

# FINANCIAL REPORTING ISSUES FOR HOUSING AUTHORITIES

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Entity Determination in Accordance with GASB Statement 14

Prepared by Georgia Department of Audits and Accounts

## **Entity: Housing Authorities**

### **QUESTION:**

Are Housing Authorities component units of municipal corporations?

### **CRITERIA:**

#### **Legally Separate:**

Housing authorities were created by legislative act in each city and each county as a public body corporate and politic [OCGA 8-3-4 & 8-3-30]. The authorities are "activated" by action of the city or county governing body. They are created for the purpose of providing safe and sanitary dwelling accommodations for persons of low income.

#### **Voting Majority Board:**

The mayor or governing body appoints the commissioners of the authority, which consist of at least one "resident" commissioner [OCGA 8-3-50].

#### **Imposition of Will:**

There is no evidence that the city or county can influence or control the operations and decisions of the authority. The authority does not operate for profit and the statutes do not entitle the authority to receive financial assistance from the city or county.

Other items in the statutes indicate that the authority operates independently and without imposition of will by the municipal corporation as outlined in GASB 2100.125:

The authority has the powers necessary to prepare, carry out, acquire, lease, and operate housing projects; to sue and be sued; to incorporate one or more nonprofit corporations as subsidiary corporations of the authority; and generally, to carry out and effectuate the purposes and provisions of the laws creating the authorities [OCGA 8-3-30].

The authority may employ a secretary, technical experts, and such other officers, agents, and employees, permanent and temporary, as it may require; and it may determine their qualifications, duties, and compensations [OCGA 8-3-51 (c)].

Commissioners may only be removed by the governing body of the city or county for inefficiency or neglect of duty or misconduct in office [OCGA 8-3-53].

**Financial Benefit/Burden:**

There is nothing in the statutes that would create a financial benefit or burden between the authority and municipal corporation.

OCGA 8-3-30 (a)(10) provides for the assets of any subsidiary corporation of the authority to revert to the city of the county, as applicable, upon dissolution of the subsidiary corporation (failing reversion to the authority or to any successor to the authority). However, "a residual interest in the net assets of an organization in the event of dissolution is not equivalent to being entitled to its resources" [GASB 2100.128].

Debts of the authority are not considered debts of the city/county [OCGA 8-3-71].

**CONCLUSION:**

The Housing Authorities are related organizations [GASB 2600.131] and should be disclosed as such in the notes. The city/county appoints the authority's governing board but is not financially accountable for the authority. There is no indication that the city/county can impose its will on the authority. Removal of the authority's commissioners is not at the discretion of the city/county; they can only be removed for just cause. The city/county is not entitled to receive profits or income from the authority and is not obligated for its debts.