

# 2011 & 2012 Stillwater Housing Authority

## Financial Health Briefing Document

**Stillwater Housing Authority:** Financial Performance and Operational Overview (2011-2012)

**Date:** October 26, 2023

**Subject:** Briefing on the financial statements and operational highlights of the Stillwater Housing Authority for the fiscal years ended September 30, 2011, and September 30, 2012, based on independent auditor reports and management's discussion and analysis.

### **I. Executive Summary**

The Stillwater Housing Authority (PHA) is a non-profit governmental organization providing housing for qualified individuals in Stillwater, Oklahoma, primarily funded through HUD. The Authority operates four main programs: the Low Rent Housing Program, the Capital Fund Program, the Housing Choice Voucher Program, and a Component Unit.

The financial performance of the Stillwater Housing Authority showed a decline in total net assets from FYE 2011 to FYE 2012. While the Authority received substantial federal funding, particularly for the Housing Choice Voucher program, it experienced an overall excess of expenses over revenues in both fiscal years, with a significant increase in this deficit in 2012. The audits for both years indicated no material weaknesses in internal control over financial reporting or compliance with major federal programs, and no findings or questioned costs were reported.

### **II. Key Financial Highlights and Trends (FYE 2011 vs. FYE 2012)**

#### **A. Net Assets:**

**Overall Decline:** Total net assets decreased from \$7,097,172 in FYE 2011 to \$6,680,840 in FYE 2012, a decline of \$416,332 or 6%. The net asset balance also decreased from \$6,837,209 to \$6,439,299, a decrease of \$397,910 or 6%. (2012, p. 7)

**Unrestricted Net Assets:** Unrestricted net assets saw a substantial decrease from \$2,739,510 in FYE 2011 to \$2,596,958 in FYE 2012, a decrease of \$142,552 or 5%. (2012, p. 7) This figure had also decreased by \$99,177 (3%) from the previous year in FYE 2011. (2011, p. 7)

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**Restricted Net Assets:** Restricted net assets also decreased significantly from \$367,891 in FYE 2011 to \$287,675 in FYE 2012, a decrease of \$80,216 or 22%. This decrease was attributed to a reduction in HAP funding and an increase in HAP expenditures. (2012, p. 8)

#### **B. Revenues:**

**Overall Decrease:** Total revenues decreased from \$4,647,340 in FYE 2011 to \$4,289,653 in FYE 2012, a decrease of \$357,687 or 8%. (2012, p. 7) This follows a prior year decrease of \$556,687 (11%) from \$5,204,027 in FYE 2010 to \$4,647,340 in FYE 2011. (2011, p. 7)

**Key Revenue Components:** HUD Operating Grants: Decreased by \$194,904 in FYE 2012. This was primarily due to a reduction in funding for the Low Rent program. (2012, p. 9)

**Capital Grants:** Decreased by \$149,989 in FYE 2012, attributed to a reduction in capital improvement projects funded by the Capital Fund Program. (2012, p. 9)

**Tenant Revenue:** Increased by \$19,259 in FYE 2012, due to an increase in the average rent per unit leased. (2012, p. 9)

**Fraud Recovery:** Increased significantly by \$12,755 in FYE 2011 due to the discovery of tenants defrauding the Authority. (2011, p. 10) Continued to increase by \$7,810 in FYE 2012 due to the discovery of tenants defrauding the Authority. (2012, p. 9)

**Other Revenue:** Decreased by \$424,301 in FYE 2011, due to insurance proceeds received in the prior year. (2011, p. 10). Further decreased by \$26,961 in FYE 2012, due to the elimination of rent charged to the Housing Choice Voucher program from the Low Rent program. (2012, p. 9)

#### **C. Expenses:**

**Overall Increase:** Total expenses increased by \$115,199 in FYE 2012, reaching \$4,687,563. (2012, p. 7) This follows a prior year decrease of \$74,700 (2%) in FYE 2011. (2011, p. 7)

**Key Expense Components:** Administration: Decreased by \$32,532 in FYE 2012, due to the elimination of rent paid to the Low Rent program from the Housing Choice Voucher program.

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(2012, p. 9) This category had increased by \$24,125 in FYE 2011 due to increased administrative salaries and benefits. (2011, p. 10)

**Utilities:** Decreased by \$7,667 in FYE 2012. (2012, p. 9) This category had increased by \$12,172 in FYE 2011. (2011, p. 10)

**Ordinary Maintenance:** Increased by \$57,549 in FYE 2012, due to increases in pest control expenses and bed bugs. (2012, p. 9) This category had decreased by \$12,399 in FYE 2011. (2011, p. 9)

**General Expenses:** Increased by \$16,422 in FYE 2012, associated with the calculation of fraud receivables in the Housing Choice Voucher program. (2012, p. 10) This category had increased by \$4,876 in FYE 2011. (2011, p. 10)

**Extraordinary Maintenance:** Increased by \$37,850 in FYE 2012 due to repair of ruptured water lines. (2012, p. 10) This category had increased by \$31,983 in FYE 2011 due to repair of ruptured water lines. (2011, p. 10)

**HAP Payments:** Increased by \$100,125 in FYE 2012 due to an increase in units leased. (2012, p. 10) This category had decreased by \$75,600 in FYE 2011. (2011, p. 10)  
HAP Portability-in: Increased by \$6,048 in FYE 2012. (2012, p. 10) This category had decreased by \$86,403 in FYE 2011. (2011, p. 10)

**Depreciation Expense:** Increased by \$28,081 in FYE 2011 due to additions to fixed assets. (2011, p. 10) Continued to increase by \$12,571 in FYE 2012. (2012, p. 9)

#### **D. Net Loss:**

The Authority reported an "Excess of Revenue over Expenses" of (\$472,886) in FYE 2012, a significant increase from (\$481,987) in FYE 2011. (2012, p. 9). This reflects a worsening financial position where expenses consistently exceeded revenues.

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### **E. Federal Awards:**

**Housing Choice Voucher Program:** This program received the largest portion of federal funding in both years: \$3,673,059 in FYE 2011 and \$3,597,214 in FYE 2012. (2011, p. 31; 2012, p. 31)  
Total Federal Financial Assistance: \$4,218,117 in FYE 2011 and \$3,873,224 in FYE 2012. (2011, p. 31; 2012, p. 31)

### **III. Operational Programs**

#### **The Stillwater Housing Authority administers four individual programs:**

**Low Rent Housing Program:** Consists of 135 dwelling units. Funding is provided based on dwelling rents paid by tenants and operating fund payments received by the Department of Housing & Urban Development (HUD). (2011, p. 5)

**Capital Fund Program:** A formula-based program from HUD, designed for modernization and improvement of Low Rent Public Housing Program dwellings. (2011, p. 5)

**Housing Choice Voucher Program:** Provides rental assistance to aid low-income families. The Authority currently has 663 units available, with funds provided by HUD for rental assistance payments and an administrative fee computed by HUD on an annual basis. (2011, p. 5)

**Component Unit:** A non-profit corporation created for applying for and administration of miscellaneous grants. (2011, p. 5)

### **IV. Audit Findings and Compliance**

**Unqualified Opinions:** The independent auditor issued unqualified opinions on the basic financial statements for both FYE 2011 and FYE 2012, indicating that the financial statements were presented fairly, in all material respects. (2011, p. 3; 2012, p. 3)

**Internal Control Over Financial Reporting:** No material weaknesses or significant deficiencies were identified in internal control over financial reporting for either year. (2011, p. 34; 2012, p. 35)

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**Compliance with Major Federal Programs (OMB Circular A-133):** The auditor found no material weaknesses or significant deficiencies in internal control over compliance with major federal programs for either year. No findings or questioned costs were reported. (2011, p. 27, 34; 2012, p. 29, 35)

**Low-Risk Auditee:** The Authority was qualified as a low-risk auditee for both periods. (2011, p. 34; 2012, p. 35)

### **V. Future Outlook and Risks**

**HUD Budget Cuts (2012):** Due to potential HUD budget cuts in the 2012 federal fiscal year, the Authority did not receive any operating income from HUD. To compensate, the SHA had to use reserves to stay operational. The fiscal cliff in 2013 was projected to delete an additional 8% from operating income, potentially impacting the Authority as much as 20%. The HAP funding for the Housing Choice Voucher Program was reduced by \$119,207 due to a NRA offset for the 2012 calendar year. (2011, p. 13)

**Current Vulnerability:** The Authority's operations are concentrated in low-income rental programs primarily funded through HUD. Funding levels, administrative directives, rules, and regulations are subject to change by an act of Congress or by an administrative change mandated by HUD. Such changes may lead to notice and could result in inadequate funding to cover operating costs. (2011, p. 25; 2012, p. 25)

**Risk Management:** The PHA is exposed to various risks, including loss related to torts, theft, damage, errors, omissions, injuries, and natural disasters. Management believes its coverage is sufficient to preclude any material losses. (2011, p. 23; 2012, p. 23)

### **VI. Conclusion**

While the Stillwater Housing Authority maintains a strong record of compliance and internal controls, the financial data reveals a concerning trend of decreasing net assets and an increasing deficit, largely driven by reduced federal funding and increased operational expenses. The Authority's heavy reliance on HUD funding makes it particularly vulnerable to changes in federal policy and budget allocations. Continued monitoring of revenue streams, expense management, and the impact of future HUD funding decisions will be crucial for the Authority's financial sustainability.

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