers' compensation, i.e. employee injuries, and f) medical insurance costs of employees. A variety of methods is used to provide insurance for these risks. Commercial policies, transferring all risks of loss, except for relatively small deductible amounts, are purchased for employee medical costs, and professional liabilities. The Authority uses the State Compensation Insurance Fund for workers' compensation coverage. And, given the lack of coverage available, the Authority has no coverage for potential losses from environmental damages.

Coverage limits and the deductibles on the commercial policies have stayed relatively constant for the last several years. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE F - RETIREMENT PLANS

The Authority participates in one multiple employer, cost-sharing defined-benefit retirement plan, the Public Employees' Retirement System. The plan covers all employees, except employees not exceeding the equivalency of 960 hours. The plan is established by State law and is administered by the Department of Administration of the State of Montana. The plan provides retirement, disability, and death benefits to plan members and beneficiaries.

This plan issues a publicly available annual report that includes financial statements and required supplemental information for the plan. This report may be obtained by contacting:

Public Employees Retirement System
 P.O. Box 200131
 1712 Ninth Avenue
 Helena, Montana 59620-0131
 Telephone: 406-444-3154

Contribution rates are required and determined by State law. The employer's contribution rate prior to July 1, 2013 is 7.07% and the employee's contribution rate is 6.9% for employees hired prior to July 1, 2011 and 7.9% for employees hired on or after July 1, 2011, for a total of 13.97% and 14.97% respectively, expressed as a percentage of covered payroll. After July 1, 2013 the employer's contribution rate increased to 8.07% and the employees rate changed to 7.9% for all employees. In addition the employers rate is required to increase by 0.1% each fiscal year effective July 1, 2014 through fiscal year 2024.

The amounts contributed to the plans during the years ended March 31, 2012, 2013, and 2014 were equal to the required contribution for each year. The amounts contributed by both the Authority and its employees (including voluntary contributions by employees as permitted by State law) were as follows:

	2012	2013	2014
PERS	\$ 16,746	\$ 17,392	\$ 20,610

HOUSING AUTHORITY OF GLASGOW
GLASGOW, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2014

NOTE F - RETIREMENT PLANS (Continued)

The State of Montana contributes .10% of the PERS employees' payroll, which is considered an on-behalf payment. The Authority considers this contribution to be immaterial and has not recorded it in their financial statements as required by accounting principles generally accepted in the United States of America.

NOTE G - ECONOMIC DEPENDENCY

The Authority is economically dependent on annual contributions and grants from the federal Department of Housing and Urban Development. The low-rent housing program operates at a loss prior to receiving these contributions and grants.

NOTE H - CONTINGENCIES

The Authority is subject to possible examinations made by federal regulators who determine compliance with terms, conditions, laws, and regulations governing grants given to the Authority in current and prior years. These examinations may result in required refunds to federal grantors and/or program beneficiaries.

NOTE I - SUBSEQUENT EVENTS

The Housing Authority recognizes all effects of subsequent events that provide additional evidence about conditions that existed as of March 31, 2014, including the estimates inherent in the process of preparing financial statements. Subsequent events that provide evidence about conditions that did not exist as of March 31, 2014, but arose after that date and prior to issuance are not recognized in these financial statements other than disclosure. There were no subsequent events that are required to be disclosed as of March 31, 2014. The Housing Authority evaluates the subsequent events through the date of the auditor's report.

NOTE J - POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Retirees may remain on the Authority's health plan to age 65, provided they pay the monthly premiums. State law requires the Authority to provide this benefit. No cost has been estimated for the above benefits, although there is the probability that there are higher medical costs for retirees which would result in higher premium rates for the plan. The potential cost is considered immaterial to the Authority's financial statements. There are no retired employees using this benefit.

SUPPLEMENTARY INFORMATION

HOUSING AUTHORITY OF GLASGOW
FINANCIAL DATA SCHEDULE
MARCH 31, 2014

Line Item Number	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	Total
111	Cash - Unrestricted	\$ 43,492	\$ -	\$ 43,492
114	Cash - Tenant Security Deposits	14,510	-	14,510
100	Total Cash	58,002	-	58,002
122	Accounts Receivable - HUD other projects	-	-	-
126	Accounts Receivable - Tenants	4,661	-	4,661
126.1	Allowance for Doubtful Accounts - Tenants	-	-	-
129	Accrued Interest Receivable	682	-	682
120	Total Receivables, Net of Allowances for Doubtful Accounts	5,343	-	5,343
131	Investments - Unrestricted	91,905	-	91,905
142	Prepaid Expenses and Other Assets	21,772	-	21,772
150	Total Current Assets	177,022	-	177,022
161	Land	20,556	-	20,556
168	Infrastructure	1,170,485	-	1,170,485
162	Buildings	3,209,560	-	3,209,560
163	Furniture, Equipment & Machinery - Dwellings	198,552	-	198,552
164	Furniture, Equipment & Machinery - Administration	80,847	-	80,847
165	Leasehold Improvements	176,717	-	176,717
166	Accumulated Depreciation	(1,852,691)	-	(1,852,691)
160	Total Capital Assets, Net of Accumulated Depreciation	3,004,026	-	3,004,026
180	Total Non-Current Assets	3,004,026	-	3,004,026
190	Total Assets	\$ 3,181,048	\$ -	\$ 3,181,048
312	Accounts Payable <= 90 Days	\$ 40,522	\$ -	\$ 40,522
321	Accrued Wages/Payroll Taxes Payable	14,588	-	14,588
322	Accrued Compensated Absences - Current Portion	13,475	-	13,475
341	Tenant Security Deposits	14,510	-	14,510
345	Other Current Liabilities	1,396	-	1,396
310	Total Current Liabilities	84,491	-	84,491
354	Accrued Compensated Absences - Non-Current	9,848	-	9,848
350	Total Non-Current Liabilities	9,848	-	9,848
300	Total Liabilities	94,339	-	94,339
508.4	Invested in Capital Assets, Net of Related Debt	3,004,026	-	3,004,026
511.4	Restricted Net Assets	-	-	-
512.4	Unrestricted Net Assets	82,683	-	82,683
513	Total Equity/Net Assets	3,086,709	-	3,086,709
600	Total Liabilities and Equity/Net Assets	\$ 3,181,048	\$ -	\$ 3,181,048

HOUSING AUTHORITY OF GLASGOW
FINANCIAL DATA SCHEDULE
MARCH 31, 2014

Line Item Number	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	Total
70300	Net Tenant Rental Revenue	\$ 211,271	\$ -	\$ 211,271
70400	Tenant Revenue - Other	11,854	-	11,854
70500	Total Tenant Revenue	223,125	-	223,125
70600	HUD PHA Operating Grants	92,531	-	92,531
70610	Capital Grants	-	287,673	287,673
71100	Investment Income - Unrestricted	1,167	-	1,167
71500	Other Revenue	290	-	290
70000	Total Revenue	317,113	287,673	604,786
91100	Administrative Salaries	53,720	-	53,720
91200	Auditing Fees	10,811	-	10,811
91500	Employee Benefit Contributions - Administrative	50,753	-	50,753
91600	Office Expenses	9,868	-	9,868
91700	Legal Expense	918	-	918
91800	Travel	1,357	-	1,357
91900	Other Operating - Administrative	-	-	-
91000	Total Operating - Administrative	127,427	-	127,427
92400	Tenant Services - Other	90	-	90
92500	Total Tenant Services	90	-	90
93100	Water	20,171	-	20,171
93200	Electricity	35,523	-	35,523
93300	Gas	26,971	-	26,971
93800	Other Utilities Expense	29,583	-	29,583
93000	Total Utilities	112,248	-	112,248
94100	Ordinary Maintenance and Operations - Labor	57,975	-	57,975
94200	Ordinary Maintenance and Operations - Materials and Other	36,414	-	36,414
94300	Ordinary Maintenance and Operations - Contracts	23,230	-	23,230
94000	Total Maintenance and Operations	117,619	-	117,619
96110	Property Insurance	25,712	-	25,712
96100	Total Insurance Premiums	25,712	-	25,712
96210	Compensated Absences	23,323	-	23,323
96300	Payment in Lieu of Taxes	10,422	-	10,422
96400	Bad Debt - Tenant Rents	4,613	-	4,613
96000	Total Other General Expenses	38,358	-	38,358
96900	Total Operating Expenses	421,454	-	421,454
97000	Excess Operating Revenue over Operating Expenses	(104,341)	287,673	183,332
97100	Extraordinary Maintenance	-	-	-
97400	Depreciation Expense	135,437	-	135,437
90000	Total Expenses	556,891	-	556,891
10010	Operating Transfers In	287,673	-	287,673
10020	Operating Transfers Out	-	(287,673)	(287,673)
10100	Total Other Financing Sources (Uses)	287,673	(287,673)	-
10000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$ 47,895	\$ -	\$ 47,895

HOUSING AUTHORITY OF GLASGOW
 FINANCIAL DATA SCHEDULE
 MARCH 31, 2014

Line Item Number	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	Total
11020	Required Annual Debt Principal Payments	\$ -	\$ -	\$ -
11030	Beginning Equity	\$ 3,038,814	\$ -	\$ 3,038,814
11190	Unit Months Available	732	-	732
11210	Number of Unit Months Leased	716	-	716
11270	Excess Cash	\$ 35,638	\$ -	\$ 35,638
11610	Land Purchases	\$ -	\$ -	\$ -
11620	Building Purchases	\$ -	\$ -	\$ -
11630	Furniture & Equipment - Dwelling Purchases	\$ -	\$ -	\$ -
11640	Furniture & Equipment - Administrative Purchases	\$ 2,628	\$ -	\$ 2,628
11650	Leasehold Improvements Purchases	\$ -	\$ -	\$ -
11660	Infrastructure Purchases	\$ 954,458	\$ -	\$ 954,458
13510	CFFP Debt Service Payments	\$ -	\$ -	\$ -
13901	Replacement Housing Factor Funds	\$ -	\$ -	\$ -

ADDITIONAL REPORTS



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

Board of Commissioners
Housing Authority of Glasgow
Glasgow, Montana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Housing Authority of Glasgow as of and for the year ended March 31, 2014, and the related notes to the financial statements, which collectively comprise Housing Authority of Glasgow's basic financial statements, and have issued our report thereon dated November 1, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Housing Authority of Glasgow'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Housing Authority of Glasgow's internal control. Accordingly, we do not express an opinion on the effectiveness of Housing Authority of Glasgow's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as Finding #1 that we consider to be significant deficiencies.

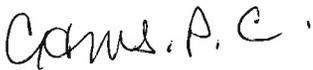
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Housing Authority of Glasgow's financial statements are free from 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 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.



CHMS, P.C.
Certified Public Accountants

Glasgow, Montana

November 1, 2014

HOUSING AUTHORITY OF GLASGOW
SCHEDULE OF FINDINGS
MARCH 31, 2014

FINDINGS - FINANCIAL STATEMENTS AUDIT

SIGNIFICANT DEFICIENCIES

FINDING #1 - DEFICIENCIES IN THE INTERNAL CONTROL STRUCTURE DESIGN

Condition

There is an absence of segregation of duties appropriate for a strong system of internal control.

Criteria

Internal controls should be in place segregating the functions of:

1. Authorizing,
2. Recording,
3. Custody of Assets,
4. and Reconciling.

Cause

The size of the entity prevents adequate segregation of duties.

Effect

A material misstatement in the financial statements due to error, abuse, or fraud may not be detected and corrected in a timely manner.

Recommendation

The Authority has implemented compensating controls to the extent practical, and we are not recommending further action by the Board of Commissioners. However, we believe the Commissioners should be aware that the condition results in a greater risk of errors occurring and not being identified within a timely manner than would be the case if duties were appropriately segregated.

Response

No response required.

PRIOR YEAR AUDIT FINDINGS

<u>Finding</u>	<u>Status</u>
Deficiencies in the Internal Control Structure Design 1099-MISC Filings	No Implementation Required - Finding #1 Implemented



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**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES**

Board of Commissioners
Housing Authority of Glasgow
Glasgow, Montana

We have performed the procedure described in the second paragraph of this report, which was agreed to by Housing Authority of Glasgow and the U.S. Department of Housing and Urban Development, Real Estate Assessment Center (REAC), solely to assist them in determining whether the electronic submission of certain information agrees with the related hard copy documents. Housing Authority of Glasgow is responsible for the accuracy and completeness of the electronic submission. This agreed-upon procedure engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedure is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

We compared the electronic submission of the items listed in the "UFRS Rule Information" column with the corresponding printed documents listed in the "Hard Copy Documents" column. The results of the performance of our agreed-upon procedure indicate agreement or non-agreement of the electronically submitted information and hard copy documents as shown in the attached chart.

We were engaged to perform an audit of the financial statements of Housing Authority of Glasgow as of and for the year ended March 31, 2014, and have issued our reports thereon dated November 1, 2014. The information in the "Hard Copy Documents" column was included within the scope, or was a by-product of that audit. Further, our opinion on the fair presentation of the Financial Data Schedule dated November 1, 2014, was expressed in relation to the basic financial statements of Housing Authority of Glasgow taken as a whole.

A copy of the reporting package, which includes the auditor's reports, is available in its entirety from Housing Authority of Glasgow. We have not performed any additional auditing procedures since the date of the aforementioned audit reports. Further, we take no responsibility for the security of the information transmitted electronically to the U.S. Department of Housing and Urban Development, REAC.

This report is intended solely for the information and use of Housing Authority of Glasgow and the U.S. Department of Housing and Urban Development, REAC, and is not intended to be and should not be used by anyone other than these specified parties.

CHMS, P.C.
Certified Public Accountants
November 1, 2014

OFFICES IN GLASGOW, MALTA, SIDNEY, WOLF POINT AND GLENDIVE

**ATTACHMENT TO INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURE**

UFRS Rule Information	Hard Copy Documents	Findings
Balance Sheet, Revenue and Expense Data (data line items 111 to 13901)	Financial Data Schedule, all CFDA's	Agrees
Foot Notes (data line item G5000-010)	Notes to the Audited Financial Statements	Agrees
Type of Opinion on the FDS (data line item G3100-040)	Auditor's Supplemental Report on FDS	Agrees
Basic financial statements and auditor reports required to be submitted electronically	Basic financial statements (inclusive of auditor reports)	Agrees