

**HOUSING AUTHORITY OF THE CITY OF ANACONDA  
Anaconda, Montana**

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

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

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**HOUSING AUTHORITY OF THE CITY OF ANACONDA  
Anaconda, 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  
Housing Authority of the City of Anaconda  
Anaconda, Montana

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

**Report on Financial Statements**

We have audited the accompanying financial statements of the Housing Authority of the City of Anaconda 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 Housing Authority of the City of Anaconda, 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 Housing Authority of the City of Anaconda. 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 November 4, 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  
November 4, 2014

**HOUSING AUTHORITY OF THE CITY OF ANACONDA  
Anaconda, Montana**

**MANAGEMENT'S DISCUSSION & ANALYSIS**

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

**THE HOUSING AUTHORITY OF THE CITY OF ANACONDA, MONTANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**Management's Discussion and Analysis**

The management of The Housing Authority of the City of Anaconda, Montana offers the readers of the Authority's financial statements this narrative overview and analysis of the Authority's financial activities for the year ended June 30, 2014. This discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the Authority's financial activity, identify changes in the Authority's financial position, and identify individual program issues or concerns. Readers should consider the information presented here in conjunction with the Authority's financial statements to obtain a full understanding of its financial position.

This management's discussion and analysis is presented in accordance with the requirements of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) to allow the reader to gain an adequate understanding of the Authority's annual operating results and financial position as of June 30, 2014.

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

**Financial Highlights**

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$1,877,094 (net position) as opposed to \$1,790,239 for the prior fiscal year.
- The Authority's cash and investments balance as of June 30, 2014 was \$610,590 representing a decrease of \$23,682 from June 30, 2013.
- The Authority had total revenues of \$1,302,030 and total expenses of \$1,215,175 for the year ended June 30, 2014.

## Overview of the Financial Reports

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

- I. MD&A  
Serves as an introduction to the Authority's basic financial statements
- II. Basic Financial Statements  
Authority-wide financial statements  
Notes to the financial statements
- III. Other Supplementary Information

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

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

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

**Analysis of Authority-wide Net Position (Statement of Net Position)**

**Housing Authority of the City of Anaconda  
Comparative Statement of Net Position**

**TABLE I**

	2014	2013	Total Change	% Change
Cash & Investments	\$ 610,590	\$ 634,272	\$ (23,682)	-3.73%
Other Current Assets	38,843	36,441	2,402	6.59%
Capital Assets	<u>1,361,030</u>	<u>1,269,932</u>	<u>91,098</u>	7.17%
<b>Total Assets</b>	<b><u>\$ 2,010,463</u></b>	<b><u>\$ 1,940,645</u></b>	<b><u>\$ 69,818</u></b>	<b>3.60%</b>
Current Liabilities	\$ 96,207	\$ 77,873	\$ 18,334	23.54%
Noncurrent Liabilities	<u>37,162</u>	<u>72,533</u>	<u>(35,371)</u>	-48.77%
<b>Total Liabilities</b>	<b><u>133,369</u></b>	<b><u>150,406</u></b>	<b><u>(17,037)</u></b>	<b>-11.33%</b>
Investment in Capital Assets	1,361,030	1,269,932	91,098	7.17%
Unrestricted	<u>516,064</u>	<u>520,307</u>	<u>(4,243)</u>	-0.82%
<b>Total Net Position</b>	<b><u>1,877,094</u></b>	<b><u>1,790,239</u></b>	<b><u>86,855</u></b>	<b>4.85%</b>
<b>Total Liabilities &amp; Net Position</b>	<b><u>\$ 2,010,463</u></b>	<b><u>\$ 1,940,645</u></b>	<b><u>\$ 69,818</u></b>	<b>3.60%</b>

Total assets increased by \$69,818 or 3.60%. This increase was due mainly to increases in Capital Assets of \$91,098, which is described in detail in the Capital Assets section of this report. Other Current Assets also increased by \$2,402, which was due to an increase in prepaid expenses of \$3,062 due to year-end timing. These increases were offset by a decrease in cash and investments of \$23,682 or 3.73%.

Total liabilities decreased by \$17,037 or 11.33%, primarily due to decreases in the noncurrent portion of compensated absences of \$35,371 due to the retirement of two employees. PILOT also decreased by \$1,668 or 5.75%. Current compensated absences increased by \$21,863 due to anticipated retirements to occur during FY2015.

Total Net Position increased by \$86,855 or 4.85%, which is outlined in detail on the Statement of Revenues, Expenses and Change in Net Position.

**Analysis of Entity-Wide Revenue and Expenses (Statement of Revenues, Expenses and Change in Net Position)**

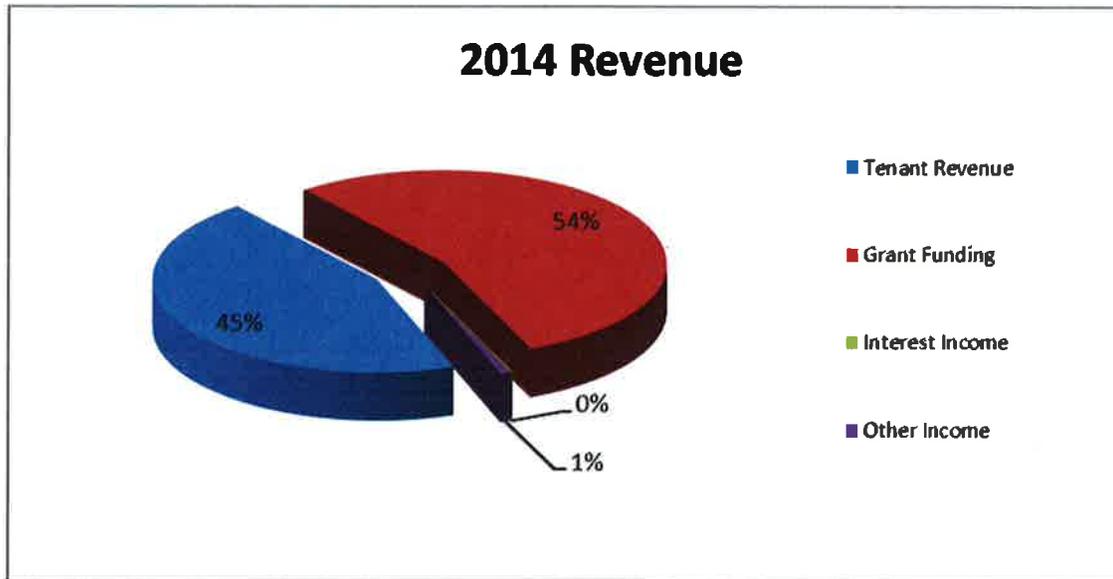
The federal government continued to fund operating grants at a level below total eligibility for the period ended June 30, 2014. With no signs of improvement in federal funding or economic conditions in the foreseeable future, the Authority is now using proactive measures to control expenses in future years by adopting a plan to review staff responsibilities and implementing cost management strategies. The Authority continuously looks for new ways to improve operations, control costs, maximize effectiveness, and demonstrate accountability.

The following table illustrates changes in revenues and expenses from FY 2013 to FY 2014.

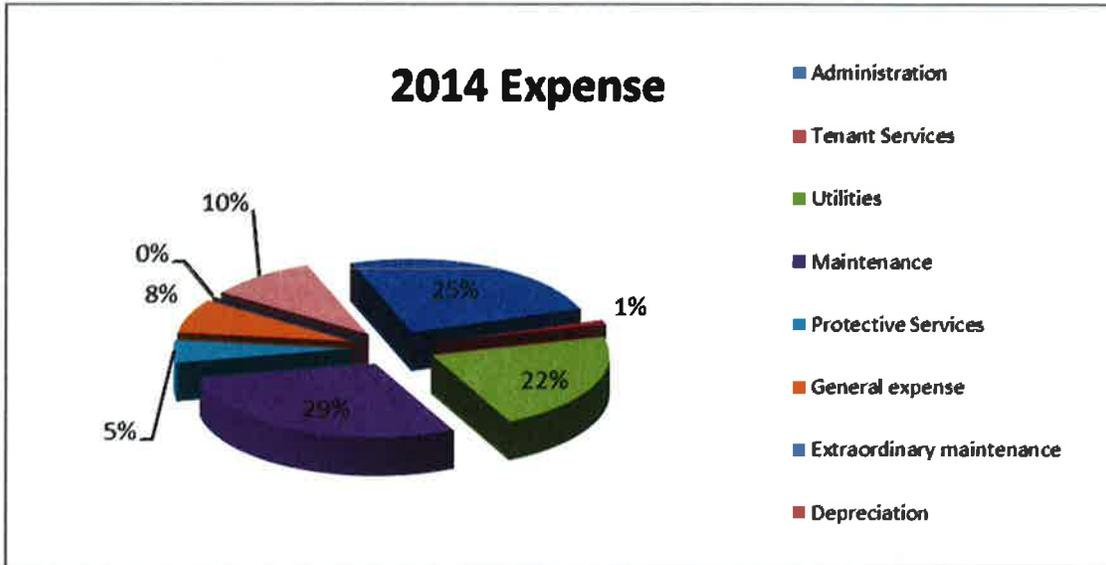
**Housing Authority of the City of Anaconda  
Comparative Statement of Revenues, Expenses and Change in Net Position  
TABLE II**

	2014	2013	Total Change	% Change
<b>Revenue</b>				
Tenant Revenue	\$ 584,101	\$ 568,583	\$ 15,518	2.73%
Grant Funding	706,784	377,170	329,614	87.39%
Interest income	1,203	2,501	(1,298)	-51.90%
Other Income	9,942	7,528	2,414	32.07%
<b>Total Revenue</b>	<b>1,302,030</b>	<b>955,782</b>	<b>346,248</b>	<b>36.23%</b>
<b>Expenses</b>				
Administration	308,592	303,748	4,844	1.59%
Tenant Services	13,467	14,478	(1,011)	-6.98%
Utilities	264,972	228,252	36,720	16.09%
Maintenance	354,212	346,732	7,480	2.16%
Protective services	61,390	58,774	2,616	4.45%
General expense	92,816	91,562	1,254	1.37%
Depreciation	119,726	117,318	2,408	2.05%
<b>Total Expenses</b>	<b>1,215,175</b>	<b>1,160,864</b>	<b>54,311</b>	<b>4.68%</b>
<b>Net Position</b>				
Change in Net Position	86,855	(205,082)	291,937	-142.35%
Beginning Net Position	1,790,239	1,995,321	(205,082)	-10.28%
<b>Ending Net Position</b>	<b>\$ 1,877,094</b>	<b>\$ 1,790,239</b>	<b>\$ 86,855</b>	<b>4.85%</b>

During the year, total revenue increased by \$346,248 or 36.23%. The main increases were in grant funding of \$329,614, which was primarily due to HUD capital grants increasing by \$185,370 or 1,767.11% due to capital fund additions. Other income also increased by \$2,414 or 32.07% due to increased miscellaneous tenant charges. Dwelling rental also increased slightly by 2.73% due to slightly higher occupancy and rent charges. This was offset with a decrease in investment income by \$1,298 due to lower interest rates on investments.



Total expenses increased by \$54,311 or 4.68% from FY 2013 to FY 2014. Administrative costs increased by \$4,844 or 1.59%. Tenant services decreased by \$1,011 or 6.98%. Utility expenses increased by \$36,720 or 16.09% due to a 57.96% increase in sewer expenses for the year. Electricity and gas expenses also increased throughout the year which was offset by a decrease in water expenses. Protective services increased by \$2,616 or 4.45%. Maintenance and operations increased by \$7,480 or 2.16% mainly due to a significant increase of \$6,455 or 69.05% in extraordinary maintenance. General expenses decreased by \$1,254 or 1.37%. Depreciation increased by \$2,408 due to additional capital assets placed into service during the year.



### Capital Assets

During FY 2014, the Authority had total capital asset additions of \$212,052, consisting of Capital Fund grant additions of \$195,860, and additions from operations of \$16,192. Additionally, dispositions during FY2014 totaled \$1,228 and depreciation expense was \$119,726, an increase of \$2,408 or 2.05% for FY2014. This increase was due to capital fund projects being completed and the assets placed into service and beginning depreciation. Overall, a net increase of \$91,098 or 7.17% in capital assets was experienced during the fiscal period.

**Housing Authority of the City of Anaconda  
Comparative Statement of Capital Assets  
TABLE III**

	2014	2013	Total Change
Land	\$ 71,604	\$ 71,604	\$ 0
Buildings & improvements	6,668,770	6,462,849	205,921
Furniture & Equipment	321,384	325,879	(4,495)
Construction in progress	0	10,490	(10,490)
	<hr/> 7,061,758	<hr/> 6,870,822	<hr/> 190,936
Accumulated Depreciation	(5,700,728)	(5,600,890)	(99,838)
<b>Total Capital Assets</b>	<hr/> <b>\$ 1,361,030</b>	<hr/> <b>\$ 1,269,932</b>	<hr/> <b>\$ 91,098</b>

The following activities affected the capital asset balances during the fiscal year:

Balance as of July 1, 2013	\$ 1,269,932
Additions from Capital Funds	195,860
Additions from Operations	16,192
Current period dispositions	(1,228)
Depreciation expense	<u>(119,726)</u>
Balance as of June 30, 2014	\$ <u><u>1,361,030</u></u>

### **Debt Outstanding**

As of the year-end, the Authority had no outstanding debt.

### **Economic Factors**

Several significant economic factors are present that may impact the Authority in the future.

- Congressional funding of the Department of Housing and Urban Development, including any subsidy proration.
- The expiration of the frozen formula income provision has substantially decreased operating subsidy eligibility.
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income.
- Inflationary pressure on utility rates, supplies and other costs.
- Health care and other insurance costs are expected to increase dramatically over the next several years especially due to the Affordable Care Act.
- Competing housing tax credit units have been developed in the Anaconda-Deer Lodge rental market that has resulted in higher vacancy rates and may result in lower rental revenues due to a shrinking population base.
- The population in Anaconda-Deer Lodge County continues to decrease.

### **Financial Contact**

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

Henry Smith, Executive Director  
Housing Authority of the City of Anaconda  
P.O. Box 1350  
Anaconda, Montana 59711  
(406) 563-2921

**HOUSING AUTHORITY OF THE CITY OF ANACONDA  
Anaconda, Montana**

**FINANCIAL STATEMENTS**

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

**Housing Authority of the City of Anaconda  
Anaconda, Montana**

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

**ASSETS**

**Current Assets**

Cash & cash equivalents - unrestricted	\$	186,565
Cash & cash equivalents - restricted		24,025
Investments - unrestricted		400,000
Accounts receivable		9,419
Prepaid insurance & inventories		<u>29,424</u>
 Total Current Assets		 <u>649,433</u>

**Capital Assets**

Land		71,604
Buildings & improvements		6,668,770
Furniture & equipment		321,384
Less: Accumulated depreciation		<u>(5,700,728)</u>
 Total Capital Assets		 <u>1,361,030</u>

**TOTAL ASSETS**

**\$ 2,010,463**

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

## LIABILITIES & NET POSITION

### Current Liabilities

Accounts payable	\$	27,318
Accrued liabilities		43,500
Tenant security deposits		24,025
Unearned revenue		1,364

Total Current Liabilities 96,207

### Noncurrent Liabilities

Accrued compensated absences - long-term		<u>37,162</u>
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Total Noncurrent Liabilities 37,162

TOTAL LIABILITIES 133,369

### NET POSITION

Investment in capital assets		1,361,030
Unrestricted		<u>516,064</u>

TOTAL NET POSITION 1,877,094

**TOTAL LIABILITIES & NET POSITION** \$ 2,010,463

**Housing Authority of the City of Anaconda  
Anaconda, Montana**

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

**Operating Revenues**

Dwelling rent	\$	584,101
Governmental grants & subsidy		510,924
Other income		9,942
		9,942
Total Operating Revenues		1,104,967

**Operating Expenses**

Administration		308,592
Tenant services		13,467
Utilities		264,972
Ordinary maintenance & operations		354,212
Protective services		61,390
General expense		92,816
Depreciation		119,726
		119,726
Total Operating Expenses		1,215,175

Net Operating Income/(Loss)		(110,208)
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**Nonoperating Revenue/(Expenses)**

Investment income		1,203
		1,203
Net Nonoperating Revenues/(Expenses)		1,203

Net Income/(Loss) before capital grants		(109,005)
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Capital grants		195,860
		195,860

Increase/(Decrease) to net position		86,855
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Total Net Position - beginning		1,790,239
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Total Net Position - ending	\$	1,877,094
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The accompanying notes are an integral part of the financial statements.

**Housing Authority of the City of Anaconda  
Anaconda, Montana**

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

<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>	
Receipts from customers and users	\$ 578,639
Governmental grants & subsidy - operations	510,924
Payments to suppliers	(560,439)
Payments to employees	<u>(539,045)</u>
 NET CASH PROVIDED/(USED) FROM OPERATING ACTIVITIES	 <u>(9,921)</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>	
Interest received	<u>1,203</u>
 NET CASH PROVIDED/(USED) FROM INVESTING ACTIVITIES	 <u>1,203</u>
<b><u>CASH FLOWS FROM CAPITAL &amp; RELATED FINANCING ACTIVITIES</u></b>	
Grant revenue - capital grants	195,860
Purchase of capital assets - capital funds	(195,860)
Purchase of capital assets - operations	(1,109)
Purchase of capital assets - business activities	(15,083)
Disposition of capital assets	<u>1,228</u>
 NET CASH PROVIDED/(USED) BY CAPITAL & RELATED FINANCING ACTIVITIES	 <u>(14,964)</u>
 NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	 (23,682)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>234,272</u>
 CASH AND CASH EQUIVALENTS AT END OF PERIOD	 \$ <u><u>210,590</u></u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>	
Net Operating Income/(Loss)	\$ (110,208)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation	119,726
Decrease (Increase) in accounts receivable	660
Decrease (Increase) in prepaid expenses	(3,062)
Increase (Decrease) in accounts payable	(1,668)
Increase (Decrease) in accrued liabilities	(13,508)
Increase (Decrease) in unearned revenue	(1,786)
Increase (Decrease) in security/trust deposits	<u>(75)</u>
 NET CASH PROVIDED/(USED) FROM OPERATING ACTIVITIES	 \$ <u><u>(9,921)</u></u>

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

**HOUSING AUTHORITY OF THE CITY OF ANACONDA**  
**Anaconda, 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 2013, the Authority has adopted the provisions of GASB Statement No. 62, *"Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements."* The objective of this Statement is to incorporate 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 Housing Authority of the City of Anaconda ("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. To accomplish this purpose, the Mayor appoints a Governing Board for but the Board designates its own management. 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 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 Anaconda 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 Anaconda and has governance responsibilities over all activities related to all housing activities within the City of Anaconda. 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.

**HOUSING AUTHORITY OF THE CITY OF ANACONDA**  
**Anaconda, 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 this program is to provide decent safe and sanitary housing and related facilities for eligible low-income families and the elderly.

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

**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 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. Proprietary fund equity is segregated into three broad components: Invested in Capital Assets, Restricted Net Position and Unrestricted Net Position. The Authority uses the following fund:

**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.

**HOUSING AUTHORITY OF THE CITY OF ANACONDA**  
**Anaconda, Montana**

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

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

**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 include rental related income, interest income and other sources of revenues that 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 are recorded at average cost. The consumption method is used to account for inventories. Under the consumption method, inventories are charged to expense when consumed.

**9. Capital Assets and Depreciation:**

Capital assets are stated at historical cost. Donated capital assets are stated at their fair value on the date donated. This includes site acquisition and improvement, structures and equipment. All infrastructure assets were capitalized at the conclusion of development then dedicated to the County for maintenance and repairs. Depreciation of exhaustible capital assets used by proprietary funds is charged as an expense against operations, and accumulated depreciation is reported on the Statement of Net Position. All assets will be capitalized if they have a useful life beyond one year and an original cost greater than \$300.

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

Buildings & improvements	5-30 years
Furniture, fixtures & equipment	3-10 years
Vehicles	3-7 years

**10. Collection Losses:**

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

**HOUSING AUTHORITY OF THE CITY OF ANACONDA**  
**Anaconda, Montana**

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

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

**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:**

1. The Authority cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with an original maturity of three months or less when purchased to be cash equivalents.

2. Investments are stated at fair market value, except for U. S. Treasury Bills, which are reported at amortized cost. The Authority reports all money market investments having a remaining maturity at time of purchase of one year or less at amortized cost. Investment securities are normally held to mature at par value and adjustments are made to the investment portfolio to reflect increases/(decreases) in gains made.

**13. Compensated Absences:**

Compensated absences are absences for which employees will be paid, i.e., sick leave, vacation, and other approved leaves. In accordance with GASB Statement No.16, **Accounting for Compensated Absences**, the Authority accrues the liability for those absences 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.

**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 in the nonoperating revenue and expense.

**HOUSING AUTHORITY OF THE CITY OF ANACONDA**  
**Anaconda, Montana**

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

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

**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.

**NOTE B - CASH AND INVESTMENTS:**

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

At June 30, 2014, the Authority's cash and investments had a carrying amount of \$610,590 and bank balances of \$682,578. Of the bank balances held in various financial institutions, \$750,000 was covered by federal depository insurance and the remainder was covered by collateral held under the dedicated method.

At June 30, 2014, the Authority's investment balances were as follows:

<b>Investment Type</b>	<b>Market Value</b>	<b>Maturity</b>	<b>Rating</b>
Certificates of Deposit	\$ 400,000	Greater than 3 months	N/A
Total:	\$ 400,000		

**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 Wells Fargo Bank, First Montana Bank and Glacier Bank and are fully collateralized at 100%. Pledged securities are in the custody of First Montana Bank. The Authority has no policy on custodial credit risk.

**Concentration of credit risk** - The Authority places no limit on the amount that it may invest in certificates of deposits. The Authority has no policy regarding credit risk.

**Restricted Cash and Investments:**

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 deposits \$ 24,025

**HOUSING AUTHORITY OF THE CITY OF ANACONDA**  
**Anaconda, Montana**

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

**NOTE B - CASH AND INVESTMENTS: (Cont'd)**

**Collateralization:**

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

<u>Security</u>	<u>CUSIP</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Market Value</u>
GNMA	36225BVX3	12/15/2032	6.50%	\$ 175,769
GNMA	36202EPT0	11/16/2031	6.00%	72,385
GNR	38376JPK4	8/20/2039	4.00%	<u>111,246</u>
				<u>\$ 359,400</u>

**NOTE C - ACCOUNTS RECEIVABLE:**

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

Tenants (net of allowance of \$2,000)	\$ 9,397
Accrued interest receivable	<u>22</u>
	<u>\$ 9,419</u>

**NOTE D - PREPAID CHARGES:**

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

Prepaid insurance	<u>\$ 29,424</u>
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**NOTE E - CAPITAL ASSETS:**

A summary of changes in capital assets is as follows:

	Balance at July 1, 2013	Additions	Disposals	Transfers/ Depreciation	Balance at June 30, 2014
<b>Enterprise Activities</b>					
<b>Capital assets not being depreciated:</b>					
Land	\$ 71,604	\$ -	\$ -	\$ -	\$ 71,604
Construction in progress	10,490	195,860	-	(206,350)	-
<b>Total capital assets not being depreciated</b>	<u>82,094</u>	<u>195,860</u>	<u>-</u>	<u>(206,350)</u>	<u>71,604</u>
Buildings & improvements	6,462,849	15,083	(15,512)	206,350	6,668,770
Furniture & equipment	325,879	1,109	(5,604)	-	321,384
<b>Total capital assets being depreciated</b>	<u>6,788,728</u>	<u>16,192</u>	<u>(21,116)</u>	<u>206,350</u>	<u>6,990,154</u>
Less accumulated depreciation for:					
Buildings & improvements	(5,438,136)	-	14,284	(102,164)	(5,526,016)
Furniture & equipment	(162,754)	-	5,604	(17,562)	(174,712)
<b>Total accumulated depreciation</b>	<u>(5,600,890)</u>	<u>-</u>	<u>19,888</u>	<u>(119,726)</u>	<u>(5,700,728)</u>
<b>Total capital assets being depreciated</b>	<u>1,187,838</u>				<u>1,289,426</u>
<b>Enterprise activity capital assets, net</b>	<u>\$ 1,269,932</u>				<u>\$ 1,361,030</u>

**HOUSING AUTHORITY OF THE CITY OF ANACONDA**  
**Anaconda, Montana**

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

**NOTE F - ACCOUNTS PAYABLE AND CURRENT LIABILITIES:**

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

Accrued compensated absences – current	\$ 43,500
PILOT	27,318
Unearned revenue – prepaid rents	1,364
Security deposits	<u>24,025</u>
	<u>\$ 96,207</u>

**NOTE G - NON-CURRENT LIABILITIES:**

Non-current liabilities at June 30, 2014, consisted of the following:

Accrued compensated absences – non-current	<u>\$ 37,162</u>
--------------------------------------------	------------------

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014	Current Portion of Balance
Compensated absences	\$ <u>94,170</u>	\$ <u>34,200</u>	\$ <u>(47,708)</u>	\$ <u>80,662</u>	\$ <u>43,500</u>

**NOTE H - OTHER NOTE DISCLOSURES:**

**1. Annual Contributions by Federal Agencies:**

**Annual Contributions Contract D-131** - Pursuant to the Annual Contributions Contract HUD contributes an operating subsidy approved in the operating budget. For the year ended June 30, 2014, the subsidy paid was \$340,924.

**2. Risk Management**

The Authority is exposed to various risks of losses related to torts; theft or, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Claims & liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. There were no claims in excess of commercial coverage during the previous three years.

**NOTE I - IMPAIRMENT OF CAPITAL ASSETS:**

In accordance with new financial reporting standards issued by the Government Accounting Standards Board's, Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries" requires certain note disclosures. During the fiscal year ended June 30, 2014, the Housing Authority of the City of Anaconda experienced no permanent material impairments during the audit period.

**HOUSING AUTHORITY OF THE CITY OF ANACONDA**  
**Anaconda, Montana**

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

**NOTE J - PENSION PLAN:**

The Authority is a member of the Public Employees Retirement System (PERS) of Montana, a cost sharing multiple-employer defined contribution plan. Vesting occurs after five years. The Authority contributes 8.07% of the gross salaries, the employee contributes 7.9% toward the plan, and PERS also contributes 0.1% of gross salaries on behalf of the Authority. PHA contributions totaled \$30,488 and employee contributions totaled \$29,846 during the audit period. Total covered salaries for the audit period was \$377,800. The PHA contributions for 2012 and 2013 were \$25,913 and \$26,859, respectively. Additional plan details can be obtained from: Public Employees Retirement System, P.O. Box 200131, Helena, Montana 59620-0131.

The employees also participate in a Union sponsored defined contribution plan. The employer contributes \$1.94 per hour plus a 10% surcharge. The PHA contributions totaled \$36,162 during the audit period. Additional information regarding this plan can be obtained from Laborers' International Union of North America Pension Fund, 905 16<sup>th</sup> Street, NW, Washington, DC 20007.

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

**NOTE K - ECONOMIC DEPENDENCY:**

The PHA Owned Housing Program is economically dependent on annual contributions and grants from HUD. The program operates at a loss prior to receiving the contributions and grants.

**NOTE L - RELATED PARTY TRANSACTIONS:**

There were no related party transactions to be reported for the fiscal year ended June 30, 2014.

**NOTE M - COMMITMENTS & CONTINGENCIES:**

**Legal:**

The Authority is party to no pending or threatened legal actions arising from the normal course of its operations.

**Grants and contracts:**

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

**Capital fund:**

The Authority receives capital funding each year for ongoing capital improvements and repairs and maintenance.

**NOTE N - SUPPLEMENTAL INFORMATION:**

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

**HOUSING AUTHORITY OF THE CITY OF ANACONDA  
Anaconda, 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  
Housing Authority of the City of Anaconda  
Anaconda, Montana

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 Housing Authority of the City of Anaconda, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Housing Authority of the City of Anaconda's basic financial statements, and have issued our report thereon dated November 4, 2014.

**Internal Control Over Financial Reporting**

Management of the Housing Authority of the City of Anaconda 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 Housing Authority of the City of Anaconda'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, PC  
Certified Public Accountants

Lawrenceville, Georgia  
November 4, 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  
Housing Authority of the City of Anaconda  
Anaconda, Montana

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

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

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

**Opinion on Each Major Federal Program**

In our opinion, the Housing Authority of the City of Anaconda 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.

## Report on Internal Control Over Compliance

The management of the Housing Authority of the City of Anaconda 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 Housing Authority of the City of Anaconda's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority's internal control over compliance.

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

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

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

  
Rector, Reeder & Lofton, PC  
Certified Public Accountants

Lawrenceville, Georgia  
November 4, 2014

**HOUSING AUTHORITY OF THE CITY OF ANACONDA**  
**Anaconda, 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>None reported</b>

Type of report issued on the compliance for major programs:	<b>Unmodified</b>
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Any audit findings disclosed that are required to be reported in Accordance with Circular A-133, Section .510(a)?	<b>No</b>
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Identification of major programs:

-CFDA #14.850	Low-Income Public Housing
-CFDA #14.872	Capital Fund Program

Dollar threshold used to distinguish between Type A and Type B programs:	<b>\$300,000</b>
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Did the Authority qualify as a low-risk auditee?	<b>No</b>
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**Section II – Financial Statement Findings**

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

None reported

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

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

None reported

**HOUSING AUTHORITY OF THE CITY OF ANACONDA**  
**Anaconda, Montana**

**SUPPLEMENTAL INFORMATION**

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

**HOUSING AUTHORITY OF THE CITY OF ANACONDA**  
**Anaconda, Montana**

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

<u>Account Description</u>	<u>Low-Rent</u> 14.850	<u>State/ Local</u>	<u>TOTAL</u>
<b>ASSETS:</b>			
CURRENT ASSETS:			
Cash:			
Cash - unrestricted	\$ 147,475	\$ 39,090	\$ 186,565
Cash - tenant security deposits	21,250	2,775	24,025
Total Cash	<u>168,725</u>	<u>41,865</u>	<u>210,590</u>
Accounts and notes receivables:			
Accounts receivable - HUD other projects	0	0	0
Accounts receivable - Miscellaneous	0	0	0
Accounts receivable - Other government	0	0	0
Accounts receivable - tenants - dwelling rents	9,032	2,365	11,397
Allowance for doubtful accounts	(2,000)	0	(2,000)
Accrued interest receivable	22	0	22
Total receivables, net of allowances for uncollectibles	<u>7,054</u>	<u>2,365</u>	<u>9,419</u>
Current investments			
Investments - unrestricted	400,000	0	400,000
Prepaid expenses and other assets	23,643	5,781	29,424
Inventories (net)	0	0	0
<b>TOTAL CURRENT ASSETS</b>	<u>599,422</u>	<u>50,011</u>	<u>649,433</u>
NONCURRENT ASSETS:			
Capital Assets:			
Land	71,604	0	71,604
Buildings	6,303,109	365,661	6,668,770
Furniture & equipment - dwelling	151,833	22,662	174,495
Furniture & equipment - admin	136,889	10,000	146,889
Construction in Progress	0	0	0
Accumulated depreciation	(5,351,609)	(349,119)	(5,700,728)
Total Capital Assets, net of accumulated depreciation	<u>1,311,826</u>	<u>49,204</u>	<u>1,361,030</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,911,248</u>	<u>\$ 99,215</u>	<u>\$ 2,010,463</u>

**HOUSING AUTHORITY OF THE CITY OF ANACONDA**  
**Anaconda, Montana**

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

<u>Account Description</u>	Low-Rent 14,850	State/ Local	TOTAL
<b>LIABILITIES AND NET POSITION:</b>			
<b>LIABILITIES:</b>			
CURRENT LIABILITIES			
Bank overdraft	\$ 0	\$ 0	\$ 0
Accounts payable - other gov.	27,318	0	27,318
Accrued wage/payroll taxes payable	0	0	0
Accrued compensated absences - current portion	43,500	0	43,500
Accrued interest payable	0	0	0
Accounts payable - HUD PHA programs	0	0	0
Tenant security deposits	21,250	2,775	24,025
Unearned revenue	1,350	14	1,364
Other current liabilities	0	0	0
<b>TOTAL CURRENT LIABILITIES</b>	<b>93,418</b>	<b>2,789</b>	<b>96,207</b>
NONCURRENT LIABILITIES:			
Accrued compensated absences - long-term	37,162	0	37,162
Other noncurrent liabilities	0	0	0
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>37,162</b>	<b>0</b>	<b>37,162</b>
<b>TOTAL LIABILITIES</b>	<b>130,580</b>	<b>2,789</b>	<b>133,369</b>
<b>NET POSITION:</b>			
Investment in Capital Assets	1,311,826	49,204	1,361,030
Unrestricted	468,842	47,222	516,064
<b>TOTAL NET POSITION</b>	<b>1,780,668</b>	<b>96,426</b>	<b>1,877,094</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 1,911,248</b>	<b>\$ 99,215</b>	<b>\$ 2,010,463</b>

**HOUSING AUTHORITY OF THE CITY OF ANACONDA**  
**Anaconda, Montana**

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

<u>Account Description</u>	Low-Rent 14.850	Capital Fund 14.872	State/ Local	TOTAL
<b>REVENUES:</b>				
Net tenant rental revenue	\$ 482,808	\$ 0	\$ 95,485	\$ 578,293
Tenant revenue - other	5,776	0	32	5,808
Total tenant revenue	488,584	0	95,517	584,101
HUD PHA grants	340,924	170,000	0	510,924
HUD Capital grants	0	195,860	0	195,860
Investment income - unrestricted	1,169	0	34	1,203
Other revenue	9,331	0	611	9,942
Gain/Loss on Sale of Fixed Assets	0	0	0	0
<b>TOTAL REVENUES</b>	<b>\$ 840,008</b>	<b>\$ 365,860</b>	<b>\$ 96,162</b>	<b>\$ 1,302,030</b>
<b>EXPENSES:</b>				
Administrative				
Administrative salaries	\$ 173,738	\$ 0	\$ 6,636	\$ 180,374
Auditing fees	5,680	0	1,420	7,100
Advertising and marketing	3,494	0	0	3,494
Employee benefit contributions - administrative	82,037	0	2,985	85,022
Office Expenses	12,038	0	96	12,134
Legal Expenses	1,000	0	0	1,000
Travel	3,183	0	0	3,183
Other operating - administrative	14,022	0	2,263	16,285
Total Administrative Expense	295,192	0	13,400	308,592
Resident Services				
Resident Salaries	0	0	0	0
Relocation Costs	0	0	0	0
Resident services-other	13,467	0	0	13,467
Employee benefit contributions - resident services	0	0	0	0
Total Resident services expense	13,467	0	0	13,467
Utilities				
Water	31,423	0	3,410	34,833
Electricity	70,787	0	41,031	111,818
Gas	74,827	0	0	74,827
Sewer	38,370	0	5,124	43,494
Other utilities expense	0	0	0	0
Total Utilities Expense	215,407	0	49,565	264,972

**HOUSING AUTHORITY OF THE CITY OF ANACONDA**  
**Anaconda, Montana**

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

<u>Account Description</u>	Low-Rent 14.850	Capital Fund 14.872	State/ Local	TOTAL
Ordinary Maintenance & Operations				
Ordinary maint. and oper. - labor	179,107	0	6,876	185,983
Ordinary maint. and oper. - materials & others	35,479	0	2,542	38,021
Contract costs - garbage/trash removal	21,753	0	3,196	24,949
Contract costs - elevator maintenance	2,556	0	0	2,556
Contract costs - unit turnaround	113	0	400	513
Contract costs - plumbing	295	0	221	516
Contract costs - janitorial	0	0	0	0
Contract costs - extermination	0	0	0	0
Contract costs - miscellaneous	4,500	0	160	4,660
Ordinary maint. and oper. - employee benefits	84,573	0	3,093	87,666
Total Ordinary Maintenance & Operations	<u>328,376</u>	<u>0</u>	<u>16,488</u>	<u>344,864</u>
Protective services				
Protective services - labor	0	0	0	0
Protective services - other contract costs	61,390	0	0	61,390
Protective services - other	0	0	0	0
Employee benefit contributions- protective services	0	0	0	0
Total Protective Services	<u>61,390</u>	<u>0</u>	<u>0</u>	<u>61,390</u>
Insurance Premiums				
Property Insurance	26,859	0	5,460	32,319
Liability insurance	10,874	0	903	11,777
Workmen's compensation	10,013	0	400	10,413
Other insurance	2,240	0	0	2,240
Total Insurance Premiums	<u>49,986</u>	<u>0</u>	<u>6,763</u>	<u>56,749</u>
General Expenses				
Compensated absences	3,287	0	0	3,287
Other general expenses	0	0	0	0
Payments in lieu of taxes	27,318	0	0	27,318
Bad debt - tenant rents	4,360	0	1,102	5,462
Interest expense	0	0	0	0
Total General Expenses	<u>34,965</u>	<u>0</u>	<u>1,102</u>	<u>36,067</u>
<b>TOTAL OPERATING EXPENSE</b>	<u>998,783</u>	<u>0</u>	<u>87,318</u>	<u>1,086,101</u>
<b>EXCESS OPERATING REVENUE OVER OPERATING EXPENSE</b>	<u>(158,775)</u>	<u>365,860</u>	<u>8,844</u>	<u>215,929</u>
Other Expenses				
Extraordinary maintenance	4,380	0	4,968	9,348
Casualty losses-Non-capitalized	0	0	0	0
Extraordinary Expenses	0	0	0	0
Depreciation expense	95,826	1,198	22,702	119,726
Total Other Expenses	<u>100,206</u>	<u>1,198</u>	<u>27,670</u>	<u>129,074</u>
<b>TOTAL EXPENSES</b>	<u>\$ 1,098,989</u>	<u>\$ 1,198</u>	<u>\$ 114,988</u>	<u>\$ 1,215,175</u>

**HOUSING AUTHORITY OF THE CITY OF ANACONDA**  
**Anaconda, Montana**

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

<u>Account Description</u>	Low-Rent	Capital Fund	State/ Local	TOTAL
	<u>14.850</u>	<u>14.872</u>		
Other Financing Sources/(Uses)				
Operating transfers in	171,228	0	0	171,228
Operating transfers out	<u>0</u>	<u>(171,228)</u>	<u>0</u>	<u>(171,228)</u>
Total Other Financing Sources/(Uses)	<u>171,228</u>	<u>(171,228)</u>	<u>0</u>	<u>0</u>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<b>\$ (87,753)</b>	<b>\$ 193,434</b>	<b>\$ (18,826)</b>	<b>\$ 86,855</b>
Equity transfers	193,434	(193,434)	0	0
Prior period adjustments	0	0	0	0
<b>Beginning Net Position</b>	<u>1,674,987</u>	<u>0</u>	<u>115,252</u>	<u>1,790,239</u>
<b>Ending Net Position</b>	<b>\$ <u>1,780,668</u></b>	<b>\$ <u>0</u></b>	<b>\$ <u>96,426</u></b>	<b>\$ <u>1,877,094</u></b>
Units months available	2,040	0	240	2,280
Units months leased	1,996	0	236	2,232

**Housing Authority of the City of Anaconda  
Anaconda, Montana**

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

	<u>Type</u>	<u>Federal CFDA #</u>	<u>Expenditures</u>
<b><u>FEDERAL GRANTOR</u></b>			
<b><u>U.S. DEPARTMENT OF HOUSING &amp; URBAN DEVELOPMENT:</u></b>			
<b>Public Housing:</b>			
Operating subsidy	A - Major	14.850	\$ 340,924
Capital Fund Program	A - Major	14.872	<u>365,860</u>
<b>TOTAL FEDERAL FINANCIAL AWARDS</b>			<b>\$ <u><u>706,784</u></u></b>
<b>Threshold between Type A &amp; Type B</b>			<b>\$ <u><u>300,000</u></u></b>

The accompanying notes are an integral part of this schedule.

**HOUSING AUTHORITY OF THE CITY OF ANACONDA**  
**Anaconda, 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 Housing Authority of the City of Anaconda 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 Housing Authority of the City of Anaconda provided no federal awards to subrecipients during the fiscal year ending June 30, 2014.

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

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

Property	\$ 11,846,800
Liability	\$ 2,000,000
Business Auto	\$ 300,000
Worker Compensation	Statutory
Directors & Officers Liability	\$ 500,000
Employee Dishonesty	\$ 50,000

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

**HOUSING AUTHORITY OF THE CITY OF ANACONDA**  
**Anaconda, Montana**

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

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

Housing Authority of the City of Anaconda  
Anaconda, Montana

**STATEMENT OF ACTUAL MODERNIZATION COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**MT06P005501-12**

1 The Actual Modernization Costs of Phase 501-12 were:

Funds Approved	\$	193,945
Funds Expended		<u>193,945</u>
Excess of Funds Approved	\$	<u><u>-</u></u>
Funds Advanced	\$	193,945
Funds Expended		<u>193,945</u>
Excess of Funds Advanced	\$	<u><u>-</u></u>

2 Audit period additions totaled \$113,455 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 May 5, 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.

**Housing Authority of the City of Anaconda  
Anaconda, Montana**

**STATEMENT OF ACTUAL MODERNIZATION COSTS  
FOR THE YEAR ENDED JUNE 30, 2014**

**MT06P005501-13**

1 The Actual Modernization Costs of Phase 501-13 were:

Funds Approved	\$ 202,405
Funds Expended	<u>202,405</u>
Excess of Funds Approved	\$ <u><u>-</u></u>
Funds Advanced	\$ 202,405
Funds Expended	<u>202,405</u>
Excess of Funds Advanced	\$ <u><u>-</u></u>

2 Audit period additions totaled \$202,405 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 25, 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.