

BRZ Sailor Khan LLC

Certified Public Accountants

November 15, 2017

Ms. Tammy Dreyer, Executive Director
Housing Authority of the City of Mexico
828 Garfield
Mexico, Missouri 65265

Dear Ms. Dreyer:

Regarding our audit of your financial statements please respond to the following enclosed items and other matters **within 14 days of the date of this letter**: *Please note that the audit report does not include the Financial Data Schedule (FDS) which will be added later due to limitation presently of the REAC system.*

Enclosed Items:

1. A draft copy of the audit report on the Housing Authority of the City of Mexico, Missouri, for the year ended March 31, 2017. Please review the draft report and send us the following:
 - a) A written notice to issue the audit report.
2. Comparable prior year financial information to assist you in preparing your MD&A letter. This draft report presently does not include your Management Discussion and Analysis (MD&A) letter which we will need from you prior to finalizing the audit. Please e-mail copy of MD&A to brzaudit@gmail.com

Other Items:

3. A letter from your fee accountant, or other qualified designated person, that the financial statements and notes to the financial statements do not contain potential misstatements.
4. Please forward a copy of the following to your fee accountant:
 - a) draft audit report.
 - b) comparable prior year financial information, if your fee accountant is completing your MD&A for you.

We would appreciate hearing from you **within 14 days of the date of this letter** so that we may issue your audit.

Sincerely,
BRZ Sailor Khan, LLC



Louis A Barrale, C.P.A.

LAB/ecr
enclosures

HOUSING AUTHORITY OF THE CITY OF MEXICO
MEXICO, MISSOURI
FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017
AND
REPORTS ON COMPLIANCE AND
ON INTERNAL CONTROL

HOUSING AUTHORITY OF THE CITY OF MEXICO
MEXICO, MISSOURI
FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017
AND
REPORTS ON COMPLIANCE AND
ON INTERNAL CONTROL

HOUSING AUTHORITY OF THE CITY OF MEXICO
Mexico, Missouri

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MARCH 31, 2017

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SECTION I

AUDITOR'S REPORT
AND
MANAGEMENT'S DISCUSSION AND ANALYSIS

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the City of Mexico
Mexico, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Housing Authority of the City of Mexico, Missouri, (Authority), as of and for the year ended March 31, 2017, and the related notes to the financial statements, which collectively comprise the Housing Authority of the City of Mexico's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 Housing Authority of the City of Mexico'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 Housing Authority of the City of Mexico'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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of the City of Mexico, as of March 31, 2017 and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages --- through --- 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

Report on Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority of the City of Mexico's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the *Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the Financial Data Schedule - HUD Prescribed Format are presented for purposes of additional analysis and are not a required part of the basic 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 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 above described supplementary information 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, 2017 on our consideration of the Housing Authority of the City of Mexico's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Housing Authority of the City of Mexico's internal control over financial reporting and compliance.

Housing Authority of the City of Mexico

Management's Discussion and Analysis (MD&A)
March 31, 2017
(Unaudited)

SECTION II

FINANCIAL STATEMENTS
AND
NOTES TO FINANCIAL STATEMENTS

HOUSING AUTHORITY OF THE CITY OF MEXICO

Mexico, Missouri

STATEMENT OF NET POSITION

March 31, 2017

ASSETS

Current Assets:

Cash and cash equivalents	\$ 1,479,227
Investments	887,975
Receivable - net of allowances:	
Accounts	6,033
Accrued interest	381
Inventory - net of allowances	97,383
Prepaid expenses	63,072
Restricted cash and cash equivalents	<u>91,708</u>
Total Current Assets	<u>2,625,779</u>

Capital assets:

Land, improvements, and construction in progress	296,136
Other capital assets, net of depreciation	<u>3,757,506</u>
Total capital assets- net	<u>4,053,642</u>
Total Assets	<u>6,679,421</u>

See notes to financial statements

HOUSING AUTHORITY OF THE CITY OF MEXICO

Mexico, Missouri

STATEMENT OF NET POSITION (CONTINUED)

March 31, 2017

LIABILITIES

Current Liabilities:

Accounts Payable	38,463
Accrued salaries, wages and benefits	12,833
Accrued compensated absences	6,720
Tenant security deposit liability	28,491
Unearned revenues	<u>5,660</u>

Total Current Liabilities	<u>92,167</u>
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Noncurrent Liabilities:

Accrued compensated absences	<u>5,342</u>
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Total Noncurrent Liabilities	<u>5,342</u>
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Total Liabilities	<u>97,509</u>
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NET POSITION

Net investment in capital assets	4,053,642
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Restricted for:

HAP	6,162
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Unrestricted	<u>2,522,108</u>
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Total Net Position	<u>\$ 6,581,912</u>
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See notes to financial statements

HOUSING AUTHORITY OF THE CITY OF MEXICO

Mexico, Missouri

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

For Year Ended March 31, 2017

Operating Revenues:

Rental revenue	\$ 356,702
Operating subsidies- HUD grants	1,477,935
Other revenues	<u>39,655</u>

Total operating revenues	<u>1,874,292</u>
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Operating Expenses:

Personal services	433,207
Utilities	172,135
Operations and maintenance	187,292
Non routine maintenance	14,546
Insurance	80,771
Payment in lieu of taxes	18,293
Other supplies and expenses	100,043
Housing assistance payments	569,931
Depreciation	<u>448,686</u>

Total operating expenses	<u>2,024,904</u>
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Operating income (loss)	<u>(150,612)</u>
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Non-operating revenues (expenses):

Interest and investment earnings	5,107
Gain (Loss) on sale of fixed assets	<u>209,876</u>

Net non-operating revenues (expenses)	<u>214,983</u>
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Income (loss) before other revenues, expenses, gains, losses and transfers	64,371
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Capital contributions	<u>176,562</u>
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Change in net position	240,933
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Net position at beginning of year	<u>6,340,979</u>
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Net position at end of year	<u><u>\$ 6,581,912</u></u>
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See notes to financial statements

HOUSING AUTHORITY OF THE CITY OF MEXICO

Mexico, Missouri

STATEMENT OF CASH FLOWS

For Year Ended March 31, 2017

Cash flows from operating activities:

Cash received from tenants	\$ 358,224
Cash received from HUD grants- operating	1,466,414
Cash received from other operating activities	38,440
Cash payments for goods and services	(1,261,305)
Cash payments to employees-salaries	(283,333)
Cash payments to employees-compensated absences	(15,441)
Cash payments for employee benefit contributions	(131,698)
Cash (payments) receipts for in lieu of property taxes	<u>(14,528)</u>

Net cash provided (used) by operating activities	<u>156,773</u>
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Cash flows from capital and related financing activities:

Capital contributions	236,320
Proceeds from sale of assets	475,079
Payments for capital assets	<u>(324,898)</u>

Net cash (used) for capital and related financing activities	<u>386,501</u>
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Cash flows from investing activities:

Proceeds from sale of (payments) for investments	(13,748)
Interest and dividends	5,125
Receipts (payments) from tenant security deposits	<u>(1,948)</u>

Net cash provided (used) from investing activities	<u>(10,571)</u>
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Net increase (decrease) in cash and cash equivalents	532,703
Cash and cash equivalents at beginning of year	<u>1,038,232</u>

Cash and cash equivalents at end of year	<u><u>\$ 1,570,935</u></u>
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Cash and cash equivalents	\$ 1,479,227
Restricted cash and cash equivalents	<u>91,708</u>

Total cash and cash equivalents at end of year	<u><u>\$ 1,570,935</u></u>
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See notes to financial statements

HOUSING AUTHORITY OF THE CITY OF MEXICO

Mexico, Missouri

STATEMENT OF CASH FLOWS (CONTINUED)

For Year Ended March 31, 2017

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

Operating income (loss)	\$ (150,612)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	448,686
Allowance for doubtful accounts	(280)
Allowance for inventory	7,188
Changes in assets and liabilities:	
Receivables	(5,215)
Inventory	(71,879)
Prepaid expenses	4,309
Accounts and other payables	(77,771)
Unearned revenues	(388)
Compensated absences	641
Accrued expenses	<u>2,094</u>
Net cash provided (used) by operating activities	<u>\$ 156,773</u>

See notes to financial statements

HOUSING AUTHORITY OF THE CITY OF MEXICO

Mexico, Missouri

NOTES TO THE BASIC FINANCIAL STATEMENTS

March 31, 2017

NOTE 1 - Summary of Significant Accounting Policies

The Housing Authority of the City of Mexico (Authority) is a Special Purpose Government entity established to provide low-rent housing, under the low rent program Annual Contributions Contract for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other Federal agencies.

The Housing Authority complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

1a. Financial Reporting Entity

The Housing Authority's financial reporting entity comprises the following:

Primary Government: Housing Authority

In determining the financial reporting entity, the Housing Authority complies with the provisions of GASB Statement No. 14 as amended by GASB No. 39 and GASB No. 61, "The Financial Reporting Entity," and includes all component units, if any, of which the Housing Authority appointed a voting majority of the units' board; the Housing Authority is either able to impose its will on the unit or a financial benefit or burden relationship exists. There are no agencies, organizations or activities meeting this criteria.

1b. GASB Implementation

The Housing Authority has implemented the Governmental Accounting Standards Board (GASB) Statements number 62, 63 and 65 for those audits with financial statements for periods beginning after December 15, 2011.

Governmental Accounting Standards Board (GASB) Statements 68 was implemented effective for fiscal years beginning June 15, 2014 and there after.

The Housing Authority has no deferred outflows of resources or deferred inflows of resources.

1c. Basis of Presentation

Financial statements of the reporting entity's programs are organized and reported as an enterprise fund and are accounted for by providing a set of self-balancing accounts that constitute its assets, liabilities, net position, revenues, and expenditure/expenses. Enterprise funds are used to account for business-like activities provided to its tenants. These activities are financed primarily by user charges and/or Federal funding and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes all of the Authority's programs as an enterprise fund.

HOUSING AUTHORITY OF THE CITY OF MEXICO

Mexico, Missouri

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2017

NOTE 1 - Summary of Significant Accounting Policies (Continued)

1c. Basis of Presentation (Continued)

Following is a description of the Authority's programs:

Program	Brief Description
Low Rent	Accounts for activities of the Public and Indian Housing program which HUD provides an annual subsidy to help public housing agencies (PHAs) pay some of the cost of operating and maintaining public housing units.
Housing Choice Vouchers	Accounts for activities of the Voucher program which assists very low-income families, the elderly, and the disabled to afford decent, safe and sanitary housing in the private market.
Capital Fund Program	Accounts for activities of the Capital Fund which provides funds to housing authorities to modernize public housing developments.
Business Activities	Mexico Housing Authority has contracted with the Columbia, MO Central Missouri Community Action (CMCA) agency to provide HQS home inspections for their HCV program. The funds are categorized as "non-federal (or local) funds" as they are not disbursed to our agency from HUD. These funds can be used for local agency programs or activities not regulated by HUD funding guidelines.

1d. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the financial statements, the "economic resources" measurement focus is used as follows:

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

HOUSING AUTHORITY OF THE CITY OF MEXICO

Mexico, Missouri

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2017

NOTE 1 - Summary of Significant Accounting Policies (Continued)

1d. Measurement Focus and Basis of Accounting (Continued)

Basis of Accounting

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

1e. Assets, Liabilities, and Equity

Cash and Investments

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

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

Interprogram Receivables and Payables

During the course of operations, numerous transactions occur within individual programs that may result in amounts owed between these programs. Offsetting interprograms, if any, are eliminated for financial statement presentation.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Tenant accounts receivable, accounts receivable-miscellaneous, accrued interest receivable and accounts receivable from U.S. Department of Housing and Urban Development compose the majority of receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Inventories

Inventories are valued at average cost, and consist of expendable supplies held for consumption. The cost of inventories are recorded as expenditures when consumed, rather than when purchased.

HOUSING AUTHORITY OF THE CITY OF MEXICO

Mexico, Missouri

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2017

NOTE 1 - Summary of Significant Accounting Policies (Continued)

1e. Assets, Liabilities, and Equity (Continued)

Budgets and Budgetary Accounting

The Authority adopts a formal operating budget each year for its operating programs and on a project length basis for its capital expenditures which are approved by the Board of Commissioners and submitted to the Department of Housing and Urban Development for their approval, if required.

Estimates and Assumptions

The Authority uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses.

Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) is as follows:

In the financial statements, capital assets purchased or acquired with an original cost of \$1,000 or more are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense depending on the program where the asset is shown, in the Statement of Revenues, Expenses and Changes in Net Position, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	7 - 40 years
Furniture, equipment and machinery - administration	3 - 5 years

Restricted Assets

Restricted assets include cash and investments legally restricted as to their use. The primary restricted assets are related to Low Rent Program and the Housing Choice Vouchers Program which are HUD programs.

HOUSING AUTHORITY OF THE CITY OF MEXICO

Mexico, Missouri

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2017

NOTE 1 - Summary of Significant Accounting Policies (Continued)

1e. Assets, Liabilities, and Equity (Continued)

Compensated Absences

The Housing Authority's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as short-term and long-term liabilities based on historical trends. In accordance with the provisions of GASB Statement No. 16, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Equity Classifications

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

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets. The Authority had no related debt.
- b. Restricted net position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provision or enabling legislation.
- c. Unrestricted net position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

1f. Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

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

Non-operating revenues and expenses are those that are not operating in nature.

Interfund Transfers

For the purposes of the Statement of Revenues, Expenses and Change in Net Position, all interfund transfers between individual programs, if any, have been eliminated.

HOUSING AUTHORITY OF THE CITY OF MEXICO

Mexico, Missouri

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2017

NOTE 2 - Stewardship, Compliance, and Accountability

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

2a. Program Accounting Requirements

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

Program	Required By
Public and Indian Housing	U.S. Department of Housing and Urban Development
Housing Choice Vouchers	U.S. Department of Housing and Urban Development
Capital Fund Program	U.S. Department of Housing and Urban Development
Business Activities	Public Housing Agency

2b. Deposits and Investments Laws and Regulations

In accordance with state law, all uninsured deposits of the Authority in financial institutions must be secured with acceptable collateral valued at the lower of market or par. All financial institutions pledging collateral to the Authority must have a written collateral agreement. As reflected in Note 3a., all deposits were fully insured or collateralized.

Investments of the Authority are limited by state law to the following:

- a. Direct obligations of the U.S. Government or its agencies or instrumentalities to which acceptable collateral is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral.

2c. Revenue Restrictions

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

<i>Revenue Source</i>	<i>Legal Restrictions of Use</i>
Capital Fund Program	Modernization

For the year ended March 31, 2017, the Authority complied, in all material respects, with these revenue restrictions.

HOUSING AUTHORITY OF THE CITY OF MEXICO

Mexico, Missouri

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2017

NOTE 3 - Detail Notes on Transaction Classes/Accounts

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

3a. Cash and Investments

Deposits

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it or the Authority will not be able to recover collateral securities in the possession of an outside party. As of March 31, 2017, the Authority's bank balances of \$1,636,426, were insured by federal depository insurance or collateralized with securities held by the pledging financial institutions in the Authority's name.

Investments

Custodial Credit Risk - Investments. For an investment, custodial credit 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. As of March 31, 2017, the Authority's investments were \$887,975. These investments were insured by federal depository insurance or registered, or securities held by the Authority or its agent in the Authority's name.

Credit Risk Investments, Concentrations of Credit Risk and Interest Rate Risk - Investments:

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority will minimize credit risk by reviewing the financial institutions with which the Authority will do business so that potential losses on individual securities will be minimized.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority has chosen longer term investments due to current favorable rates. Longer terms will minimize the adverse effect of possible future declining rates.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer. The Authority does not have a written investment policy covering concentration of credit risk.

HOUSING AUTHORITY OF THE CITY OF MEXICO

Mexico, Missouri

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2017

NOTE 3 - Detail Notes on Transaction Classes/Accounts (Continued)

3b. Restricted Cash and Cash Equivalents

The restricted cash and cash equivalents as of March 31, 2017, are as follows:

<u>Type of Restricted Cash and Cash Equivalents</u>	<u>Cash Including Time Deposits</u>	<u>Investments</u>	<u>Total</u>
Proceeds from Sale of Property	\$ 85,546	\$ ----	\$ 85,546
Unspent HAP	<u>6,162</u>	<u>----</u>	<u>6,162</u>
	<u>\$ 91,708</u>	<u>\$ ----</u>	<u>\$ 91,708</u>

3c. Accounts Receivable

Receivables detail at March 31, 2017, is as follows:

Tenant accounts receivable	\$ 441
Allowance for doubtful accounts	<u>(257)</u>
Tenants accounts receivable - net	184
Accounts receivable - HUD	4,133
Accounts receivable - other	<u>1,716</u>
	<u>\$ 6,033</u>

HOUSING AUTHORITY OF THE CITY OF MEXICO

Mexico, Missouri

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2017

NOTE 3 - Detail Notes on Transaction Classes/Accounts (Continued)

3d. Capital Assets

Capital asset activity for the year ended March 31, 2017, was as follows:

	Balance April 1, 2016	Additions	(Deductions)	Balance March 31, 2017
Land	\$ 296,149	\$ ----	\$ (13)	\$ 296,136
Building	13,145,772	324,852	(442,460)	13,028,164
Furniture, equipment and machinery- administration	281,848	46	(4,872)	277,022
Construction in progress	143,498	(80)	(143,418)	----
	13,867,267	<u>\$ 324,818</u>	<u>\$ (590,763)</u>	13,601,322
Accumulated depreciation	9,424,634	<u>\$ 448,686</u>	<u>\$ (325,640)</u>	9,547,680
Total	<u>\$ 4,442,633</u>			<u>\$ 4,053,642</u>

For assets that are depreciated refer to Note 1e - Capital Assets

3e. Accounts Payable

Payable detail at March 31, 2017, is as follows:

Accounts payable - vendors	\$ 3,615
Accounts payable - HUD	15,996
Accounts payable - other government - PILOT	18,293
Accrued liabilities - other	<u>559</u>
	<u>\$ 38,463</u>

3f. Compensated Absences

Accumulated unpaid compensated absences are accrued. The liability for compensated absences at March 31, 2017 is \$12,062.

HOUSING AUTHORITY OF THE CITY OF MEXICO

Mexico, Missouri

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2017

NOTE 3 - Detail Notes on Transaction Classes/Accounts (Continued)

3g. Non-current Liabilities

As of March 31, 2017, the non-current liabilities are comprised of the following:

Accrued compensated absences - non current portion	\$ <u>5,342</u>
Total	\$ <u>5,342</u>

The following is a summary of changes in non-current liabilities for the year ended March 31, 2017:

	Balance March 31, 2016	Additions	Deductions	Balance March 31, 2017	Amounts Due within One Year
Accrued compensated absences	\$ <u>5,402</u>	\$ <u>----</u>	\$ <u>60</u>	\$ <u>5,342</u>	\$ <u>6,720</u>
Total	\$ <u>5,402</u>	\$ <u>----</u>	\$ <u>60</u>	\$ <u>5,342</u>	\$ <u>6,720</u>

3h. Interprogram Transactions

Transfers are used to move revenues from the program that is authorized to transfer them to the program in accordance with budgetary authorizations. Offsetting operating transfers, if any, are eliminated for financial statement presentation.

NOTE 4 - Other Notes

4a. Employee Retirement Plan

Effectively from 10/1/2016, the Housing Authority of the City of Mexico provides pension benefits to all its eligible full time employees through Governmental 457 Plan and Governmental Volume Submitter 401 (A) Plan, two defined contribution plans administrated by Housing Authority of the City of Mexico through Ameritas Retirement Plan. A defined contribution plan depends solely on amounts contributed to the plan plus investing earnings. The Plan was established, is authorized and may be amended by the Authority's Board of Commissioners. Employees are eligible to participate after 3 consecutive months of service. The 401 (A) Plan requires the Housing Authority of the City of Mexico to contribute 8 percent of covered payroll and the employees do not contribute. The 457 Plan allows the employee to contribute an elective percentage of covered payroll and the Housing Authority does not contribute. The Housing Authority's contribution for each employee is fully vested after five years of continuous service. Currently there are 7 active members and 1 inactive or retired member. The Authority accounts for pension costs as incurred.

HOUSING AUTHORITY OF THE CITY OF MEXICO

Mexico, Missouri

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2017

NOTE 4 - Other Notes (Continued)

4a. Employee Retirement Plan (Continued)

For the year ended March 31, 2017, the following amounts related to the defined contribution plan:

Authority total payroll	\$ 285,427
Payroll for covered employees	\$ 221,013
Employer (Authority) contributions made	\$ 13,365
Employee contributions made	\$ 11,200

The Authority offers no other post employment benefits.

4b. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees health and life; and natural disasters. The Authority manages these various risks of loss as follows:

Type of Loss	Method Managed
a. Torts, errors and omissions	Purchased insurance with MHAPCI.
b. Injuries to employees (workers' compensation)	Purchased insurance with Missouri Employers Mutual; Claims are administered by Missouri Employers Mutual.
c. Physical property loss and natural disasters	Purchased commercial insurance with \$1,000 deductibles.
d. Health and life	Purchased health insurance with United Healthcare; Life insurance is provided by Standard Life Company.

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Authority. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

4c. Economic Dependency

The Housing Authority of the City of Mexico receives a significant portion of its revenue from funds provided through Federal grants. The grant amounts are appropriated each year at the Federal level. The amount of the funds the Authority receives could be reduced significantly and have an adverse impact on its operations.

HOUSING AUTHORITY OF THE CITY OF MEXICO

Mexico, Missouri

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2017

NOTE 4 - Other Notes (Continued)

4d. Commitments and Contingencies

Commitments—Construction

At March 31, 2017, the Authority had the following pending construction projects in progress:

	<u>Funds Approved</u>	<u>Funds Expended - Project to Date</u>
CFP 501-15	\$ 282,482	\$ 282,482
CFP 501-16	<u>295,645</u>	<u>194,084</u>
	<u>\$ 578,127</u>	<u>\$ 476,566</u>

Contingencies

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

HOUSING AUTHORITY OF THE CITY OF MEXICO

Mexico, Missouri

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
NOTES TO THE SCHEDULE OF FEDERAL AWARDS**

Year Ended March 31, 2017

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

<u>Fiscal Year</u>	<u>Federal Grantor</u>	<u>Federal CFDA No.</u>	<u>Expenditures</u>
	<u>U.S. Department of HUD</u>		
	<u>Public and Indian Housing Major - Direct Program</u>		
2017	Low Rent Program	14.850a	\$ <u>741,789</u>
	<u>Low Income Public Housing Major - Direct Program</u>		
2017	Housing Choice Vouchers	14.871	\$ <u>616,492</u>
	<u>Public and Indian Housing Nonmajor - Direct Program</u>		
2017	Capital Fund program	14.872	\$ <u>271,765</u>
	Total		\$ <u>1,630,046</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

NOTE 1 - Significant Accounting Policies

The schedule of federal awards has been prepared on the accrual basis of accounting.

SECTION III
REPORTS ON COMPLIANCE
AND
ON INTERNAL CONTROL

**Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance with
*Government Auditing Standards***

Board of Commissioners
Housing Authority of the City of Mexico
Mexico, Missouri

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 Mexico, Missouri, (Authority), as of and for the year ended March 31, 2017, and the related notes to the financial statements, which collectively comprise Housing Authority of the City of Mexico's basic financial statements, and have issued our report thereon dated November 1, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Housing Authority of the City of Mexico'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 of the City of Mexico's internal control. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority of the City of Mexico'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 Authority'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 Mexico'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 Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BRZ Sailor Khan, LLC
St. Louis, Missouri
November 1, 2017

**Independent Auditor's Report on Compliance For Each Major Federal Program;
Report on Internal Control over Compliance Required by Uniform Guidance**

Board of Commissioners
Housing Authority of the City of Mexico
Mexico, Missouri

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the City of Mexico, Missouri's compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, that could have a direct and material effect on each of the Housing Authority of the City of Mexico's major federal programs for the year ended March 31, 2017. The Housing Authority of the City of Mexico'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 federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Housing Authority of the City of Mexico'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 the audit requirements of *Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the major federal programs occurred. An audit includes examining, on a test basis, evidence about the Housing Authority of the City of Mexico'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 with each major program. However, our audit does not provide a legal determination of the Housing Authority of the City of Mexico's compliance.

Opinion on Each Major Federal Program

In our opinion, the Housing Authority of the City of Mexico complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs identified above for the year ended March 31, 2017.

Report on Internal Control Over Compliance

Management of the Housing Authority of the City of Mexico 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 the Housing Authority of the City of Mexico's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the *Uniform Guidance*, 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 of the City of Mexico'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 requirements 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 will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or 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 the 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*, as defined above. However, material weaknesses may exist that have not been identified.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Housing Authority of the City of Mexico, Missouri, as of and for the year ended March 31, 2017, and the related notes of the financial statements, which collectively comprise the Housing Authority of the City of Mexico, Missouri's basic financial statements. We issued our report thereon dated November 1, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of the management and was derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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 our testing based on the requirements of *Uniform Guidance*. Accordingly, this report is not suitable for any other purpose.

BRZ Sailor Khan, LLC
St. Louis, Missouri
November 1, 2017

HOUSING AUTHORITY OF THE CITY OF MEXICO

Mexico, Missouri

SIGNIFICANT DEFICIENCIES COMMUNICATED IN PRIOR YEARS

March 31, 2017

The prior audit report for the year ended March 31, 2016 contained no significant deficiencies.

HOUSING AUTHORITY OF THE CITY OF MEXICO

Mexico, Missouri

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

March 31, 2017

SECTION I - SUMMARY OF AUDITOR RESULTS

Financial Statement:

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
▶ Material weakness(es) identified?	No
▶ Significant deficiency (ies) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No
Is a "going concern" explanatory paragraph included in audit report?	No

Federal Awards:

Internal control over major programs:	
▶ Material weakness(es) identified?	No
▶ Significant deficiency (ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with <i>Uniform Guidance</i> [2 CFR 20.516(a)]?	No
Identification of major programs:	

CFDA

Number(s) Name of Federal Program

14-850a	Public and Indian Housing
14-871	Section 8 Housing Choice Vouchers
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

HOUSING AUTHORITY OF THE CITY OF MEXICO

Mexico, Missouri

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

March 31, 2017

SECTION II - FINANCIAL STATEMENT FINDINGS

The current audit report for the year ended March 31, 2017 disclosed no Financial Statement audit findings.

SECTION III - FEDERAL AWARD FINDINGS

The current audit report for the year ended March 31, 2017 disclosed no Federal Awards audit findings.

ACTION PLAN

The current audit report for the year ended March 31, 2017 disclosed no audit findings and consequently there is no action plan.

QUESTIONED COSTS

None