

# City of Des Moines, Iowa Municipal Housing Agency

Financial and Compliance Report  
Year Ended June 30, 2014



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## Independent Auditor's Report

To the Housing Services Board and the  
Honorable Mayor and Members of the City Council  
City of Des Moines, Iowa  
Des Moines, Iowa

### Report on the Financial Statements

We have audited the accompanying financial statements of the City of Des Moines, Iowa Municipal Housing Agency (Agency), an enterprise fund of the City of Des Moines, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Agency'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 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 City of Des Moines, Iowa Municipal Housing Agency as of June 30, 2014, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis Other Matter***

As discussed in Note 1, the financial statements present only the City of Des Moines, Iowa Municipal Housing Agency, an enterprise fund of the City of Des Moines, Iowa, and do not purport to, and do not, present fairly the financial position of the City of Des Moines, Iowa as of June 30, 2014, and the changes in its financial position and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis on pages 3 – 6 and the other postemployment benefit plan schedule of funding progress on page 18 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the City of Des Moines, Iowa Municipal Housing Agency. The accompanying schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards 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 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 December 5, 2014 on our consideration of the City of Des Moines, Iowa Municipal Housing Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Des Moines, Iowa Municipal Housing Agency's internal control over financial reporting and compliance.



Des Moines, Iowa  
December 5, 2014

**City of Des Moines, Iowa  
Municipal Housing Agency**

**Management's Discussion and Analysis  
Year Ended June 30, 2014**

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As management of the City of Des Moines, Iowa Municipal Housing Agency (the Agency), an enterprise fund of the City of Des Moines, Iowa, we offer readers of the Agency's financial statements this narrative overview and analysis of the financial activities of the Agency for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with the Agency's financial statements and the notes to the financial statements.

**Financial Highlights**

- The assets of the Agency exceeded its liabilities as of June 30, 2014, by \$19,813,912 (net position). Of this amount, \$819,626 represents unrestricted net position, which may be used to meet the Agency's ongoing obligations.
- The Agency's total net position decreased by \$1,989,199 during the year ended June 30, 2014.
- The Agency's total long-term liabilities decreased by \$26,302.

**Overview of the Financial Statements**

The statement of net position presents the assets, liabilities and net position of the Agency as of the end of the fiscal year and requires the classification of assets and liabilities into current and noncurrent categories. The difference between total assets and total liabilities is reflected in the net position section that reflects net position in three broad categories: net investment in capital assets; restricted; and unrestricted. Net position is one indicator of the current financial condition of the Agency, while the change in net position is one indicator of whether the overall financial condition of the Agency has improved or deteriorated during the year.

The statement of revenues, expenses and changes in net position presents the revenues and expenses that occurred during the fiscal year. Revenues and expenses are categorized as operating and nonoperating, and expenses are reported by natural classification.

The statement of cash flows presents the inflow and outflow of cash collected and disbursed by the Agency for the fiscal year. It separates the sources and uses of funds by the major categories of operating, capital and related financing, noncapital financing, and investing activities.

**City of Des Moines, Iowa  
Municipal Housing Agency**

**Management's Discussion and Analysis  
Year Ended June 30, 2014**

**Government-Wide Financial Analysis**

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. The Agency's net position has decreased from a year ago from \$21,803,111 to \$19,813,912.

Statement of Net Position

	<b>2014</b>	2013
<b>Assets:</b>		
Current and other assets	<b>\$ 9,597,902</b>	\$ 11,201,985
Capital assets	<b>11,778,477</b>	12,384,744
<b>Total assets</b>	<b>21,376,379</b>	23,586,729
<b>Liabilities</b>		
Current	<b>1,027,597</b>	1,222,446
Noncurrent	<b>534,870</b>	561,172
<b>Total liabilities</b>	<b>1,562,467</b>	1,783,618
<b>Net position:</b>		
Net investment in capital assets	<b>11,778,477</b>	12,384,744
Restricted	<b>7,215,809</b>	9,282,578
Unrestricted	<b>819,626</b>	135,789
<b>Total net position</b>	<b>\$ 19,813,912</b>	\$ 21,803,111

The Agency's net investment in capital assets is 59 percent and 57 percent in 2014 and in 2013, respectively of total net position. Restricted net position is 36 percent of total net assets for the 2014 fiscal year, and 43 percent for the 2013 fiscal year.

The decrease in total assets of \$2,210,350 from the 2013 fiscal year is due to a decrease in unrestricted and restricted cash as well as the continued depreciation of capital assets. The Agency used this cash to fund ongoing operations during the year.

Current liabilities have decreased \$194,849 from fiscal year 2013 due primarily to a decrease in construction in process payables. Noncurrent liabilities decreased \$26,302 due to decreases in postemployment benefits.

**City of Des Moines, Iowa  
Municipal Housing Agency**

**Management's Discussion and Analysis  
Year Ended June 30, 2014**

Statement of Revenues, Expenses and Changes in Net Position

	2014	2013
Operating revenues:		
Dwelling rental	\$ 1,234,545	\$ 1,097,587
Intergovernmental	17,901,651	18,677,807
Charges for services	433,609	310,134
<b>Total operating revenues</b>	<b>19,569,805</b>	<b>20,085,528</b>
Operating expenses:		
Personal services	3,733,963	3,965,809
Contractual services	16,908,518	17,485,820
Depreciation	1,688,801	1,703,122
<b>Total operating expenses</b>	<b>22,331,282</b>	<b>23,154,751</b>
<b>Operating (loss)</b>	<b>(2,761,477)</b>	<b>(3,069,223)</b>
Nonoperating revenues (expenses):		
Investment earnings	6,060	9,672
Housing assistance provided	-	(700,000)
Gain (loss) on sale of capital assets	159,276	(52,799)
<b>Nonoperating income (expenses)</b>	<b>165,336</b>	<b>(743,127)</b>
Capital grants	606,942	1,664,846
<b>Change in net position</b>	<b>(1,989,199)</b>	<b>(2,147,504)</b>
Net position, beginning	21,803,111	23,950,615
Net position, ending	<b>\$ 19,813,912</b>	<b>\$ 21,803,111</b>

Total revenue for fiscal year 2014 was \$20,342,083 and for 2013 was \$21,760,046. Operating revenues accounted for approximately 96 percent and 92 percent of total revenues for fiscal years 2014 and 2013, respectively. Operating revenues consist of dwelling rent, intergovernmental funding and charges for services.

Overall, intergovernmental operating revenues have decreased by \$776,156 from fiscal year 2013, due to a decrease in federal funding received by the Agency.

Operating expenses have decreased by \$823,469 from fiscal year 2013 due primarily to a decrease in contractual services.

**Capital Assets**

The Agency's capital assets were \$11,778,477, net of accumulated depreciation of \$30,279,658, as of June 30, 2014 and \$12,384,744, net of accumulated depreciation of \$29,522,000 as of June 30, 2013. This decrease of \$606,267 is due to the disposal of several properties during fiscal year 2014 owned by the Agency. Depreciation expense was \$1,688,801. Acquisition of equipment was \$1,420,077. Further information on capital assets can be found in Note 3 to the basic financial statements.

**City of Des Moines, Iowa  
Municipal Housing Agency**

**Management's Discussion and Analysis  
Year Ended June 30, 2014**

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**Long-Term Debt**

The Agency did not issue any new debt in the current year nor does the Agency have outstanding debt from prior years. Note 8 to the basic financial statements discloses information in regards to the Agency's noncurrent compensated absences and due to self-sufficiency participation liabilities.

**Economic Factors**

Revenue from intergovernmental sources was \$17,901,651 in 2014, a \$776,156 decrease from 2013, while revenues from other sources was \$2,440,432, a \$641,807 decrease from 2013.

The following are factors that may affect the Agency over the next few years:

- The Public Housing and Section 8 programs are federally funded by Housing and Urban Development. The funding from the prior year saw a decrease because of sequestration. If congress does not approve a new budget the agency could see another decrease in funding.
- The Agency has received a grant from the Iowa Finance Authority to start of a new program called Tenant Based Rental Assistance.
- The Agency is also looking into the possibility of doing tax credits in the near future.

**Requests for Information**

This financial report has been prepared to provide the reader with an overview of the Agency's financial operations. If the reader would like additional information, please direct the request to Doug Romig, Housing Director, 100 E. Euclid Avenue, Park Fair Mall, Suite 101, Des Moines, Iowa 50313.

**City of Des Moines, Iowa  
Municipal Housing Agency**

**Statement of Net Position  
June 30, 2014**

**Assets**

Current assets:

Cash and pooled cash investments	\$ 1,653,476
Restricted cash and cash equivalents	750,893
Due from other governmental units	544,229
Accounts receivable (net of allowance for doubtful accounts of \$160,006)	97,478
Inventories	67,148
Prepaid items	19,762
<b>Total current assets</b>	<u>3,132,986</u>

Noncurrent assets:

Capital assets:

Nondepreciable

Land	1,467,560
Construction in progress	1,710,084

Depreciable:

Buildings	31,595,174
Improvements other than buildings	5,846,153
Machinery and equipment	1,439,164

	<u>42,058,135</u>
Less accumulated depreciation	<u>30,279,658</u>

<b>Total capital assets</b>	<u>11,778,477</u>
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Restricted cash and cash equivalents	<u>6,464,916</u>
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<b>Total noncurrent assets</b>	<u>18,243,393</u>
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<b>Total assets</b>	<u>21,376,379</u>
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**Liabilities**

Current liabilities:

Accounts payable	314,386
Accrued payroll	43,672
Due to other funds of the City of Des Moines, Iowa	317,963
Compensated absences	234,937
Tenant security deposits	103,223
Unearned revenues	13,416

<b>Total current liabilities</b>	<u>1,027,597</u>
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Noncurrent liabilities:

Self-sufficiency participation	204,032
Compensated absences	177,504
Postemployment benefits	153,334

<b>Total noncurrent liabilities</b>	<u>534,870</u>
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<b>Total liabilities</b>	<u>1,562,467</u>
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**Net Position**

Investment in capital assets	11,778,477
Restricted for public housing program	6,464,916
Restricted for housing assistance payments	750,893
Unrestricted	819,626

<b>Total net position</b>	<u>\$ 19,813,912</u>
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See Notes to Financial Statements.

**City of Des Moines, Iowa  
Municipal Housing Agency**

**Statement of Revenues, Expenses and Change in Net Position  
Year Ended June 30, 2014**

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Operating revenues:	
Dwelling rental	\$ 1,234,545
Intergovernmental	17,901,651
Charges for services	433,609
<b>Total operating revenues</b>	<u>19,569,805</u>
Operating expenses:	
Personal services	3,733,963
Contractual services	16,908,518
Depreciation	1,688,801
<b>Total operating expenses</b>	<u>22,331,282</u>
<b>Operating (loss)</b>	<u>(2,761,477)</u>
Nonoperating revenues:	
Investment earnings	6,060
Gain on sale of capital assets	159,276
<b>Nonoperating revenue</b>	<u>165,336</u>
Capital grants	<u>606,942</u>
<b>Change in net position</b>	(1,989,199)
Net position, beginning	21,803,111
Net position, ending	<u>\$ 19,813,912</u>

See Notes to Financial Statements.

**City of Des Moines, Iowa  
Municipal Housing Agency**

**Statement of Cash Flows  
Year Ended June 30, 2014**

Cash flows from operating activities:	
Cash received from rents and operating grants	\$ 19,733,155
Cash paid to suppliers	(17,163,814)
Cash paid to employees	(3,663,693)
<b>Net cash (used in) operating activities</b>	<b>(1,094,352)</b>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(1,420,077)
Capital grants	606,942
Proceeds from the sale of capital assets	496,819
<b>Net cash (used in) capital and related financing activities</b>	<b>(316,316)</b>
Cash flows from investing activities, interest collected	6,060
<b>Net (decrease) in cash and cash equivalents</b>	<b>(1,404,608)</b>
Cash and cash equivalents, beginning	10,273,893
Cash and cash equivalents, ending	<u>\$ 8,869,285</u>
Reconciliation of operating (loss) to net cash (used in) operating activities:	
Operating (loss)	\$ (2,761,477)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:	
Depreciation	1,688,801
(Increase) decrease in:	
Accounts receivable	(56,753)
Due from other governmental units	234,539
Prepaid items	152
Increase (decrease) in:	
Accounts payable	(255,448)
Accrued payroll	(1,337)
Compensated absences	52,867
Postemployment benefits	18,740
Tenant security deposits	8,029
Self-sufficiency participation	(20,671)
Unearned revenue	(1,794)
<b>Net cash (used in) operating activities</b>	<b>\$ (1,094,352)</b>

See Notes to Financial Statements.

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**City of Des Moines, Iowa  
Municipal Housing Agency**

**Notes to Financial Statements**

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**Note 1. Nature of Business and Reporting Entity and Summary of Significant Accounting Policies**

**Nature of business:**

The City of Des Moines, Iowa Municipal Housing Agency (Agency) is an enterprise fund of the City of Des Moines, Iowa (City).

The purpose of the Agency is to administer the public housing programs authorized by the United States Housing Act of 1937, as amended. These programs are subsidized by the Federal Government through the U.S. Department of Housing and Urban Development (HUD). Such administrative directives, rules and regulations are subject to change by an act of Congress or administrative changes mandated by HUD. Such changes may occur with little notice and inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

**Reporting entity:**

The accompanying financial statements include only the City of Des Moines, Iowa Municipal Housing Agency, an enterprise fund of the City and are not intended to present fairly the financial position and changes in net position of the City of Des Moines, Iowa in conformity with generally accepted accounting principles.

The Agency is not a legally separate entity. The Agency is an enterprise fund and business-type activity of the City of Des Moines, Iowa (the primary government) and the City assumes all rights, titles, interests, duties, covenants, obligations and liabilities of the Agency. Management decisions are the responsibility of the City Council, designated City employees and a seven member advisory board.

**Summary of significant accounting policies:**

Basis of accounting and measurement focus: The economic measurement focus and the accrual basis of accounting is used by the Agency. Under the accrual basis of accounting, revenue is recognized when earned and expenses are recognized when the liability has been incurred. Under this basis of accounting, all assets and all liabilities associated with the operation of the Agency are included in the statement of net position.

Proprietary fund type: The City of Des Moines, Iowa Municipal Housing Agency is a proprietary fund type. Proprietary funds are used to account for a government's business-type activities, which are similar to those often found in the private sector. The measurement focus is based upon income determination, financial position and cash flows.

Accounting 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 amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents: For purposes of reporting cash flows, the Agency considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

The balance reported represents the Agency's equity interest in the commingled pooled case of the City.

**City of Des Moines, Iowa  
Municipal Housing Agency**

**Notes to Financial Statements**

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**Note 1. Nature of Business and Reporting Entity and Summary of Significant Accounting Policies (Continued)**

Investments are reported at fair value. Securities traded on the national or international exchange are valued at the last reported sales price at current exchange rates. The cash and pooled cash equivalents consisted of checking accounts and savings accounts for the current year.

Inventories: Inventories are stated at cost and recorded as an expense at the time they are relieved from inventory for use. Inventories are valued on the first-in, first-out basis.

Compensated absences: Agency employees participate in benefit plans offered by the City of Des Moines, Iowa and, accordingly, accumulate vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. Sick leave is payable when used, or upon death or retirement. If paid upon death or retirement, the total accumulated hours are paid at one-half of the then effective hourly rate for that employee. These compensated absences are accrued as a liability as they are earned.

Capital assets: Capital assets are defined by the Agency as assets with an initial, individual cost of more than \$500 and an initial useful life of one year or greater. All appliances are capitalized regardless of threshold as required by HUD. Capital assets of the Agency are stated at cost. Depreciation has been provided using the straight-line method over the estimated useful lives, as follows:

Buildings	40 years
Building improvements	10 years
Improvements other than buildings	10-15 years
Machinery and equipment	3-10 years

Due to other funds: Due to other funds of the City of Des Moines, Iowa results from the time lag between the dates that interfund services are provided and payment between the Agency and the City of Des Moines, Iowa occur.

Operating and nonoperating revenues and expenses: Operating revenues result from exchange transactions of housing agency activities. Nonoperating revenues result from nonexchange transactions such as investment earnings and capital grants. Expenses associated with operating the housing agency are considered operating.

Net position: Net position represent the difference between assets and liabilities. Investment in capital assets, consists of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the Agency first applies restricted resources.

**City of Des Moines, Iowa  
Municipal Housing Agency**

**Notes to Financial Statements**

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**Note 2. Cash and Pooled Cash Equivalents**

As of June 30, 2014, the Agency's deposits consisted of checking accounts and savings accounts. The Agency had no investments.

The Agency follows the City of Des Moines, Iowa's investment policy.

Authorized investments: The Agency is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved pursuant to Chapter 12C, Code of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. The Agency's deposits may be invested in the following HUD approved investments: direct obligations of the federal government backed by full faith and credit of the United States; obligations of government agencies; securities of government sponsored agencies; demand, savings deposits and time deposits and repurchase agreements.

However, the City's investment policy additionally limits investments in commercial paper to obligations at the time of purchase rated within the two highest ratings, issued by nationally recognized statistical rating organizations with a maturity less than 270 days, provided that at the time of purchase no more than 10 percent of the investment portfolio be invested in commercial paper and no more than 5 percent of the investment portfolio shall be invested in securities of a single issuer. It also limits investments in prime bankers' acceptances to those that mature within 270 days and that are eligible for purchase by a federal reserve bank, provided that at the time of purchase no more than 5 percent of the investment portfolio shall be invested in the securities of a single issuer.

Custodial credit risk: Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

As of June 30, 2014, the carrying amount of the Agency's deposits was \$8,869,285 and the bank balance was \$9,152,472 which was entirely covered by federal depository insurance or by a multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the members of the pool to ensure there will be no loss of public funds.

**City of Des Moines, Iowa  
Municipal Housing Agency**

**Notes to Financial Statements**

**Note 3. Capital Assets**

The following is a summary of changes in capital assets for the year ended June 30, 2014:

	June 30, 2013	Additions	Retirements	June 30, 2014
Nondepreciable assets:				
Land	\$ 1,467,560	\$ -	\$ -	\$ 1,467,560
Construction in progress	1,524,600	601,709	(416,225)	1,710,084
	<u>2,992,160</u>	<u>601,709</u>	<u>(416,225)</u>	<u>3,177,644</u>
Depreciable assets:				
Buildings	31,633,846	1,230,014	(1,268,686)	31,595,174
Improvements other than buildings	5,846,153	-	-	5,846,153
Machinery and equipment	1,434,585	4,579	-	1,439,164
<b>Total depreciable assets</b>	<u>38,914,584</u>	<u>1,234,593</u>	<u>(1,268,686)</u>	<u>38,880,491</u>
Less accumulated depreciation for:				
Buildings	22,731,133	1,575,123	(931,143)	23,375,113
Improvements other than buildings	5,536,961	73,932	-	5,610,893
Machinery and equipment	1,253,906	39,746	-	1,293,652
<b>Total accumulated depreciation</b>	<u>29,522,000</u>	<u>1,688,801</u>	<u>(931,143)</u>	<u>30,279,658</u>
<b>Capital assets, net</b>	<u>\$ 12,384,744</u>	<u>\$ 147,501</u>	<u>\$ (753,768)</u>	<u>\$ 11,778,477</u>

**Note 4. Forgivable Loans**

The Home Ownership Program (5H) is intended to provide affordable home acquisition loans to eligible low-income families wishing to purchase designated single-family scattered site homes offered by the Agency. The homes are sold at fair value and are financed by conventional loans by area financial institutions. The down payment is financed by the Agency with a forgivable interest free loan to the purchasers. A portion of the loan is forgiven upon closing with the balance being forgiven over the next seven years. If the purchaser defaults on the terms of the forgivable loan, it will become due at the time of default with interest.

As of June 30, 2014, the unforgiven portion of forgivable loans was \$414,810. This amount is fully reserved as of June 30, 2014 as the Agency does not anticipate collection.

**Note 5. Pension Plan**

The Agency contributes, with other funds of the City, to the Iowa Public Employees Retirement System (IPERS) which is a cost sharing, multiple-employer defined benefit pension plan administered by the state of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.95 percent of their annual covered salary and the Agency is required to contribute 8.93 percent of annual covered payroll. Contribution requirements are established by state statute. The Agency's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 was \$197,327, \$220,994 and \$206,638, respectively, which was equal to the required contribution for each year.

**City of Des Moines, Iowa  
Municipal Housing Agency**

**Notes to Financial Statements**

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**Note 6. Deferred Compensation**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code, Section 457. The plan, available to all City employees, permits an employee to defer a portion of his or her compensation until future years. This deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

In accordance with Federal legislation (the Small Business and Wage Protection Act of 1996), the City has confirmed or established trust arrangements for all of the assets in the plan, to ensure those assets are protected and used exclusively for plan participants and beneficiaries. As a result of these arrangements, the deferred compensation plan is not reported in the Agency's financial statements.

**Note 7. Postretirement Benefits**

Plan description: The City sponsors a single-employer health care plan that provides medical, prescription drugs and dental benefits to all active and retired employees and their eligible dependents. Employees who have attained age 55 and retire from active employment are eligible for retiree benefits. Eligible retirees and their dependents receive medical and prescription coverage through a fully insured plan with Wellmark BCBS and dental benefits through a self-insured plan. These are the same plans that are available for active employees.

Contributions are required for both retiree and dependent coverage. The contributions for each insured group is assumed to be the expected, composite per capita cost for the group. This composite is then disaggregated into an age-specific starting cost curve based on the average age of the group and for assumptions for age-based morbidity. The average age of the pre-65 retiree group is 59. Retiree expenses are then offset by monthly contributions. The City does not issue a publicly available financial report for the OPEB plan.

Funding policy: The City of Des Moines establishes and amends contribution requirements.

The current funding policy of the City is to pay health insurance premiums as they occur. This arrangement does not qualify as other post employment benefits (OPEB) plan assets under Governmental Accounting Standards Board (GASB) Statement No. 45 for current GASB reporting.

The required contribution is based on projected pay-as-you-go financing. For fiscal year 2014, the Agency contributed \$7,413.

Annual OPEB Cost and Net OPEB Obligation: The City's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance to the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for the year as it pertains to the City of Des Moines, Iowa Municipal Housing Agency enterprise fund, the amount actuarially contributed to the plan, and changes in the Agency's annual OPEB obligation:

Annual required contribution	\$ 28,359
Interest on net OPEB obligation	6,057
Adjustment to annual required contribution	(8,263)
Annual OPEB cost (expense)	<u>26,153</u>
Contributions and payments made	<u>(7,413)</u>
Increase in net OPEB obligation	18,740
Net OPEB obligation, July 1, 2013	134,594
Net OPEB obligation, June 30, 2014	<u><u>\$ 153,334</u></u>

**City of Des Moines, Iowa  
Municipal Housing Agency**

**Notes to Financial Statements**

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**Note 7. Postretirement Benefits (Continued)**

The Agency's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2014 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$ 28,019	24.32%	\$ 119,029
June 30, 2013	28,973	46.28	134,594
June 30, 2014	26,153	28.34	153,334

Funded status and funding progress: As of July 1, 2013, the most recent actuarial valuation date, the plan was 0 percent funded. The Agency's portion of the City's actuarial accrued liability for benefits was \$216,994 and the actuarial value of assets is none resulting in an unfunded actuarial accrued liability (UAAL) of \$216,994. The covered payroll (annual payroll of active employees covered by the plan) was \$3,148,496 and the ratio of the UAAL to the covered payroll was 6.9 percent.

Actuarial estimates of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about the future employment, mortality and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial methods and assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and included the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspectives of the calculations.

In the July 1, 2013 actuarial valuation, project unit credit method was used. The actuarial assumptions included a 4.5 percent discount rate, an annual inflation rate of 3 percent and an annual health care cost trend rate of 9.0 percent reduced by decrements of .5 percent annually to an ultimate rate of 5 percent for medical and prescription costs for dental and related administrative costs. The UAAL is being amortized as an open level dollar. The amortization of UAAL is done over a period of 30 years.

**City of Des Moines, Iowa  
Municipal Housing Agency**

**Notes to Financial Statements**

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**Note 8. Noncurrent Liabilities**

The following is a summary of changes in noncurrent liabilities for the year ended June 30, 2014:

	June 30, 2013	Additions	Decreases and Payments	June 30, 2014	Amount Due in One Year
Compensated absences including sick leave	\$ 359,574	\$ 109,201	\$ 56,334	\$ 412,441	\$ 234,937
Due to self-sufficiency participation	\$ 224,703	\$ 326,258	\$ 346,929	\$ 204,032	\$ -

The Agency participates in the HUD family self-sufficiency program where families work toward self sufficiency goals over a 5-year period. When the family completes its contract, they become eligible to receive the self-sufficiency participation funds deposited into an escrow account on their behalf. The above liabilities will be liquidated with resources available from the Agency's operations.

**Note 9. Risk Management**

The City is self-insured for medical benefits. The Agency makes monthly contributions to the City's Self Insurance Fund for medical claims based on a budgeted per-member amount. Any unpaid claims, or incurred but not reported claims, are a liability of the Self Insurance Fund.

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Agency carries commercial insurance for risks. The Agency contracts with reputable carriers and utilizes deductibles ranging from \$250 to \$2,500.

Settled claims have not exceeded available coverage in the past three years. There has been no significant reduction in insurance coverage from the prior year.

**Note 10. Contingencies**

The Agency is involved in various legal actions arising in the ordinary course of business. The Agency is vigorously contesting these legal actions and, in the opinion of the City Legal Counsel, the Agency has adequate legal defenses with respect to these actions and does not believe that they will materially affect the Agency's financial position.

**City of Des Moines, Iowa  
Municipal Housing Agency**

**Notes to Financial Statements**

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**Note 11. New Pronouncements**

The GASB has issued several statements not yet implemented by the Agency. The Statements which will impact the Agency are as follows:

- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, issued June 2012, will be effective for the Agency beginning with its year ending June 30, 2015. This Statement replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and GASB Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. This Statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information.
- GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, issued January 2013, will be effective for the Agency beginning with its year ending June 30, 2015. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This Statement provides guidance for: determining whether a specific government combination is a government merger, a government acquisition, or a transfer of operations; using carrying values (generally, the amounts recognized in the pre-combination financial statements of the combining governments or operations) to measure the assets, deferred outflows of resources, liabilities, and deferred inflows of resources combined in a government merger or transfer of operations; measuring acquired assets, deferred outflows of resources, liabilities, and deferred inflows of resources based upon their acquisition values in a government acquisition; and reporting the disposal of government operations that have been transferred or sold.
- GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*, issued November 2013, will be effective for the Agency beginning with its year ending June 30, 2015. This Statement eliminates a potential source of understatement of restated beginning net position and expense in a government's first year of implementing GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. To correct this potential understatement, Statement 71 requires a state or local government, when transitioning to the new pension standards, to recognize a beginning deferred outflow of resources for its pension contributions made during the time between the measurement date of the beginning net pension liability and the beginning of the initial fiscal year of implementation. This amount will be recognized regardless of whether it is practical to determine the beginning amounts of all other deferred outflows of resources and deferred inflows of resources related to pensions.

The Agency has not yet determined the impact this Statement will have on the financial statements.

**City of Des Moines, Iowa  
Municipal Housing Agency**

**Required Supplementary Information  
Other Postemployment Benefit Plan**

**SCHEDULE OF FUNDING PROGRESS**

Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Net Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Over-funded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
<b>2014</b>	<b>07/01/2013</b>	\$ -	\$ <b>216,994</b>	\$ <b>216,994</b>	- %	\$ <b>3,148,496</b>	<b>6.9%</b>
2013	07/01/2011	-	212,953	212,953	-	3,669,424	5.8
2012	07/01/2011	-	212,953	212,953	-	3,693,768	5.8

The information presented in the required supplementary schedule was determined as part of the actuarial valuation as of July 1, 2013. Additional information follows:

1. The cost method used to determine the ARC is the Projected Unit Credit Actuarial Cost method.
2. There are no plan assets.
3. Economic assumptions are as follows: health care cost trend rates of 5.0-9.0 percent; discount rate of 4.5 percent.
4. The amortization method is open, level dollar.
5. Inflation rate of 3% per year.

**City of Des Moines, Iowa  
Municipal Housing Agency**

**Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2014**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Housing and Urban Development		
Direct Programs:		
Public and Indian Housing	14.850	\$ <u>821,914</u>
Lower Income Housing Assistance Program Moderate Rehabilitation	14.856	<u>101,860</u>
Section 8 Housing Choice Vouchers	14.871	<u>16,685,809</u>
CFP Cluster:		
Public Housing Capital Fund	14.872	40,895
Public Housing Capital Fund - Operations	14.872	<u>563,393</u>
		<u>604,288</u>
Resident Opportunity and Support Services	14.870	<u>80,251</u>
Public and Indian Housing Family Self-Sufficiency Program under the Resident Opportunity and Self-Sufficiency Program	14.877	<u>69,000</u>
Home Investment Partnership Program	14.239	<u>142,817</u>
<b>Total federal awards expended</b>		<u><u>\$ 18,505,939</u></u>

See Notes to Schedule of Expenditures of Federal Awards.

**City of Des Moines, Iowa  
Municipal Housing Agency**

**Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2014**

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**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Des Moines, Iowa Municipal Housing Agency, an enterprise fund of the City of Des Moines, Iowa, for the year ended June 30, 2014. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies expended during the year is included in the schedule. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the fund's financial statements.

**Note 2. Significant Accounting Policies**

Revenue from federal awards is recognized when earned and expenses are recognized when the liability has been incurred. Such expenses are recognized following the cost principles contained in OMB Circular A-87, wherein certain types of expenses are not allowable or are limited as to reimbursement.

**City of Des Moines, Iowa  
Municipal Housing Agency**

**Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2014**

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Finding Number	Comment	Status
2013-1	The Agency had unrecorded revenue and expenditures, construction in progress and accounts payable related to a federal program that resulted in a significant adjustment to the financial statements and Schedule of Expenditures of Federal Awards (SEFA) to comply with accounting principles generally accepted in the United States of America.	Corrected



**Report on Internal Control Over Financial Reporting and  
on Compliance and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance with  
Government Auditing Standards**

**Independent Auditor's Report**

To the Housing Services Board and the  
Honorable Mayor and Members of the City Council  
City of Des Moines, Iowa  
Des Moines, Iowa

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 City of Des Moines, Iowa Municipal Housing Agency (Agency), an enterprise fund of the City of Des Moines, Iowa, as of and for the year ended June 30, 2014, and have issued our report thereon dated December 5, 2014.

Our report includes an emphasis of matter that the financial statements of the Agency are intended to present the financial position and the change in financial position of the Agency. They do not purport to, and do not, present fairly the financial position of the City of Des Moines, Iowa as of June 30, 2014, or the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Agency'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 Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

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

Our consideration of internal control 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 Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

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

The image shows a handwritten signature in cursive script that reads "McGladrey LLP". The signature is written in black ink and is positioned above the typed name and date.

Des Moines, Iowa  
December 5, 2014



**Report on Compliance For Each Major Federal Program and  
Report on Internal Control Over Compliance  
Required by OMB Circular A-133**

**Independent Auditor's Report**

To the Housing Services Board and the  
Honorable Mayor and Members of the City Council  
City of Des Moines, Iowa  
Des Moines, Iowa

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

We have audited the City of Des Moines, Iowa Municipal Housing Agency's (Agency), an enterprise fund of the City of Des Moines, Iowa, 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 Agency's major federal programs for the year ended June 30, 2014. The Agency'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 Agency'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 types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Agency'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 Agency's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Agency 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 for the year ended June 30, 2014.

## **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular No. A-133 and which is described in the accompanying schedule of findings and questioned costs in finding 2014-001. Our opinion on each major federal program is not modified with respect to this matter.

## **City of Des Moines, Iowa Municipal Housing Agency's Response to Findings**

The Agency's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Agency's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly we express no opinion on the response.

## **Report on Internal Control Over Compliance**

Management of the Agency 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 Agency'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 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 Agency's internal control over compliance.

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

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

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



Des Moines, Iowa  
December 5, 2014

**City of Des Moines, Iowa  
Municipal Housing Agency**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2014**

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**I. 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 deficiency(ies) identified?  Yes  None Reported
- . Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major programs:

- . Material weakness(es) identified?  Yes  No
- . Significant deficiency(ies) identified?  Yes  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 Section 510(a) of Circular A-133?  Yes  No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
14.871	Section 8 Housing Choice Vouchers

Dollar threshold used to distinguish between type A and type B programs: \$555,178

Auditee qualified as low-risk auditee?  Yes  No

(Continued)

City of Des Moines, Iowa  
Municipal Housing Agency

Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2014

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**II. Findings Relating to the Financial Statement Audit as Required to be Reported in Accordance with Generally Accepted Government Auditing Standards**

**A. Internal Control**

No matters reported.

**B. Compliance Findings**

No matters reported.

**III. Findings and Questioned Costs for Federal Awards**

**A. Internal Control**

No matters reported.

**B. Compliance Findings**

**2014-001**

**U.S. Department of Housing and Urban Development (Direct)  
Section 8 Housing Choice Vouchers (CFDA 14.871)  
Award Year: 2013 – 2014**

Finding: The Agency incorrectly applied a 2 bedroom payment standard instead of the correct 1 bedroom payment standard to one tenant for an 8-month period.

Criteria: Per e-CFR Title 24: Housing and Urban Development Subtitle B Chapter IX Part 982 Subpart K Section 982.503, the PHA must adopt a payment standard schedule that establishes voucher payment standard amounts for each FMR area in the PHA jurisdiction. For each FMR area, the PHA must establish payment standard amounts for each "unit size" (measured by number of bedrooms). Rent payment standards are set by the Municipal Housing Governing Board of the City of Des Moines. Effective November 1, 2012, the payment standard for a 1 bedroom is \$560 compared to \$675 for a 2 bedroom unit.

Condition and Context: Due to an administrative oversight, one tenant received an improper payment standard out of the 25 tested.

Effect: Potential loss or reduction of grant funding.

Cause: The Agency did not properly allocate one tenant payment due to an administrative oversight.

Questioned Costs: \$840

Recommendation: We recommend the Agency ensure the correct payment standard is being used for each tenant.

Response and Corrective Action Plan: The Agency will continue to apply applicable payment standards and is evaluating the need for a secondary review procedure.

**City of Des Moines, Iowa  
Municipal Housing Agency**

**Corrective Action Plan  
Year Ended June 30, 2014**

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Current Number	Comment	Corrective Action Plan	Anticipated Date of Completion	Contact Person
2014-001	The Agency incorrectly applied a 2 bedroom payment standard instead of the correct 1 bedroom payment standard to one tenant for an 8-month period.	See response and corrective action plan at 2014-001.	June 30, 2015	Scott Littell

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