

**Housing Authority of the
City of Arlington, Texas
a Component Unit of
The City of Arlington, Texas**

**Financial Statements
(With Supplementary Information)
and Independent Auditor's Report**

September 30, 2013 and 2012

Housing Authority of the City of Arlington, Texas

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Independent Auditor's Report

To the Board of Commissioners
Housing Authority of the City of Arlington, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the Housing Authority of the City of Arlington as of and for the years ended September 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Housing Authority of the City of Arlington'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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of the City of Arlington as of September 30, 2013 and 2012, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 to 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of 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 procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

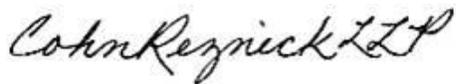
Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The HUD financial data schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards and HUD financial data schedule are the responsibility of management and were derived from and relate 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 schedule of expenditures of federal awards and HUD financial data schedules are 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 February 4, 2014, on our consideration of the Housing Authority of the City of Arlington's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Arlington's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "CohnReznick LLP". The signature is written in a cursive, professional style.

Charlotte, North Carolina
February 4, 2014

Housing Authority of the City of Arlington, Texas

Management's Discussion and Analysis September 30, 2013

Discussion and analysis of the Arlington Housing Authority's (AHA) financial performance provides an overview of the Authority's financial activities for the fiscal years ended September 30, 2013 and 2012. Please read this in conjunction with the Authority's basic financial statements, which begin on page 9.

Mission and Organizational Structure

The mission of the Authority is to advocate for and pursue affordable housing opportunities for low-income persons in Arlington by:

- Establishing partnerships with public or private community service providers;
- Effectively communicating with internal and external constituencies;
- Attracting and retaining knowledgeable staff and Board members by supporting professional development and personal opportunities;
- Maintaining and improving fiscal accountability and operational efficiency.

The Authority is governed by a five member Board of Commissioners appointed by the Mayor. The Authority operates as an independent metropolitan public housing authority and is affiliated with the City of Arlington through an Interlocal Cooperative Agreement. The Authority employs thirty five (35) City of Arlington employees.

Financial Highlights & Analysis

Condensed Financial Information			
Changes in the Balance Sheet			
	2013	2012	Increase (Decrease)
Current Assets	\$ 3,724,994	\$ 4,125,592	\$ (400,598)
Noncurrent Assets	1,516,849	2,006,204	(489,355)
Total Assets	<u>\$ 5,241,843</u>	<u>\$ 6,131,796</u>	<u>\$ (889,953)</u>
Current Liabilities	\$ 510,045	\$ 410,303	\$ 99,742
Long-Term Liabilities	241,634	249,715	(8,081)
Total Liabilities	<u>751,679</u>	<u>660,018</u>	<u>91,661</u>
Net position:			
Net investment in capital assets	352,565	417,704	(65,139)
Restricted net position	860,207	1,253,773	(393,566)
Unrestricted net position	<u>3,277,392</u>	<u>3,800,301</u>	<u>(522,909)</u>
Total Net Position	<u>4,490,164</u>	<u>5,471,778</u>	<u>(981,614)</u>
Total Liabilities and Net Position	<u>\$ 5,241,843</u>	<u>\$ 6,131,796</u>	<u>\$ (889,953)</u>

Housing Authority of the City of Arlington, Texas

Management's Discussion and Analysis September 30, 2013

Total assets decreased by \$889,953 from 2012 to 2013 and liabilities increased \$91,661, resulting in a decrease in net position of \$981,614. While cash increased in FY13, both investments and accounts receivable decreased. Administrative funds in the investment accounts were used to supplement the operating budgets in FY13. The increase in liabilities is due to an increase in accounts payables and unearned revenues accounts. Overall, the Authority's net worth is \$981,614 less than it was in the prior year.

Condensed Financial Information			
Changes in Net Position			
	2013	2012	Increase (Decrease)
HUD operating grants	\$ 26,449,162	\$ 25,998,264	\$ 450,898
Other revenue	1,686,482	1,616,177	70,305
Total Revenue	28,135,644	27,614,441	521,203
Expenses:			
Administrative expenses	2,989,204	3,406,532	(417,328)
Housing assistance payments	26,062,915	25,907,840	155,075
Depreciation	65,139	74,914	(9,775)
Total Expenses	29,117,258	29,389,286	(272,028)
Net Increase (Decrease) in Net Position	\$ (981,614)	\$ (1,774,845)	\$ 793,231

Total revenue increased from 2012 to 2013 by \$521,203 due mostly to the increase in housing assistance payment (HAP) and admin fee revenues from the U.S. Department of Housing and Urban Development (HUD). Total expenses decreased from 2012 to 2013 by \$272,028 due to decreased salary expenses. For 2013, expenses exceeded revenues by \$981,614, an improvement of \$793,231 from 2012.

Program Highlights

During fiscal year 2013, the Authority served over 3,800 families through its rental assistance programs. The Authority is a HUD designated high performing agency for the 12th consecutive year, and utilized 98% of the units allocated for the year. There were 7 FSS participants who graduated from the FSS program, which served a total of 152 clients during the year.

Under a developer agreement with the City, the Authority sold 1 home rehabilitated under the NSP program. New construction for two properties demolished in FY2010 is expected to begin in FY2014.

Housing Authority of the City of Arlington, Texas

Management's Discussion and Analysis September 30, 2013

Factors Affecting FY14 Budget

The AHA is currently operating under a continuing resolution, and is waiting for Congress to approve a budget. Funding for CY14 is expected to be announced sometime in early 2014, before the continuing resolution is set to expire. HAP funding is expected to be funded based on VMS reported information. The AHA expects to serve approximately 3,600 families utilizing nearly 100% of allocated units and rental housing assistance funding based on current revenue/expenditure projections for FY14. This utilization may be adjusted as needed depending upon the level of funding passed by Congress. Due to the uncertainty of the amount of CY14 funding, the Authority is continuing to operate under strict administrative budgetary restraints, and has identified areas of potential budget cuts for the current and upcoming fiscal years. The Authority is investing in various information technology improvements including document imaging, digital sign-in lobby kiosk, and integrated landlord and applicant portals in order to streamline operational processes and further reduce ongoing operational costs. The Authority has also implemented a hiring freeze and is filling only select vacant positions with temporary staff, as needed if funding permits. Revenue, expenditure, and cash projections are completed and reviewed at least monthly by management.

Looking Ahead

In FY14, the Authority will continue to utilize all available funding and resources for their intended purposes. The Authority will strive to find opportunities to improve service delivery and customer service, within budget constraints. As always, the Authority will diligently focus on providing quality, affordable housing and related services in Arlington.

Housing Authority of the City of Arlington, Texas

**Statements of Net Position
September 30, 2013 and 2012**

	<u>Assets</u>	
	2013	2012
Current Assets		
Cash and cash equivalents - unrestricted	\$ 2,029,748	\$ 1,215,777
Investments - unrestricted	1,267,256	2,338,959
Accounts receivable - HUD	7,950	90,863
Accounts receivable - other (net of allowance)	110,313	180,403
Accrued interest receivable	1,245	1,230
Inventory	300,418	287,812
Prepaid expenses and other assets	8,064	10,548
Total Current Assets	3,724,994	4,125,592
Restricted Assets		
Cash and cash equivalents - restricted	1,164,284	1,588,500
Total Restricted Assets	1,164,284	1,588,500
Capital Assets		
Buildings	562,711	562,711
Furniture, equipment and machinery	369,069	369,069
	931,780	931,780
Accumulated depreciation	(579,215)	(514,076)
Total Capital Assets	352,565	417,704
 Total Assets	 \$ 5,241,843	 \$ 6,131,796

Housing Authority of the City of Arlington, Texas

**Statements of Net Position
September 30, 2013 and 2012**

Liabilities and Net Position

	2013	2012
Current Liabilities		
Accounts payable	\$ 135,971	\$ 69,255
Accrued wages and payroll taxes payable	66,269	66,562
Accrued compensated absences - current portion	21,860	21,357
Unearned revenues	58,129	6,040
Other current liabilities	227,816	247,089
Total Current Liabilities	510,045	410,303
Long-Term Liabilities		
Accrued compensated absences - noncurrent portion	165,373	154,625
Other noncurrent liabilities	76,261	95,090
Total Long-Term Liabilities	241,634	249,715
Total Liabilities	751,679	660,018
Net Position		
Net investment in capital assets	352,565	417,704
Restricted net position	860,207	1,253,773
Unrestricted net position	3,277,392	3,800,301
Total Net Position	4,490,164	5,471,778
Total Liabilities and Net Position	\$ 5,241,843	\$ 6,131,796

See notes to financial statements.

Housing Authority of the City of Arlington, Texas

**Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2013 and 2012**

	2013	2012
Operating Revenue		
HUD operating grants	\$ 26,449,162	\$ 25,959,181
Other government grants	-	39,083
Other revenue	1,674,199	1,631,966
Total Operating Revenue	28,123,361	27,630,230
Operating Expenses		
Administrative	2,288,548	2,568,422
Tenant services	175,620	183,826
Utilities	101,913	108,274
Ordinary maintenance and operations	20,275	20,915
General	402,848	525,095
Housing assistance payments	26,062,915	25,907,840
Depreciation	65,139	74,914
Total Operating Expense	29,117,258	29,389,286
Operating Income (Loss)	(993,897)	(1,759,056)
Non-Operating Revenue (Expenses)		
Investment income	12,283	20,069
Loss on sale of property held for sale	-	(35,858)
Total Non-Operating Income (Expenses)	12,283	(15,789)
Change in Net Position	(981,614)	(1,774,845)
Net Position - Beginning	5,471,778	7,246,623
Net Position - Ending	\$ 4,490,164	\$ 5,471,778

See notes to financial statements.

Housing Authority of the City of Arlington, Texas

**Statements of Cash Flows
Years Ended September 30, 2013 and 2012**

	2013	2012
Cash flows from operating activities		
Grant receipts	\$ 26,584,164	\$ 25,851,804
Other income receipts	1,731,683	1,790,783
Total receipts	28,315,847	27,642,587
Payments to vendors	(673,265)	(999,957)
Payments to employees	(2,273,883)	(2,548,360)
Housing assistance payments	(26,062,915)	(25,907,840)
Total disbursements	(29,010,063)	(29,456,157)
Net cash provided (used) by operating activities	(694,216)	(1,813,570)
Cash flows from investing activities		
Investment income	12,268	27,913
Change in investments	1,071,703	146,827
Net cash provided (used) by investing activities	1,083,971	174,740
Net increase (decrease) in cash and cash equivalents	389,755	(1,638,830)
Cash and cash equivalents, beginning	2,804,277	4,443,107
Cash and cash equivalents, ending	\$ 3,194,032	\$ 2,804,277
Reconciliation to Statements of Net Position:		
Cash and cash equivalents - unrestricted	\$ 2,029,748	\$ 1,215,777
Cash and cash equivalents - restricted	1,164,284	1,588,500
Total	\$ 3,194,032	\$ 2,804,277

Housing Authority of the City of Arlington, Texas

**Statements of Cash Flows
Years Ended September 30, 2013 and 2012**

	2013	2012
Reconciliation of operating income (loss) to net cash provided (used) by operating activities		
Operating income (loss)	\$ (993,897)	\$ (1,759,056)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation	65,139	74,914
Changes in asset and liability accounts		
(Increase) decrease in assets		
Accounts receivable - HUD	82,913	(75,375)
Accounts receivable - other	70,090	119,051
Inventory	(12,606)	39,766
Prepaid expenses and other assets	2,484	1,076
Increase (decrease) in liabilities		
Accounts payable	66,716	(70,234)
Accrued wages and payroll taxes payable	(293)	(31,240)
Accrued compensated absences	11,251	34,753
Unearned revenues	52,089	(71,085)
Other current liabilities	(19,273)	(56,202)
Other noncurrent	(18,829)	(19,938)
Total adjustments	299,681	(54,514)
Net cash provided (used) by operating activities	\$ (694,216)	\$ (1,813,570)

See notes to financial statements.

Housing Authority of the City of Arlington, Texas

Notes to Financial Statements September 30, 2013 and 2012

Note 1 - Organization and nature of operations

Organization

The Housing Authority of the City of Arlington, Texas (Authority) is organized under the laws of the State of Texas for purposes of engaging in the development, acquisition, leasing, operation, and administration of a Housing Choice Voucher Program.

The United States Department of Housing and Urban Development (HUD) has direct responsibility for administering the Housing Choice Voucher Program under the United States Housing Act of 1937, as amended. HUD is authorized to enter into contracts with local housing authorities to make loans or grants to assist in financing the acquisition, construction and/or leasing of housing units, to make housing assistance payments, and to make annual contributions (subsidies) for the purpose of maintaining the low-rent character of the local housing program.

On September 17, 2007, the Emergency Housing Assistance Corporation (EHAC) was formed under the Texas Non-Profit Corporation Act at the behest of the Housing Authority of the City of Arlington, Texas, to expedite staffing, facilities, and equipment requirements to administer the Disaster Housing Assistance Program funded by the Federal Emergency Management Administration (FEMA), previously administered by the United States Department of Housing and Urban Development (HUD). The initial purpose of the EHAC was to provide emergency housing and the prevention of homelessness to victims of Hurricanes Katrina and Rita.

Reporting entity

The Authority is a separate autonomous entity governed by a five member board of commissioners, appointed by the mayor of the City of Arlington, Texas. The Authority is reported as a component unit of the City of Arlington, Texas.

In determining how to define the reporting entity, management has considered all potential component units. The decision to include a component unit in the reporting entity was made by applying the criteria set forth in Section 2100 and 2600 of the Governmental Accounting Standards Board (GASB) Codification and GASB Statement 61, *Financial Reporting Entity: Omnibus* - and amendments of GASB Statements No. 14 and No. 34. These criteria include manifestation of oversight responsibility including financial accountability, appointment of voting majority, imposition of will, financial benefit to or burden on a primary organization, financial accountability as a result of fiscal dependency, potential for dual inclusion, and organizations included in the reporting entity although primary organization is not financially accountable.

The EHAC is a component unit of the Housing Authority of the City of Arlington, Texas governed by a three to five member board of directors, appointed by the Commissioners of the Housing Authority of the City of Arlington, Texas. The EHAC is reported as a blended component unit of the Authority. Blended component units, although separate entities, are in substance, part of the Authority's operations. No separate financial statements exist for the EHAC.

Housing Authority of the City of Arlington, Texas

Notes to Financial Statements September 30, 2013 and 2012

Description of a public housing authority

Funding for the Housing Authority of the City of Arlington, Texas is primarily from the United States Department of Housing and Urban Development (HUD). The Section 8 Housing Assistance Payments Program provides rental supplements to the owners of existing private housing who rent to qualifying individuals. The Authority processes all applicants for the Section 8 Housing Assistance Payments Program, places approved applicants in housing and pays the owner of the private housing a monthly rental supplement. Under the conditions of an annual contributions contract, HUD reimburses the Authority for the rental supplements and the administrative cost of managing the program.

The Authority operates the following programs:

Housing Choice Voucher Program - This program was authorized by Section 8 of the National Housing Act to provide housing assistance payments to private, not-for-profit, or public landlords to subsidize rent payments for low-income persons. The Housing Choice Voucher Program allows for existing housing units to be used for low-income housing. HUD provides a contracted dollar amount to the Authority which is used to provide rental assistance payment assistance to landlords. This program assists low-income families and individuals in finding and leasing a house or apartment. After inspecting the unit, the Authority assists the resident in negotiating a lease under HUD rules and regulations for the program. After the lease is signed, the resident pays a share of the rent according to HUD guidelines, and the remainder is subsidized by HUD through the Authority.

Supportive Housing Program - The Supportive Housing Program (SHP) is a HUD funded rental housing assistance program for persons who are homeless. The Supportive Housing Program is authorized by Title IV, Subtitle C, of the McKinney-Vento Homeless Assistance Act of 1987, as amended. It is designed to promote, as part of a local Continuum of Care strategy, the development of supportive housing and supportive services to assist homeless persons in the transition from homelessness and to enable them to live as independently as possible. Assistance in the Supportive Housing Program is provided to help homeless persons meet three overall goals; (1) achieve residential stability, (2) increase their skill level and/or incomes, and (3) obtain greater self-determination (i.e., more influence over decisions that affect their lives).

HOME Investment Partnerships Program - HOME is authorized under Title II of the Cranston-Gonzalez National Affordable Housing Act, as amended. HOME provides formula grants to States and localities that communities use, often in partnership with local nonprofit groups, to fund a wide range of activities that build, buy, and/or rehabilitate affordable housing for rent or homeownership or provide direct rental assistance to low-income people. HOME is the largest Federal block grant to State and local governments designed exclusively to create affordable housing for low-income households. HOME funds are awarded annually as formula grants to participating jurisdictions. The eligibility of households for HOME assistance varies with the nature of the funded activity. For rental housing and rental assistance, at least 90 percent of benefiting families must have incomes that are no more than 60 percent of the HUD-adjusted median family income for the area.

Housing Authority of the City of Arlington, Texas

Notes to Financial Statements September 30, 2013 and 2012

Shelter Plus Care Program - The Shelter Plus Care (S+C) Program is a HUD funded rental housing assistance program for persons that are homeless. The S+C program provides rental assistance in connection with supportive services. The program provides a variety of permanent housing choices, accompanied by a range of supportive services funded through other sources. S+C assists hard to serve homeless individuals with disabilities and their families. These individuals primarily include those with serious mental illness, chronic problems with alcohol and/or drugs, and HIV/AIDS or related diseases. To ensure that the neediest of the homeless population are being served, grantees must provide needed supportive services - matching rental assistance with an equal amount of supportive services from other sources. Other Federal, State, or local sources, as well as private sources may fund the services. In addition to recordkeeping and evaluation that grantees may conduct for their own purposes, they must adhere to HUD-required recordkeeping plus a formalized annual project review (the Annual Progress Report).

Emergency Solutions Grant Program - The Emergency Solutions Grants program (ESG) is a federal grant program designed to assist individuals and families to quickly regain stability in permanent housing after experiencing a housing crisis of homelessness. It provides essential street outreach and emergency shelter services as well as emphasizes homelessness prevention and rapid re-housing assistance. The program requirements facilitate coordination at the state and local levels to utilize all available services, consult closely with the jurisdiction's Continuums of Care, and evaluate progress in accordance with a comprehensive homeless strategy and annual action plan.

Note 2 - Significant accounting policies

Basis of presentation and accounting

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standards-setting body for establishing governmental accounting and financial reporting principles.

The Authority has determined that all of its programs shall be classified as an Enterprise Fund and is therefore accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operations of these funds are included in the statements of net position.

The Authority utilizes the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liability has been incurred. Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Authority's enterprise fund is grant revenue from HUD. Operating expenses for the Authority include the cost of providing rental assistance to landlords for Section 8 housing, administrative expenses, and depreciation of capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

Housing Authority of the City of Arlington, Texas

Notes to Financial Statements September 30, 2013 and 2012

All of the Authority's programs are accounted for as one business-type activity reported in a single enterprise fund. Descriptions of the significant accounting policies follow:

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimates relate to allowance for uncollectible accounts receivable, the liability for post employment benefits, and depreciation. These estimates may be adjusted as more current information becomes available and any adjustment could be significant.

Budgets

Budgets for the Housing Choice Voucher Program are adopted and amended on a HUD-prescribed basis. In general, operating budgets are adopted on an annual basis, while the budget for programs supported by the Supportive Housing Program and HOME Investment Partnerships Program funds cover up to three years. Expenditures may not exceed total allocations by program.

Cash equivalents

For purposes of the statements of cash flows, all highly liquid investments (excluding restricted assets) with a maturity of three months or less when purchased are considered to be cash equivalents. These are stated at cost which approximates fair value.

Investments

Investments are carried at cost which approximates fair value and are legally restricted to investments in HUD approved securities (principally obligations of the Federal Government and federal agencies and federally insured bank deposits).

Accounts receivable - other

Accounts receivable consist primarily of amounts due from other public housing authorities where the tenants originally applied for assistance, from the City of Arlington and repayment agreements and recoupments due from current and former voucher participants and property owners. An allowance of \$10,000 and \$6,035 was reserved for potentially uncollectible amounts at September 30, 2013 and 2012, respectively.

Inter-program receivables and payables

Inter-program receivables/payables are all classified as either current assets or current liabilities, and are the result of the use of a common cash account as the paymaster for shared costs of the Authority. Cash settlements are made periodically, and all inter-program balances are reconciled. These inter-program receivables and payables have been eliminated in the preparation of the basic financial statements. The detail by program can be found in the Financial Data Schedule included in the supplemental information to this report.

Housing Authority of the City of Arlington, Texas

Notes to Financial Statements September 30, 2013 and 2012

Inventory

Inventory consists principally of single-family homes; land under development and improved lots; inventory held-for-sale and rehabilitated homes purchased under the Neighborhood Stabilization Program. Inventory includes land and development costs; direct construction costs, capitalized indirect construction costs; capitalized interest; and real estate taxes. The costs of acquiring and developing land are allocated to the parcels to which these costs relate. Interest and taxes are capitalized during the active development and construction stages. Inventory is stated at the lower of cost or fair value, less cost to sell.

Prepaid expenses

Prepaid expenses consist of prepayments of expenses that will occur after year-end at September 30, 2013 and 2012, respectively.

Capital assets

Land, structures, and equipment greater than \$5,000 are recorded at historical cost. Donated capital assets are recorded at their fair value on the date donated. Depreciation, using the straight-line method, is calculated over estimated useful lives as follows:

Equipment	5 years
Building improvements	39 years

Impairment of long-lived assets

In accordance with GASB No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, prominent events or changes in circumstances affecting capital assets are required to be evaluated to determine whether impairment of a capital asset has occurred. Impaired capital assets that will no longer be used should be reported at the lower of carrying value or fair value. Impairment of capital assets with physical damage generally should be measured using the restoration cost approach, which uses the estimated cost to restore the capital asset to identify the portion of the historical cost of the capital asset that should be written off. No such impairment loss was incurred during the years ended September 30, 2013 and 2012.

Compensation for future absences

Compensated absences are those absences, for which employees will be paid, such as vacation, computed in accordance with GASB No. 16, *Accounting for Compensated Absences*. The Authority employees are granted vacation and sick leave in varying amounts. Vacation days are allowed to accrue up to 240-320 hours depending upon length of service; additional hours may be accrued from year to year with approval. In the event of termination or resignation, an employee is paid for unused vacation. Sick leave may accrue up to 1,200 hours; however, only one-fourth of unused sick leave is paid upon termination or resignation. Compensated absences are accrued when earned.

HUD subsidies and contributions

Subsidies and contributions from HUD are received periodically and represent the most significant source of revenues. The terms of these subsidies and contributions are defined

Housing Authority of the City of Arlington, Texas

Notes to Financial Statements September 30, 2013 and 2012

in various Annual Contributions Contracts. HUD subsidies for ongoing operations and housing assistance payments for each unit rented to qualified tenants are recorded as revenues.

Restricted funds

When restricted and unrestricted funds are available, it is the Authority's policy to use restricted funds first.

Restricted net position

Net position is reported as restricted when constraints placed on net position use are either: Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments, imposed by law through constitutional provisions or enabling legislation.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year's presentation.

New accounting pronouncements

During fiscal year 2013, the Authority implemented the following new accounting standards issued by the GASB:

GASB Statement 61, *Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34*, results in financial reporting entity financial statements being more relevant by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. The adoption of this statement had no effect on how the Authority defined itself as a reporting entity in the current year, as described in Note 1.

GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, improves financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. The adoption of this statement had no effect on the Authority in the current year.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources*, improves financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. The adoption of this statement had no effect on the Authority in the current year.

Future accounting pronouncements that will be adopted by the Authority in subsequent reporting periods:

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, will be effective for the Authority for the fiscal year beginning October 1, 2013. Management has

Housing Authority of the City of Arlington, Texas

**Notes to Financial Statements
September 30, 2013 and 2012**

completed its assessment of this statement and does not believe that it will have a material effect on the financial statements of the Authority.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, will be effective for the fiscal year beginning October 1, 2014. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. Management has completed its assessment of this statement and does not believe that it will have a material effect on the financial statements of the Authority.

Note 3 - Investments and cash equivalents

All investments and cash equivalents consist of bank certificates of deposit.

As of September 30, 2013 and 2012, the Authority had the following investments:

Investment Type	2013		2012	
	Fair Value	Years to Maturity	Fair Value	Years to Maturity
Demand deposits	\$ 3,194,032	-	\$ 2,805,985	-
Certificates of deposit	1,267,256	.058 to 1.5	2,337,251	.003 to .962
Total bank deposits	<u>\$ 4,461,288</u>		<u>\$ 5,143,236</u>	

Risks

Interest rate risk - in accordance with its investment policy, the Authority manages its exposure to decline in fair values by limiting its investments to those allowed by HUD and its portfolio maturity to less than three years.

Custodial credit risk - Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority complies with the State of Texas custodial risk policy which states that all bank deposits in excess of the FDIC limit be collateralized.

Note 4 - Accounts receivable - Other

Accounts receivable - other at September 30, 2013 and 2012 consist of the following:

	2013	2012
Portable vouchers	\$ 6,952	\$ 7,689
HAP recoupments	23,902	34,270
Due from City of Arlington, Texas	62,200	97,842
Fraud recovery	27,259	46,637
Allowance for doubtful accounts	(10,000)	(6,035)
	<u>\$ 110,313</u>	<u>\$ 180,403</u>

Housing Authority of the City of Arlington, Texas

**Notes to Financial Statements
September 30, 2013 and 2012**

Note 5 - Accounts receivable - HUD

Amounts due from HUD as of September 30, 2013 and 2012 were as follows:

	2013	2012
Section 8 Administrative Fee	\$ -	\$ 75,375
Supportive Housing	4,607	15,488
Shelter Plus Care	3,343	-
Total	\$ 7,950	\$ 90,863

Note 6 - Due to/(from) other programs

Due to/(from) other programs at September 30, 2013 and 2012 consisted of the following:

	2013	2012
Business Activities	\$ 68,279	\$ 82,017
Section 8	5,252	828
DHAP-Ike	(5,252)	(828)
HOME	(53,267)	(38,758)
Supportive Housing	(4,607)	(15,488)
Shelter Plus Care	(3,343)	-
Emergency Solutions Grant	(7,062)	(27,771)
	\$ -	\$ -

These accounts have been eliminated in preparing the financial statements.

Note 7 - Neighborhood stabilization programs (NSP)

The Authority entered into an agreement with the City of Arlington on May 3, 2010. The agreement is to administer Neighborhood Stabilization Programs (NSP) funds from the City. These funds can be used for a Homebuyer Assistance Program, Acquisition/ Rehabilitation/ Resale and Acquisition/ Demolition/ Resale activities. Property acquisition and rehabilitation costs are recorded as inventory in the Statements of Net Position, as further discussed in Note 2. During the year ended September 30, 2012, the Authority sold one property. Total sales proceeds for the year ended September 30, 2012 were \$81,121. During the year ended September 30, 2013, no properties were sold.

The Authority earns a developer fee of 20% of the sales price for each property sold to qualified homebuyers under this agreement. During the years ended September 30, 2013 and 2012, the Authority earned \$0 and \$18,300, respectively, in developer fee revenue which is included in other revenue on the Statements of Revenues, Expenses and Changes in Net Position.

Housing Authority of the City of Arlington, Texas

**Notes to Financial Statements
September 30, 2013 and 2012**

Note 8 - Capital assets

A summary of capital assets for the years ended September 30, 2013 and 2012 is as follows:

	Balance September 30, 2012	Additions	Retirements	Balance September 30, 2013
Building	\$ 562,711	\$ -	\$ -	\$ 562,711
Furniture, equipment and machinery	369,069	-	-	369,069
Less: Accumulated depreciation	(514,076)	(65,139)	-	(579,215)
	<u>\$ 417,704</u>	<u>\$ (65,139)</u>	<u>\$ -</u>	<u>\$ 352,565</u>

	Balance September 30, 2011	Additions	Retirements	Balance September 30, 2012
Building	\$ 562,711	\$ -	\$ -	\$ 562,711
Furniture, equipment and machinery	369,069	-	-	369,069
Less: Accumulated depreciation	(439,162)	(74,914)	-	(514,076)
	<u>\$ 492,618</u>	<u>\$ (74,914)</u>	<u>\$ -</u>	<u>\$ 417,704</u>

Note 9 - Lease commitment

The Authority leases its building under a non-cancelable operating lease expiring May 31, 2015 with automatic extensions of 5-year terms at the option of the Authority. The lease provides for annual rental adjustments based on operating expenses of the lessor. The total rental expense under the lease is \$58,522 and \$72,172 for the years ended September 30, 2013 and 2012, respectively. The total minimum lease commitment at September 30, 2013, under this lease is \$117,048 which is due as follows:

2014	\$ 58,524
2015	58,524
2016	-
2017	-
2018	-
Total minimum lease payments	<u>\$ 117,048</u>

Note 10 - Related parties

The City of Arlington provides certain accounting services to the Authority and makes payments on behalf of the Authority. In accordance with the Interlocal Cooperation Agreement, the Authority reimburses the City \$1 per unit leased per month, calculated annually at year end. During the year ended September 30, 2013, the Authority was billed \$43,227, by the City for accounting services for expenses paid on behalf of the Authority. During 2012, the City waived these fees. In addition, the City of Arlington provides health insurance and life insurance coverage for the employees of the Authority. During the years

Housing Authority of the City of Arlington, Texas

Notes to Financial Statements September 30, 2013 and 2012

ended September 30, 2013 and 2012, the Authority paid \$249,303 and \$212,988 and, respectively, to the City for these insurance expenses.

Note 11 - Contingencies

Risk Management: the Authority is exposed to various risks of losses related to torts; theft of, 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. The Authority provides for potential significant losses through commercial insurance policies.

Government Examinations: the Authority is subject to possible examinations made by Federal and State agencies who determine compliance with terms, conditions, laws and regulations governing grants given to the Authority in the current and prior years. During the year ended September 30, 2013, the Supportive Housing Program was audited by HUD and all outstanding items resulting from the audit were resolved as of yearend. There were no such examinations for the year ended September 30, 2012.

Note 12 - Retirement plan

Plan description

The Authority provides, through the City of Arlington, pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 837 administered by TMRS, an agent multiple-employer public employee retirement system. Each of the municipalities has an annual, individual actuarial valuation performed. All assumptions for the December 31, 2012 valuations are contained in the 2012 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to P.O. Box 149153, Austin, Texas 78714-9153, or obtained at www.tMrs.org.

Benefits

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the Authority financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are 200% of the employee's accumulated contributions. The monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity. Additionally, initiated in 1998, the City provides on an annually repeating basis annuity increases for retirees equal to 70% of the change in the consumer price index (CPI).

Housing Authority of the City of Arlington, Texas

Notes to Financial Statements September 30, 2013 and 2012

The plan provisions are adopted by the governing body of the City of Arlington, within the options available in the state statutes governing TMRS. Plan provisions for the City of Arlington follow:

Deposit Rate: 7%

Matching Ratio (City to Employee) 2 to 1

a member is vested after: 5 Years

Members can retire at certain ages, based on the years of service with the City. The service retirement eligibilities for the City (expressed as years of service/age) are:

5 years - age 60

20 years - any age

Contributions

Under the state law governing TMRS, the actuary annually determines the City's contribution rate on a calendar year basis using the Projected Unit Credit actuarial method. The City discloses the annual pension costs (which equal the required contributions) based on the calculated rates for the City's fiscal year. The rate is 16.47% of covered payroll for the months in calendar year 2012, and 16.28% for the months in calendar year 2013. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are obligations of the Authority as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the Authority to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 30-year amortization period. Both the employees and the Authority make contributions monthly. Since the Authority needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect (i.e., December 31, 2010 valuation is effective for rates beginning January 1, 2012). If a change in plan provisions is elected by the City, this rate can change.

Per TMRS statutes, there is a 13.50% and 15.50% statutory maximum in effect based on the benefit levels elected by the City. If the required rate calculated by TMRS exceeds one or both of those rates, the City Council at its option can choose to either adjust benefits to reduce the required rate to conform with the maximums or lift the maximums altogether and to pay the full required rate. The City's maximum is 14%.

Housing Authority of the City of Arlington, Texas

**Notes to Financial Statements
September 30, 2013 and 2012**

The assumptions for the defined benefit plan, which follow, are only available for the City of Arlington as a whole:

**City of Arlington
Schedule of Funding Progress**

	December 31, 2012	December 31, 2011	December 30, 2010
Actuarial Valuation Date	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarial Value of Assets	\$ 787,497,396	\$ 736,848,666	\$ 688,014,565
Actuarial Accrued Liability	904,236,326	868,504,849	832,168,294
Unfunded/(Overfunded) Actuarial Accrued Liability (UAAL)	116,738,930	131,656,183	144,153,729
Funded Ratio	87.1%	84.8%	82.7%
Annual Covered Payroll	145,368,879	149,939,786	142,874,528
UAAL as a Percentage of Covered Payroll	80.3%	87.8%	100.9%

**Arlington Housing Authority
Component Unit of the City of Arlington
Trend Information**

	September 30, 2013	September 30, 2012	September 30, 2011
Annual pension cost (APC)	\$ 270,826	\$ 310,718	\$ 309,973
Percent of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

General system-wide actuarial assumptions

Actuarial valuation date	December 31, 2012
Actuarial cost method	Projected unit credit
Amortization method	Level percent of payroll
Remaining amortization period	25.2 years (closed)
Asset valuation method	Amortized cost
Investment rate of return	7.0%
Projected salary increases	Varies by age and service
Inflation rate	3.0%
Cost-of-living adjustments	1.5%
Payroll growth assumption	3.0%
Withdrawal rates (low, mid, high) male/female	Mid-high/Mid-high

Note 13 - Other post employment benefits

The Authority administers, through the City of Arlington, a single-employer defined benefit healthcare plan. The plan provides postretirement healthcare benefits to eligible retirees and their spouses. An eligible employee can continue health care coverage in retirement if the employee's age plus service is at least 70 with a minimum age requirement of 50 years and a minimum of ten years of service with the City. Employees hired after December 31, 2005 are not eligible for postretirement health care benefits. The City plan has a non-

Housing Authority of the City of Arlington, Texas

Notes to Financial Statements September 30, 2013 and 2012

duplication coordination of benefits with Medicare and other primary plans for retirees and/or their dependants.

When an employee retires, it is the policy of the City to transfer any liabilities and associated expenses to the general fund of the City, regardless of the department or component unit in which the employee worked. Therefore, the actuarial accrued liability for all City employees, including those employed by the Authority, is reflected in the City's comprehensive annual financial report and no liability is shown in the Authority's individual statements.

Note 14 - Risk management

The Authority is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority has mitigated this risk by obtaining insurance coverage from commercial insurance companies. Premiums paid for insurance coverage are recorded as expenses over the coverage period. Insurance coverage provided includes property and casualty, general liability, fidelity bond, and workers compensation.

Note 15 - Economic dependency

The Housing Choice Voucher Program is economically dependent on annual contributions and grants from HUD. The program operates at a loss prior to receiving the contributions and grants. During the year ended September 30, 2013 and 2012, 94% and 94%, respectively, of total revenues were from HUD programs.

Note 16 - Subsequent events

Events that occur after the statement of net position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net position date are recognized in the accompanying financial statements. Subsequent events, which provide evidence about conditions that existed after the statement of net position date, require disclosure in the accompanying notes. Management evaluated the activity of the Housing Authority of the City of Arlington, Texas through February 4, 2014 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the Financial Statements or disclosure in the Notes to the Financial Statements.

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*

To the Board of Commissioners
Housing Authority of the City of Arlington, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Housing Authority of the City of Arlington, which comprise the statements of net position as of September 30, 2013 and 2012, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated February 4, 2014.

Internal control over financial reporting

In planning and performing our audit of the financial statements, we considered the Housing Authority of the City of Austin's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of the City of Arlington's internal control. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority of the City of Arlington'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 Arlington'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 material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Cohn Reznick LLP".

Charlotte, North Carolina
February 4, 2014

Independent Auditor's Report on Compliance with Requirements
that could have a Direct and Material Effect on Each Major Program and
Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Board of Commissioners
Housing Authority of the City of Arlington, Texas

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the City of Arlington's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement*, that could have a direct and material effect on each of the Housing Authority of the City of Arlington's major federal programs for the year ended September 30, 2013. The Housing Authority of the City of Arlington'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 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 Arlington'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, *Audits 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 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 Arlington'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 of the Housing Authority of the City of Arlington's compliance.

Opinion on Each Major Federal Program

In our opinion, the Housing Authority of the City of Arlington 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 September 30, 2013.

Report on Internal Control over Compliance

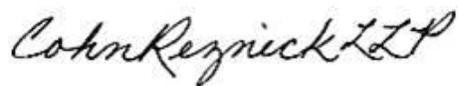
Management of the Housing Authority of the City of Arlington is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Housing Authority of the City of Arlington'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 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 of the City of Arlington's internal control over compliance.

A deficiency in internal control over compliance 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, 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 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 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.

Purpose of this Report

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Charlotte, North Carolina
February 4, 2014

Housing Authority of the City of Arlington, Texas

Schedule of Findings and Questioned Costs
Year Ended September 30, 2013

A. Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified Yes No

Significant deficiencies indentified not considered to be material weaknesses Yes No

Noncompliance material to financial statement noted Yes No

Federal Awards:

Internal Control over major programs:

Material weakness(es) identified? Yes No

Significant deficiencies indentified not considered to be material weaknesses Yes No

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 Section.510(a) of OMB Circular A-133 Yes No

Identification of major programs:

- Housing Choice Voucher Program (CFDA No. 14.871)

Dollar threshold used to distinguish type A and B programs: \$793,475

Auditee qualified as low-risk auditee Yes No

B. Findings - Financial Statements Audit

None

C. Findings and Questioned Costs - Major Federal Award Programs Audit

None

Supplementary Information

Housing Authority of the City of Arlington, Texas

Financial Data Schedule - Statement of Net Position Accounts

Program Totals September 30, 2013

Line Item No.	Account Description	HOME								Elimination	TOTAL
		Housing Choice Vouchers	Business Activity	Shelter Plus Care	Supportive Housing Program	Investment Partnerships Program	Emergency Shelter Grants Program	DHAP - IKE	14.IKE		
111	Cash - Unrestricted	\$ 1,006,054	\$ 473,440	\$ -	\$ -	\$ -	\$ -	\$ 550,254	\$ -	\$ 2,029,748	
113	Cash - Other Restricted	936,468	-	-	-	-	-	-	-	936,468	
115	Cash - Restricted for Payment of Current Liabilities	227,816	-	-	-	-	-	-	-	227,816	
100	Total Cash	2,170,338	473,440	-	-	-	-	550,254	-	3,194,032	
121	Accounts Receivable - PHA Projects	6,952	-	-	-	-	-	-	-	6,952	
122	Accounts Receivable - HUD Other Projects	-	-	3,343	4,607	-	-	-	-	7,950	
124	Accounts Receivable - Other Government	-	1,871	-	-	53,267	7,062	-	-	62,200	
125	Accounts Receivable - Miscellaneous	23,902	-	-	-	-	-	-	-	23,902	
126.2	Allowance for Doubtful Accounts - Other	(8,500)	-	-	-	-	-	-	-	(8,500)	
128	Accounts Receivable - Fraud Recovery	27,259	-	-	-	-	-	-	-	27,259	
128.1	Allowance for Doubtful Accounts - Fraud	(1,500)	-	-	-	-	-	-	-	(1,500)	
129	Accrued Interest Receivable	1,245	-	-	-	-	-	-	-	1,245	
120	Total Receivables, Net of Allowances for Doubtful Accounts	49,358	1,871	3,343	4,607	53,267	7,062	-	-	119,508	
131	Investments - Unrestricted	617,283	649,973	-	-	-	-	-	-	1,267,256	
142	Prepaid Expenses and Other Assets	8,064	-	-	-	-	-	-	-	8,064	
144	Interprogram Due From	5,252	68,279	-	-	-	-	-	(73,531)	-	
145	Assets held for sale	-	300,418	-	-	-	-	-	-	300,418	
150	TOTAL CURRENT ASSETS	2,850,295	1,493,981	3,343	4,607	53,267	7,062	550,254	(73,531)	4,889,278	
162	Buildings	562,711	-	-	-	-	-	-	-	562,711	
164	Furniture, Equipment and Machinery - Administration	369,069	-	-	-	-	-	-	-	369,069	
166	Accumulated Depreciation	(579,215)	-	-	-	-	-	-	-	(579,215)	
160	Total Fixed Assets, Net of Accumulated Depreciation	352,565	-	-	-	-	-	-	-	352,565	
180	TOTAL NONCURRENT ASSETS	352,565	-	-	-	-	-	-	-	352,565	
190	TOTAL ASSETS	\$ 3,202,860	\$ 1,493,981	\$ 3,343	\$ 4,607	\$ 53,267	\$ 7,062	\$ 550,254	\$ (73,531)	\$ 5,241,843	

Housing Authority of the City of Arlington, Texas

Financial Data Schedule - Statement of Net Position Accounts

Program Totals September 30, 2013

Line Item No.	Account Description	Housing Choice Vouchers 14.871	Business Activity	Shelter Plus Care 14.238	Supportive Housing Program 14.235	HOME Investment Partnerships Program 14.239	Emergency Shelter Grants Program 14.231	DHAP - IKE 14.IKE	Elimination	Total
312	Accounts Payable < = 90 Days	\$ 135,971	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 135,971
321	Accrued Wage/Payroll Taxes Payable	66,269	-	-	-	-	-	-	-	66,269
322	Accrued Compensated Absences - Current Portion	21,860	-	-	-	-	-	-	-	21,860
342	Unearned Revenues	58,129	-	-	-	-	-	-	-	58,129
345	Other Current Liabilities	227,816	-	-	-	-	-	-	-	227,816
347	Interprogram Due To	-	-	3,343	4,607	53,267	7,062	5,252	(73,531)	-
310	TOTAL CURRENT LIABILITIES	510,045	-	3,343	4,607	53,267	7,062	5,252	(73,531)	510,045
353	Noncurrent Liabilities - Other	76,261	-	-	-	-	-	-	-	76,261
354	Accrued Compensated Absences - Non Current	165,373	-	-	-	-	-	-	-	165,373
350	TOTAL NONCURRENT LIABILITIES	241,634	-	-	-	-	-	-	-	241,634
300	TOTAL LIABILITIES	751,679	-	3,343	4,607	53,267	7,062	5,252	(73,531)	751,679
508.1	Net investment in capital assets	352,565	-	-	-	-	-	-	-	352,565
511.1	Restricted Net Position	860,207	-	-	-	-	-	-	-	860,207
512.1	Unrestricted Net Position	1,238,409	1,493,981	-	-	-	-	545,002	-	3,277,392
513	TOTAL EQUITY/NET POSITION	2,451,181	1,493,981	-	-	-	-	545,002	-	4,490,164
600	TOTAL LIABILITIES AND NET POSITION	\$3,202,860	\$1,493,981	\$ 3,343	\$ 4,607	\$ 53,267	\$ 7,062	\$ 550,254	\$ (73,531)	5,241,843

Housing Authority of the City of Arlington, Texas

Financial Data Schedule - Statement of Revenue, Expenses and Changes in Net Position Accounts

Program Totals Year Ended September 30, 2013

Line Item No.	Account Description	Housing Choice Vouchers 14.871	Business Activity	Shelter Plus Care 14.238	Supportive Housing Program 14.235	HOME Investment Partnerships Program 14.239	Emergency Shelter Grants Program 14.231	DHAP - IKE 14.IKE	Elimination	Total
REVENUE:										
70600	HUD PHA Operating Grants	\$ 25,585,896	\$ -	\$ 199,404	\$ 253,031	\$ 344,531	\$ 66,300	\$ -	\$ -	\$ 26,449,162
71100	Investment Income - Unrestricted	10,974	-	-	-	-	-	240	-	11,214
71400	Fraud Recovery	9,156	-	-	-	-	-	-	-	9,156
71500	Other Revenue	1,652,325	12,665	-	-	-	-	53	-	1,665,043
72000	Investment Income - Restricted	869	200	-	-	-	-	-	-	1,069
700000	TOTAL REVENUE	27,259,220	12,865	199,404	253,031	344,531	66,300	293	-	28,135,644
EXPENSES:										
91100	Administrative Salaries	1,523,660	3,019	18,605	33,776	7,705	2,115	18,386	-	1,607,266
91200	Auditing Fees	38,600	-	-	-	-	-	-	-	38,600
91400	Advertising and Marketing	51	29	-	-	-	-	-	-	80
91500	Employee Benefit Contributions - administrative	531,976	408	3,226	4,580	1,512	-	6,075	-	547,777
91600	Office Expense	84,367	563	-	-	-	-	-	-	84,930
91700	Legal Expense	8,989	-	-	-	-	-	906	-	9,895
91000	Total Operating - Administrative	2,187,643	4,019	21,831	38,356	9,217	2,115	25,367	-	2,288,548
Tenant Services:										
92100	Tenant Services - Salaries	129,798	-	-	-	-	-	-	-	129,798
92300	Employee Benefit Contributions - Tenant Services	45,822	-	-	-	-	-	-	-	45,822
92500	Total Tenant Services	175,620	-	-	-	-	-	-	-	175,620
Utilities:										
93200	Electricity	70,230	-	-	-	-	-	-	-	70,230
93400	Fuel	9,299	-	-	-	-	-	-	-	9,299
93800	Other Utilities Expense	21,875	509	-	-	-	-	-	-	22,384
93000	Total Utilities	101,404	509	-	-	-	-	-	-	101,913
Ordinary Maintenance and Operation:										
94300	Ordinary Maintenance and Operations Contracts	20,275	-	-	-	-	-	-	-	20,275
94000	Total Maintenance	20,275	-	-	-	-	-	-	-	20,275

Housing Authority of the City of Arlington, Texas

Financial Data Schedule - Statement of Revenue, Expenses and Changes in Net Position Accounts

Program Totals Year Ended September 30, 2013

Line Item No.	Account Description	Housing Choice Vouchers 14,871	Business Activity	Shelter Plus Care 14,238	Supportive Housing Program 14,235	HOME Investment Partnerships Program 14,239	Emergency Shelter Grants Program 14,231	DHAP - IKE 14,IKE	Elimination	Total
96110	Property Insurance	1,184	-	-	-	-	-	-	-	1,184
96120	Liability Insurance	2,689	-	-	-	-	-	-	-	2,689
96140	All Other Insurance	3,519	-	-	-	-	-	-	-	3,519
96100	Total Insurance Premiums	7,392	-	-	-	-	-	-	-	7,392
96200	Other General Expenses	330,189	1,614	-	550	-	23,234	1,102	-	356,689
96210	Compensated Absences	21,860	-	-	-	-	-	-	-	21,860
96600	Bad Debt - Other	16,907	-	-	-	-	-	-	-	16,907
96000	Total Other General Expenses	368,956	1,614	-	550	-	23,234	1,102	-	395,456
96900	TOTAL OPERATING EXPENSES	2,861,290	6,142	21,831	38,906	9,217	25,349	26,469	-	2,989,204
97000	EXCESS REVENUE OVER OPERATING EXPENSES	24,397,930	6,723	177,573	214,125	335,314	40,951	(26,176)	-	25,146,440
97300	Housing Assistance Payments	23,862,586	-	177,573	214,125	335,314	40,951	-	-	24,630,549
97350	HAP Portability-In	1,432,366	-	-	-	-	-	-	-	1,432,366
97400	Depreciation Expense	65,139	-	-	-	-	-	-	-	65,139
90000	TOTAL EXPENSES	28,221,381	6,142	199,404	253,031	344,531	66,300	26,469	-	29,117,258
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$ (962,161)	\$ 14,477	\$ -	\$ -	\$ -	\$ -	\$ (33,930)	\$ -	\$ (981,614)
11030	Beginning Equity	3,413,342	1,479,504	-	-	-	-	578,932	-	5,471,778
11170-001	Administrative Fee Equity- Beginning Balance	2,159,569								
11170-010	Administrative Fee Revenue	2,056,267								
11170-021	FSS Coordinator Grant	162,702								
11170-040	Investment Income	10,974								
11170-045	Fraud Recovery Revenue	4,578								
11170-050	Other Revenue	1,547,225								
11170-060	Total Admin Fee Revenues	3,781,746								
11170-080	Total Operating Expenses	2,852,836								
11170-090	Depreciation	65,139								
11170-095	Housing Assistance Portability In	1,432,366								
11170-110	Total Expenses	4,350,341								
11170-002	Net Administrative Fee	(568,595)								
11170-003	Administrative Fee Equity- Ending Balance	1,590,974								
11170	Administrative Fee Equity	1,590,974	-	-	-	-	-	-	-	1,590,974
11180-001	Housing Assistance Payments Equity - Beginning Balance	1,253,773								1,253,773
11180-010	Housing Assistance Payment Revenues	23,366,927								23,366,927
11180-015	Fraud Recovery Revenue	4,578								4,578
11180-020	Other Revenue	105,100								105,100
11180-025	Investment Income	869								869
11180-030	Total HAP Revenues	23,477,474								23,477,474
11180-080	Housing Assistance Payments	23,862,586								23,862,586
11180-090	Other Expenses	8,454								8,454
11180-100	Total Housing Assistance Payments Expenses	23,871,040								23,871,040
11180-002	Net Housing Assistance Payments	(393,566)								(393,566)
11180-003	Housing Assistance Payments Equity-Ending Balance	860,207								860,207
11180	Housing Assistance Payments Equity	860,207	-	-	-	-	-	-	-	860,207
11190	Unit Months Available	43,752	-	87	264	540	48	-	-	44,691
11210	Unit Months Leased	43,222	-	87	253	540	48	-	-	44,150
	Ending Equity Balance	2,451,181	1,493,981	-	-	-	-	545,002	-	4,490,164

Housing Authority of the City of Arlington, Texas

**Schedule of Expenditures of Federal Financial Awards
Year Ended September 30, 2013**

	<u>Type</u>	<u>Federal CFDA #</u>	<u>Pass-Through Grantor's Identifying Number</u>	<u>Expenditures</u>
DIRECT AWARDS				
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Housing Choice Voucher Program	A - Major	14.871		\$ 25,585,896
Supportive Housing Program	B - Nonmajor	14.235		253,031
Shelter Plus Care Program	B - Nonmajor	14.238		<u>199,404</u>
TOTAL DIRECT AWARDS				<u>26,038,331</u>
PASS THROUGH AWARDS				
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
HOME Investment Partnerships Program	B - Nonmajor	14.239	MC-48-0212	344,531
Emergency Solutions Grant Program	B - Nonmajor	14.231	MC-48-0009	<u>66,300</u>
TOTAL PASS THROUGH AWARDS				<u>410,831</u>
TOTAL FEDERAL AWARDS				<u><u>\$ 26,449,162</u></u>

Note: The accompanying schedule of expenditures of federal awards includes the federal grant activity for the Housing Authority of the City of Arlington, Texas and is presented on the 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." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.