

**Housing Authority of the
TOWN OF INDEPENDENCE**
Independence, Louisiana

**Annual Financial Report
As of and for the Year Ended September 30, 2018**

HOUSING AUTHORITY OF THE TOWN OF INDEPENDENCE

Independence, Louisiana
Basic Financial Statements

As of and for the Year Ended September 30, 2018
With Supplemental Information Schedules

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the Town of Independence
Independence, Louisiana

Report on the Financial Statements

I have audited the accompanying financial statements of the Housing Authority of the Town of Independence (the authority) as of and for the year ended September 30, 2018, and the related notes to the financial statements, which comprise the Authority'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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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, I 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.

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Independence, Louisiana

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I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly in all material respects, the respective financial position of the Housing Authority of the Town of Independence as of September 30, 2018, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's discussion and analysis* as listed in the table of contents 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the authority's basic financial statements. The Financial Data Schedule and the Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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Independence, Louisiana

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The Financial Data Schedule and the Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer 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 my opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Compensation of Board Members has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated April 11, 2019 on my consideration of the authority's internal control over financial reporting and on my 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 my 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 the authority's internal control over financial reporting and compliance.

William Daniel McCaskill

William Daniel McCaskill, CPA
A Professional Accounting Corporation

April 11, 2019

HOUSING AUTHORITY OF INDEPENDENCE, LA

REQUIRED SUPPLEMENTAL INFORMATION

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

September 30, 2018

The management of Housing Authority of Independence, LA presents the following discussion and analysis (MD&A) of the Housing Authority's financial activities for the fiscal year ending September 30, 2018. This represents an overview of financial information. Please read this discussion and analysis in conjunction with the Authority's included audited financial statements.

FINANCIAL HIGHLIGHTS

- The primary source of funding for these activities continues to be subsidies and grants from the Department of Housing and Urban Development (HUD), whereas tenant rentals provide a secondary but also significant source of funding.
- The Housing Authority's assets exceeded its liabilities by \$359,333 at the close of the fiscal year ended 2018.
 - ✓ Of this amount \$281,665 represents a restriction equal to the net amount invested in land, buildings, furnishings, leasehold improvements, equipment, and construction in progress, minus associated debts.
 - ✓ The remainder of \$77,668 of unrestricted assets could be used to meet the Housing Authority's ongoing obligations to citizens and creditors. As a measure of financial strength, this amount equals 25% of the total operating expenses of \$314,874 for the fiscal year 2018, which means the Authority might be able to operate about 2 months using the unrestricted assets alone, compared to 2 months in the prior fiscal year.
- The Housing Authority's total net position increased by \$4,523, a 1% increase from the prior fiscal year 2017.
- The increase in net position of these funds was accompanied by an increase in unrestricted cash by \$1,440 from fiscal year 2017.
- These changes led to a decrease in total assets by \$56,863 and a decrease in total liabilities by \$23,629. As related measure of financial health, there are still over \$3 of current assets covering each dollar of total current liabilities, which compares to \$2 covering the prior fiscal year's liabilities.
- The Housing Authority continues to operate without the need for debt borrowing.

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the Housing Authority's basic financial statements. The Housing Authority is a special-purpose government engaged in business-type activities. Accordingly, only fund financial statements are presented as the basic financial statements, comprised of two components: (1) fund financial statements and (2) a series of notes to the financial statements. These provide information about the activities of the Housing Authority as a whole and present a longer-term view of the Housing Authority's finances. This report also contains other supplemental information in addition to the basic financial statements themselves demonstrating how projects funded by HUD have been completed, and whether there are inadequacies in the Authority's internal controls.

Reporting on the Housing Authority as a Whole

One of the most important questions asked about the Authority's finances is, "Is the Housing Authority as a whole better off, or worse off, as a result of the achievements of fiscal year 2018?" The Statement of net position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the Housing Authority as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Fund Financial Statements

The authority accounts for all financial activity in a single enterprise fund. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Housing Authority, like other enterprises operated by state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Housing Authority's financial statements report its net position and changes in net position. One can think of the Housing Authority's net position – the difference between assets and liabilities – as one way to measure the Authority's financial health, or financial position. Over time, increases and decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. One will need to consider other non-financial factors, however, such as the changes in the Authority's occupancy levels or its legal obligations to HUD, to assess the overall health of the Housing Authority.

USING THIS ANNUAL REPORT

The Housing Authority's annual report consists of financial statements that show combined information about the Housing Authority's most significant programs:

Public Housing Capital Fund Program	\$ 40,767
Low Rent Public Housing	<u>151,396</u>
Total funding received this current fiscal year	<u><u>\$ 192,163</u></u>

The Housing Authority's auditors provided assurance in their independent auditors' report with which this MD&A is included, that the basic financial statements are fairly stated. The auditors provide varying degrees of assurance regarding the other information included in this report. A user of this report should read the independent auditors' report carefully to determine the level of assurance provided for each of the other parts of this report.

FINANCIAL ANALYSIS

The Housing Authority's net position was \$359,333 as of September 30, 2018. Of this amount, \$281,665 was invested in capital assets and \$77,668 was unrestricted. No other specific Assets are restricted. Also, there are no other restrictions on general net position.

CONDENSED FINANCIAL STATEMENTS

**Condensed Statement of Net Position
 As of September 30, 2018**

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets	\$ 124,926	\$ 118,231
Assets restricted for Housing Choice Voucher (HCV) program	-	20,375
Capital assets, net of depreciation	<u>281,665</u>	<u>324,848</u>
Total assets	<u>406,591</u>	<u>463,454</u>
LIABILITIES		
Current liabilities	43,249	59,788
Non-current liabilities	<u>4,009</u>	<u>11,099</u>
Total liabilities	<u>47,258</u>	<u>70,887</u>
NET POSITION		
Invested in capital assets, net of depreciation	281,665	324,848
Net position restricted for the Housing Choice Voucher program	-	20,375
Unrestricted net position	<u>77,668</u>	<u>47,344</u>
Total net position	<u>\$ 359,333</u>	<u>\$ 392,567</u>

The net position of these funds increased by \$4,523, or by 1%, from those of fiscal year 2017, as explained below. In the narrative that follows, the detail factors causing this change are discussed:

CONDENSED FINANCIAL STATEMENTS (Continued)

**Condensed Statement of Revenues, Expenses, and Changes in Fund Net Position
 Fiscal Year Ended September 30, 2018**

	<u>2018</u>	<u>2017</u>
OPERATING REVENUES		
Tenant Revenue	\$ 122,118	\$ 117,109
HUD grants for operations	192,163	371,660
Other non-tenant revenue	-	3,976
Total operating revenues	<u>314,281</u>	<u>492,745</u>
OPERATING EXPENSES		
General	32,044	53,005
Ordinary maintenance and repairs	119,705	118,465
Administrative expenses and management fees	75,651	145,583
Utilities	39,459	34,166
Protective services	4,833	3,828
Tenant services	-	124
Federal Housing Assistance Payments (HAP) to landlords & Ports	-	151,770
Depreciation	43,182	48,918
Total operating expenses	<u>314,874</u>	<u>555,859</u>
Income (losses) from operations	<u>(593)</u>	<u>(63,114)</u>
NON-OPERATING REVENUES		
Interest income	32	137
Miscellaneous revenues	5,084	1,686
Total non-operating revenues	<u>5,116</u>	<u>1,823</u>
Income (losses) before capital contributions	4,523	(61,291)
Special items	<u>(37,757)</u>	<u>-</u>
CAPITAL CONTRIBUTIONS	-	65,849
CHANGES IN NET POSITION	<u>(33,234)</u>	<u>4,558</u>
NET POSITION - BEGINNING	392,567	388,009

EXPLANATIONS OF FINANCIAL ANALYSIS

Compared with the prior fiscal year, total operating and capital contributions decreased \$240,829 from a combination of larger offsetting factors. Reasons for most of this change are listed below:

- Total tenant revenue increased by \$5,009 from that of the prior fiscal year because the amount of rent each tenant pays is based on a sliding scale of their personal income. Included in this total is other tenant revenues (such as fees collected from tenants for late payment of rent, damages to their units, and other assessments) which decreased by \$3,976.
- Federal revenues from HUD for operations decreased by \$179,497 from that of the prior fiscal year. The authority transferred its HCV program to another agency. This is the primary reason for this decrease.
- Federal Capital Funds from HUD decreased by \$65,849 from that of the prior fiscal year. The Housing Authority was still in the process of completing projects funded from grants by HUD for fiscal years 2016 through 2017, and submitted a new grant during fiscal year 2018.
- Total other operating revenue increased by \$3,484 and interest income decreased by \$10 from the prior fiscal year.

Compared with the prior fiscal year, total operating expenses decreased \$240,985, or by 43%, but this also was made up of a combination of offsetting factors. Again, reasons for most of this change are listed below:

- Depreciation expense decreased by \$5,736 from that of the prior fiscal year.
- Maintenance and repairs increased by \$1,240 from that of the prior fiscal year due to changes in the following: Repair staff wages decreased by \$846 and related employee benefit contributions decreased by \$1,246. Materials used increased by \$5,376 and contract labor costs decreased by \$2,044.
- General Expenses decreased by \$20,961 from that of the prior fiscal year. Payments in lieu of taxes (PILOT) increased by \$115. PILOT is calculated as a percentage of rent minus utilities and therefore changed proportionately to the changes in each of these. Insurance premiums decreased by \$7,962 and other general expenses decreased by \$156. Lastly, compensated absences decreased by \$6,105.
- Administrative Expenses decreased by \$69,932 from that of the prior fiscal year due to a combination of factors. Administrative staff salaries decreased by \$51,374 and related employee benefit contributions decreased by \$18,863; therefore, total staff salaries and benefit costs decreased. Outside professional fees changed as follows: audit fees increased by \$337 management fees paid to outside consultants increased by \$23,735 and legal fees decreased by \$100. In addition, staff travel reimbursements decreased by \$3,080, office expenses decreased by \$16,575 and sundry expenses decreased by \$4,012.
- Housing Assistance Payments to landlords decreased by \$151,770 from that of the prior fiscal year because the HCV Program was transferred to another Housing Authority.
- Utilities Expense increased by \$5,293 from that of the prior fiscal year because water cost increased by \$1,750, electricity cost increased by \$1,139, gas cost increased by \$221, and other utilities expense (such as labor, benefits, garbage, sewage, and waste removal) increased by \$2,183.
- Total Tenant Services decreased by \$124 from that of the prior fiscal year.
- Protective services increased by \$1,005 from that of the prior fiscal year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2018, the Housing Authority had a total cost of \$3,479,988 invested in a broad range of assets and construction in progress from projects funded in 2016 through 2016, listed below. This amount, not including depreciation, represents increases of \$1 from the prior year. More detailed information about capital assets appears in the notes to the financial statements.

**Statement of Capital Assets
 As of September 30, 2018**

	<u>2018</u>	<u>2017</u>
Land	\$ 61,000	\$ 61,000
Construction in progress	-	975
Buildings	3,016,014	3,015,038
Leasehold improvements	319,406	319,406
Furniture and equipment	83,568	83,568
Accumulated Depreciation	<u>(3,198,323)</u>	<u>(3,155,139)</u>
Total	<u>\$ 281,665</u>	<u>\$ 324,848</u>

As of the end of the 2018 fiscal year, the Authority is still in the process of completing HUD grants of \$63,868 obtained during 2016 through 2016 fiscal years.

Debt

Non-current liabilities also include accrued annual leave due to employees. The Housing Authority has not incurred any mortgages, leases, or bond indentures for financing capital assets or operations.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Housing Authority is primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by Federal budget than by local economic conditions. The capital budgets for the 2019 fiscal year have already been submitted to HUD for approval and no major changes are expected.

The Capital fund programs are multiple year budgets and have remained relatively stable. Capital Funds are used for the modernization of public housing properties including administrative fees involved in the modernization.

CONTACTING THE HOUSING AUTHORITY'S FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, investors, and creditors with a general overview of the Housing Authority's finances, and to show the Housing Authority's accountability for the money it receives. If you have questions about this report, or wish to request additional financial information, contact Emma Jean Mascair or Arlene S. Liuzza at Housing Authority of Independence, LA; PO Box 56, Independence, LA 70443.

**Housing Authority of the Town of Independence
Independence, Louisiana
Statement of Net Position
As of September 30, 2018**

ASSETS

Current assets

Cash and cash equivalents	68,693
Receivables:	
HUD	11,249
Tenant rents, net of allowance	21,684
Miscellaneous, net of allowance	1,850
Prepaid expenses	7,993
Inventory, net of allowance	1,927
Restricted assets - cash and cash equivalents	<u>11,530</u>

Total current assets 124,926

Noncurrent assets

Capital assets:

Nondepreciable capital assets:

Land	61,000
Construction in progress	-
Total nondepreciable capital assets	<u>61,000</u>

Depreciable capital assets:

Buildings and improvements	3,335,420
Furniture and equipment	83,568
Less accumulated depreciation	<u>(3,198,323)</u>
Total depreciable capital assets, net of accumulated depreciation	<u>220,665</u>

Total capital assets, net of accumulated depreciation 281,665

Total assets 406,591

TOTAL ASSETS 406,591

(continued)

Housing Authority of the Town of Independence
Independence, Louisiana
Statement of Net Position
As of September 30, 2018

LIABILITIES AND NET POSITION

Current Liabilities

Accounts payable	2,891
Payable to other governments	16,629
Accrued wages payable	7,443
Accrued compensated absences	1,458
Other liability	3,298
Security deposit liability	11,530

Total current liabilities	43,249
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Noncurrent liabilities

Accrued compensated absences	4,009
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Total noncurrent liabilities	4,009
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TOTAL LIABILITIES	47,258
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NET POSITION

Net Investments in Capital Assets	281,665
Restricted	-
Unrestricted	77,668

TOTAL NET POSITION	\$ 359,333
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The accompanying notes are an integral part of these financial statements.

Housing Authority of the Town of Independence
Independence, Louisiana
Statement of Revenues, Expenses, and Changes In Net Position
For the Year ended September 30, 2018

Operating Revenues	
HUD Operating Grants	\$ 192,163
Dwelling Rental	<u>122,118</u>
Total operating revenues	<u>314,281</u>
Operating Expenses	
General and administrative	107,695
Repairs and maintenance	119,705
Utilities	39,459
Protection services	4,833
Depreciation and amortization	<u>43,182</u>
Total operating expenses	<u>314,874</u>
Operating income (loss)	(593)
Nonoperating Revenues (Expenses):	
Interest revenue	32
Miscellaneous revenues	<u>5,084</u>
Total nonoperating revenues (expenses)	<u>5,116</u>
Income (loss) before other revenues, expenses, gains, losses and transfers	4,523
Capital contributions (grants)	-
Special Items	<u>(37,757)</u>
Increase (decrease) in net position	(33,234)
Net position, beginning of year	<u>392,567</u>
Net position, end of year	<u><u>\$ 359,333</u></u>

The accompanying notes are an integral part of these financial statements.

Housing Authority of the Town of Independence
Statement of Cash Flows
For the Year ended September 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from federal subsidies	\$ 192,163
Receipts from tenants	102,828
Payments to suppliers	(208,565)
Payments to employees	<u>(64,459)</u>
Net cash provided by operating activities	<u>21,967</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Miscellaneous revenues	5,084
Special items	<u>(37,756)</u>
Net cash provided by noncapital financing activities	<u>(32,672)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	<u>32</u>
Net cash provided by investing activities	<u>32</u>
Net increase (decrease) in cash and cash equivalents	<u>(10,673)</u>
Cash and cash equivalents - beginning of year	<u>90,896</u>
Cash and Cash equivalents - unrestricted	68,693
Cash and Cash equivalents - restricted	11,530
Total Cash and Cash Equivalents - end of year	<u>\$ 80,223</u>

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

Operating (loss)	\$ (593)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:	
Depreciation and amortization	43,182
Changes in assets and liabilities:	
HUD receivable	19,887
Intergovernmental receivable, net	1,850
Tenant rents, net of allowance	(18,743)
Miscellaneous receivables	(1,548)
Prepaid insurance	1,561
Accounts payable	2,891
Accrued wages payable	2,719
PILOT Payable	(24,389)
Accrued compensated absences	(8,827)
Unearned revenue	(322)
Other liability	3,298
Security deposit liability	<u>1,001</u>
Net cash provided by operating activities	<u>\$ 21,967</u>

The accompanying notes are an integral part of the financial statements

HOUSING AUTHORITY OF THE TOWN OF INDEPENDENCE

Independence, Louisiana

Notes to the Basic Financial Statements

September 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Reporting Entity

The Housing Authority of The Town of Independence (the authority) was chartered as a public corporation under the laws of the State of Louisiana for the purpose of providing safe and sanitary dwelling accommodations for the residents of the Town of Independence, Louisiana. This formation was contingent upon the approval of the city.

The authority is governed by a Board of Commissioners (Board), which is composed of five members appointed by the town and serve five-year staggered terms. The Board of the authority exercises all powers granted to the authority.

GASB Statement No. 14, as amended by GASB statement No. 39 and GASB Statement No. 61, establishes criteria for determining the governmental reporting entity. Under provisions of this statement, the authority is considered a primary government, since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments. As used in the GASB statements, fiscally independent means that the authority may, without the approval or consent of another governmental entity, determine or modify its own budget, control collection and disbursements of funds, maintain responsibility for funding deficits and operating deficiencies, and issue bonded debt. The authority has no component units, defined by the GASB statements as other legally separate organizations for which the elected authority members are financially accountable.

HOUSING AUTHORITY OF THE TOWN OF INDEPENDENCE

Independence, Louisiana

Notes to the Financial Statements, 2018 – Continued

The authority is a related organization of the Town of Independence, Louisiana since the town appoints a voting majority of the authority's governing board. The town is not financially accountable for the authority as it cannot impose its will on the authority and there is no potential for the authority to provide financial benefit to, or impose financial burdens on, the town. Accordingly, the authority is not a component unit of the financial reporting entity of the city.

(2) Funds

The accounts of the authority are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

All funds of the authority are classified as proprietary. The general fund accounts for transactions of all of the authority's programs.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the authority's enterprise fund are HUD operating grants and subsidies and tenant dwelling rents. Operating expenses include General and Administrative expenses, repairs and maintenance expenses, utilities and depreciation and amortization on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The accompanying basic financial statements of the authority have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis—For State and Local Governments*, which was unanimously approved in June 1999 by the GASB.

HOUSING AUTHORITY OF THE TOWN OF INDEPENDENCE

Independence, Louisiana

Notes to the Financial Statements, 2018 – Continued

(3) Measurement focus and basis of accounting

Proprietary funds are accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. With this management focus all assets and all liabilities associated with the operation of these funds are included on the statement of net position.

(4) Assets, liabilities, and net position

(a) Deposits

The authority's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. HUD regulations, state law and the authority's investment policy allow the housing authority to invest in collateralized certificates of deposit and securities backed by the federal government.

(b) Inventory and prepaid items

All inventories are valued at cost on a first-in first-out (FIFO) basis. Inventories consist of expendable building materials and supplies held for consumption in the course of the authority's operations.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

(c) Restricted Assets

Cash equal to the amount of tenant security deposits is reflected as restricted.

(d) Capital assets

Capital assets of the authority are included in the statement of net position and are recorded at actual cost. The capitalization threshold is \$500. Depreciation of all exhaustible fixed assets is charged as an expense against operations.

Property, plant, and equipment of the Authority is depreciated using the straight line method over the following estimated useful lives:

HOUSING AUTHORITY OF THE TOWN OF INDEPENDENCE

Independence, Louisiana

Notes to the Financial Statements, 2018 – Continued

Buildings	33 years
Modernization and improvements	15 years
Furniture and equipment	3-5 years

(e) Due from/to other governments or agencies

Amounts due from/to the authority to/by other governments or agencies are generally for grants or programs under which the services have been provided by the authority. The authority also records an amount due to the various taxing districts within the region for payments in lieu of taxes.

(f) Allowance for doubtful accounts

The authority provides an allowance for doubtful accounts, as needed, for accounts deemed not collectible. At September 30, 2018, the management of the authority established an allowance for doubtful accounts of approximately \$4,282.

(g) Compensated absences

It is the authority's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. In accordance with the provisions of GASB Statement No. 16, "*Accounting for Compensated Absences*," vacation and sick pay is accrued when incurred and reported as a liability.

Employees earn from 98 to 192 annual leave hours per year and may accumulate an unlimited number of annual leave hours. Employees receive payment for up to 300 annual leave hours upon termination or retirement at their then current rate of pay. The cost of current leave privileges, computed in accordance with GASB Codification Section C60 is recognized as a current year expense when leave is earned.

(h) Restricted net position

Restricted net positions are reported as restricted when constraints placed on net positions use are either:

Externally imposed by creditors (such as debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

HOUSING AUTHORITY OF THE TOWN OF INDEPENDENCE

Independence, Louisiana

Notes to the Financial Statements, 2018 – Continued

Restricted resources are used first when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

(i) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 government-wide financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B – DEPOSITS

Deposits are stated at cost, which approximates fair value. Under state law and/or federal regulation, these deposits, or the resulting bank balances, must be in Federal Securities, secured by federal deposit insurance or the pledge of federal securities. The fair value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

As of September 30, 2018, the authority's carrying amount of deposits was \$80,223, which includes the following:

Cash and cash equivalents-unrestricted	\$68,693
Cash and cash equivalents- restricted	11,530
Total	\$80,223

Interest Rate Risk—The authority's policy does not address interest rate risk.

Credit Rate Risk—Since all of the authority's deposits are federally insured and/or backed by federal securities, the authority does not have credit rate risk.

Custodial Credit Risk—This is the risk that in the event of a bank failure, the authority's deposits may not be returned to it. The authority does not have a policy for custodial credit risk. \$82,961 of the authority's total deposits were covered by federal depository insurance, and do not have custodial credit risk. The bank balances at September 30, 2018 totaled \$82,961.

HOUSING AUTHORITY OF THE TOWN OF INDEPENDENCE

Independence, Louisiana

Notes to the Financial Statements, 2018 – Continued

NOTE C - CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2018 was as follows:

	<u>9 30 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>9 30 2018</u>
Nondepreciable Assets:				
Land	\$ 61,000	\$ -	\$ -	\$ 61,000
Construction in Progress	975	-	975	-
Depreciable Assets:				
Building and improvements	3,334,445	975	-	3,335,420
Furniture and equipment	<u>83,568</u>	<u>-</u>	<u>-</u>	<u>83,568</u>
Total	<u>3,479,988</u>	<u>975</u>	<u>975</u>	<u>3,479,988</u>
Less accumulated depreciation				
Building and improvements	3,071,745	43,010	-	3,114,755
Furniture and equipment	<u>83,394</u>	<u>174</u>	<u>-</u>	<u>83,568</u>
Total accumulated depreciation	<u>3,155,139</u>	<u>43,184</u>	<u>-</u>	<u>3,198,323</u>
Net Capital Assets	<u>\$ 324,849</u>	<u>\$ (42,209)</u>	<u>\$ 975</u>	<u>\$ 281,665</u>

NOTE D – COMPENSATED ABSENCES

At September 30, 2018, employees of the authority have accumulated and vested \$5,467 of employee leave benefits, which was computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements. \$4,009 is reported in long-term debt.

NOTE E – LONG TERM OBLIGATIONS

As of September 30, 2018, long term obligations consisted of compensated absences in the amount of \$4,009. The following is a summary of the changes in the long term obligations for the year ended September 30, 2018.

HOUSING AUTHORITY OF THE TOWN OF INDEPENDENCE

Independence, Louisiana

Notes to the Financial Statements, 2018 – Continued

	Compensated Absences
Balance as of October 1, 2017	\$14,294
Additions	2,946
Deductions	(11,773)
Balance as of September 30, 2018	<u>5,467</u>
Long Term Portion	<u>4,009</u>
Amount due in one year (Short term)	<u>\$1,458</u>

NOTE F – POST EMPLOYMENT RETIREMENT BENEFITS

The authority does not provide any post employment retirement benefits. Therefore the authority does not include any entries for unfunded actuarial accrued liability, net OPEB expense, or annual contribution required.

NOTE G - RETIREMENT PLAN

The authority participates in the Housing Agency Retirement Trust plan, administered by Mercer, which is a defined contribution plan. The plan consists of employees of various local and regional housing authorities, urban renewal agencies, and other similar organizations. Through this plan, the authority provides pension benefits for all of its full-time employees. All regular and full-time employees are eligible to participate in the plan on the first day of the month after completing six months of continuous and uninterrupted employment. Plan provisions and changes to the plan contributions are determined by the Board of the authority.

Under a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The employer is required to make monthly contributions equal to eight percent of each participant's basic (excludes overtime) compensation. Employees are required to contribute five percent of their annual covered salary.

The authority's contribution for each employee and income allocated to the employee's account are fully vested after five years of continuous service. The authority's contributions and interest forfeited by employees who leave employment before five years of service are used to offset future contributions of the authority. No payments were made out of the forfeiture account.

HOUSING AUTHORITY OF THE TOWN OF INDEPENDENCE

Independence, Louisiana

Notes to the Financial Statements, 2018 – Continued

Normal retirement date shall be the first day of the month following the employee's sixty-fifth birthday or after ten years of participation in the plan.

The authority's total payroll for the year ended September 30, 2018, was \$65,305. The authority's contributions were calculated using the base salary amount of \$47,814. The authority made the required contributions of \$3,822 for the year ended September 30, 2018.

NOTE H – RISK MANAGEMENT

The authority 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 authority's risk management program encompasses obtaining property and liability insurance.

The authority transfers risk of loss by participating in a public entity risk pool and contracting with a commercial insurance carrier for all major categories of exposed risk.

This includes coverage of property, general liability, public liability, and workers compensation. The risk pool and insurance contracted are obligated to meet settlements up to the maximum coverage, after the authority's deductions are met.

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, there have been no significant claims that have exceeded commercial insurance coverages in any of the past three fiscal years.

NOTE I – FEDERAL COMPLIANCE CONTINGENCIES

The authority is subject to possible examinations by federal regulators who determine compliance with terms, conditions, laws and regulations governing grants given to the entity in the current and prior years. These examinations may result in required refund by the entity to federal grantors and/or program beneficiaries. The authority is subject to HUD's consideration of reducing grants in order to have the authority utilize authority Equity to fund expenses.

HOUSING AUTHORITY OF THE TOWN OF INDEPENDENCE

Independence, Louisiana

Notes to the Financial Statements, 2018 – Continued

NOTE J – SUBSEQUENT EVENTS

Events that occur after the balance sheet date but before the financial statements were issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events, which provide evidence about conditions that existed after the balance sheet date, require disclosure in the accompanying notes. Management evaluated the activity of the authority through April 11, 2019 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.

NOTE K – ECONOMIC DEPENDENCE

Financial Accounting Standards Boards Accounting Standards Codification 280-10-50-42 requires disclosure in financial statements of a situation where one entity provides more than 10% of the audited entity's revenues. The Department of Housing and Urban Development provided \$192,163 to the authority, which represents approximately 60% of the authority's total revenue for the year.

NOTE L – SPECIAL ITEMS

The authority completed a voluntary transfer of its Housing Choice Voucher Program to the Tangipahoa Parish Government Housing Program. This transfer included \$20,375 of HAP reserves and \$17,382 of Administrative Reserves.

Financial Data Schedule

Town of Independence HA (LA099)
INDEPENDENCE, LA
Entity Wide Balance Sheet Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 09/30/2018

	Project Total	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$68,693		\$68,693		\$68,693
112 Cash - Restricted - Modernization and Development					
113 Cash - Other Restricted					
114 Cash - Tenant Security Deposits	\$11,530		\$11,530		\$11,530
115 Cash - Restricted for Payment of Current Liabilities					
100 Total Cash	\$80,223	\$0	\$80,223	\$0	\$80,223
121 Accounts Receivable - PHA Projects					
122 Accounts Receivable - HUD Other Projects	\$11,249		\$11,249		\$11,249
124 Accounts Receivable - Other Government					
125 Accounts Receivable - Miscellaneous	\$1,850		\$1,850		\$1,850
126 Accounts Receivable - Tenants	\$25,966		\$25,966		\$25,966
126.1 Allowance for Doubtful Accounts - Tenants	-\$4,282		-\$4,282		-\$4,282
126.2 Allowance for Doubtful Accounts - Other	\$0		\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current					
128 Fraud Recovery					
128.1 Allowance for Doubtful Accounts - Fraud					
129 Accrued Interest Receivable					
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$34,783	\$0	\$34,783	\$0	\$34,783
131 Investments - Unrestricted					
132 Investments - Restricted					
135 Investments - Restricted for Payment of Current Liability					
142 Prepaid Expenses and Other Assets	\$7,993		\$7,993		\$7,993
143 Inventories	\$2,028		\$2,028		\$2,028
143.1 Allowance for Obsolete Inventories	-\$101		-\$101		-\$101
144 Inter Program Due From					
145 Assets Held for Sale					
150 Total Current Assets	\$124,926	\$0	\$124,926	\$0	\$124,926
161 Land	\$61,000		\$61,000		\$61,000
162 Buildings	\$3,016,014		\$3,016,014		\$3,016,014
163 Furniture, Equipment & Machinery - Dwellings	\$33,761		\$33,761		\$33,761
164 Furniture, Equipment & Machinery - Administration	\$49,807		\$49,807		\$49,807
165 Leasehold Improvements	\$319,406		\$319,406		\$319,406
166 Accumulated Depreciation	-\$3,198,323		-\$3,198,323		-\$3,198,323
167 Construction in Progress					
168 Infrastructure					
160 Total Capital Assets, Net of Accumulated Depreciation	\$281,665	\$0	\$281,665	\$0	\$281,665
171 Notes, Loans and Mortgages Receivable - Non-Current					
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due					
173 Grants Receivable - Non Current					
174 Other Assets					
176 Investments in Joint Ventures					
180 Total Non-Current Assets	\$281,665	\$0	\$281,665	\$0	\$281,665
200 Deferred Outflow of Resources					
290 Total Assets and Deferred Outflow of Resources	\$406,591	\$0	\$406,591	\$0	\$406,591

Financial Data Schedule

Town of Independence HA (LA099)
INDEPENDENCE, LA
Entity Wide Balance Sheet Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 09/30/2018

	Project Total	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
311 Bank Overdraft					
312 Accounts Payable <= 90 Days	\$2,891		\$2,891		\$2,891
313 Accounts Payable >90 Days Past Due					
321 Accrued Wage/Payroll Taxes Payable	\$7,443		\$7,443		\$7,443
322 Accrued Compensated Absences - Current Portion	\$1,458		\$1,458		\$1,458
324 Accrued Contingency Liability					
325 Accrued Interest Payable					
331 Accounts Payable - HUD PHA Programs					
332 Account Payable - PHA Projects					
333 Accounts Payable - Other Government	\$16,629		\$16,629		\$16,629
341 Tenant Security Deposits	\$11,530		\$11,530		\$11,530
342 Unearned Revenue					
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue					
344 Current Portion of Long-term Debt - Operating Borrowings					
345 Other Current Liabilities					
346 Accrued Liabilities - Other	\$3,298		\$3,298		\$3,298
347 Inter Program - Due To					
348 Loan Liability - Current					
310 Total Current Liabilities	\$43,249	\$0	\$43,249	\$0	\$43,249
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue					
352 Long-term Debt, Net of Current - Operating Borrowings					
353 Non-current Liabilities - Other					
354 Accrued Compensated Absences - Non Current	\$4,009		\$4,009		\$4,009
355 Loan Liability - Non Current					
356 FASB 5 Liabilities					
357 Accrued Pension and OPEB Liabilities					
350 Total Non-Current Liabilities	\$4,009		\$4,009	\$0	\$4,009
300 Total Liabilities	\$47,258		\$47,258	\$0	\$47,258
400 Deferred Inflow of Resources					
508.4 Net Investment in Capital Assets	\$281,665		\$281,665		\$281,665
511.4 Restricted Net Position					
512.4 Unrestricted Net Position	\$77,668		\$77,668		\$77,668
513 Total Equity - Net Assets / Position	\$359,333		\$359,333	\$0	\$359,333
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$406,591		\$406,591	\$0	\$406,591

Financial Data Schedule

Town of Independence HA (LA099)
INDEPENDENCE, LA
Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 09/30/2018

	Project Total	14,871 Housing Choice Vouchers	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$122,118		\$122,118		\$122,118
70400 Tenant Revenue - Other					
70500 Total Tenant Revenue	\$122,118	\$0	\$122,118	\$0	\$122,118
70600 HUD PHA Operating Grants	\$192,163		\$192,163		\$192,163
70610 Capital Grants					
70710 Management Fee					
70720 Asset Management Fee					
70730 Book Keeping Fee					
70740 Front Line Service Fee					
70750 Other Fees					
70700 Total Fee Revenue			\$0	\$0	\$0
70800 Other Government Grants					
71100 Investment Income - Unrestricted	\$32		\$32		\$32
71200 Mortgage Interest Income					
71300 Proceeds from Disposition of Assets Held for Sale					
71310 Cost of Sale of Assets					
71400 Fraud Recovery					
71500 Other Revenue	\$5,084		\$5,084		\$5,084
71600 Gain or Loss on Sale of Capital Assets					
72000 Investment Income - Restricted					
70000 Total Revenue	\$319,397	\$0	\$319,397	\$0	\$319,397
91100 Administrative Salaries	\$12,473		\$12,473		\$12,473
91200 Auditing Fees	\$12,000		\$12,000		\$12,000
91300 Management Fee	\$23,735		\$23,735		\$23,735
91310 Book-keeping Fee					
91400 Advertising and Marketing					
91500 Employee Benefit contributions - Administrative	\$9,971		\$9,971		\$9,971
91600 Office Expenses	\$13,796		\$13,796		\$13,796
91700 Legal Expense					
91800 Travel					
91810 Allocated Overhead					
91900 Other	\$3,676		\$3,676		\$3,676
91000 Total Operating - Administrative	\$75,851	\$0	\$75,851	\$0	\$75,851
92000 Asset Management Fee					
92100 Tenant Services - Salaries					
92200 Relocation Costs					
92300 Employee Benefit Contributions - Tenant Services					
92400 Tenant Services - Other					
92500 Total Tenant Services	\$0	\$0	\$0	\$0	\$0

Financial Data Schedule

Town of Independence HA (LA099)
INDEPENDENCE, LA
Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 09/30/2018

	Project Total	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
93100 Water	\$11,320		\$11,320		\$11,320
93200 Electricity	\$11,744		\$11,744		\$11,744
93300 Gas	\$1,302		\$1,302		\$1,302
93400 Fuel					
93500 Labor					
93600 Sewer	\$15,093		\$15,093		\$15,093
93700 Employee Benefit Contributions - Utilities					
93800 Other Utilities Expense					
93000 Total Utilities	\$39,459	\$0	\$39,459	\$0	\$39,459
94100 Ordinary Maintenance and Operations - Labor	\$51,986		\$51,986		\$51,986
94200 Ordinary Maintenance and Operations - Materials and Other	\$20,360		\$20,360		\$20,360
94300 Ordinary Maintenance and Operations Contracts	\$24,957		\$24,957		\$24,957
94500 Employee Benefit Contributions - Ordinary Maintenance	\$22,402		\$22,402		\$22,402
94000 Total Maintenance	\$119,705	\$0	\$119,705	\$0	\$119,705
95100 Protective Services - Labor					
95200 Protective Services - Other Contract Costs	\$4,833		\$4,833		\$4,833
95300 Protective Services - Other					
95500 Employee Benefit Contributions - Protective Services					
95000 Total Protective Services	\$4,833	\$0	\$4,833	\$0	\$4,833
96110 Property Insurance	\$8,775		\$8,775		\$8,775
96120 Liability Insurance	\$5,510		\$5,510		\$5,510
96130 Workmen's Compensation					
96140 All Other Insurance	\$6,210		\$6,210		\$6,210
96100 Total insurance Premiums	\$20,495	\$0	\$20,495	\$0	\$20,495
96200 Other General Expenses	\$0		\$0		\$0
96210 Compensated Absences	\$3,140		\$3,140		\$3,140
96300 Payments in Lieu of Taxes	\$8,409		\$8,409		\$8,409
96400 Bad debt - Tenant Rents					
96500 Bad debt - Mortgages					
96600 Bad debt - Other					
96800 Severance Expense					
96000 Total Other General Expenses	\$11,549	\$0	\$11,549	\$0	\$11,549
96710 Interest of Mortgage (or Bonds) Payable					
96720 Interest on Notes Payable (Short and Long Term)					
96730 Amortization of Bond Issue Costs					
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$271,692	\$0	\$271,692	\$0	\$271,692
97000 Excess of Operating Revenue over Operating Expenses	\$47,705	\$0	\$47,705	\$0	\$47,705

Financial Data Schedule

Town of Independence HA (LA099)
 INDEPENDENCE, LA
 Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 09/30/2018

	Project Total	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
97100 Extraordinary Maintenance					
97200 Casualty Losses - Non-capitalized					
97300 Housing Assistance Payments					
97350 HAP Portability-In					
97400 Depreciation Expense	\$43,182		\$43,182		\$43,182
97500 Fraud Losses					
97600 Capital Outlays - Governmental Funds					
97700 Debt Principal Payment - Governmental Funds					
97800 Dwelling Units Rent Expense					
90000 Total Expenses	\$314,874	\$0	\$314,874	\$0	\$314,874
10010 Operating Transfer In	\$40,767		\$40,767	-\$40,767	\$0
10020 Operating transfer Out	-\$40,767		-\$40,767	\$40,767	\$0
10030 Operating Transfers from/to Primary Government					
10040 Operating Transfers from/to Component Unit					
10050 Proceeds from Notes, Loans and Bonds					
10060 Proceeds from Property Sales					
10070 Extraordinary Items, Net Gain/Loss					
10080 Special Items (Net Gain/Loss)		-\$37,757	-\$37,757		-\$37,757
10091 Inter Project Excess Cash Transfer In					
10092 Inter Project Excess Cash Transfer Out					
10093 Transfers between Program and Project - In					
10094 Transfers between Project and Program - Out					
10100 Total Other financing Sources (Uses)	\$0	-\$37,757	-\$37,757	\$0	-\$37,757
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$4,523	-\$37,757	-\$33,234	\$0	-\$33,234
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0		\$0
11030 Beginning Equity	\$354,810	\$37,757	\$392,567		\$392,567
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0		\$0		\$0
11170 Administrative Fee Equity		\$0	\$0		\$0
11180 Housing Assistance Payments Equity		\$0	\$0		\$0
11180 Unit Months Available	696	0	696		696
11210 Number of Unit Months Leased	663	0	663		663
11270 Excess Cash	\$49,116		\$49,116		\$49,116
11610 Land Purchases	\$0		\$0		\$0
11620 Building Purchases	\$0		\$0		\$0
11630 Furniture & Equipment - Dwelling Purchases	\$0		\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$0		\$0		\$0
11650 Leasehold Improvements Purchases	\$0		\$0		\$0
11660 Infrastructure Purchases	\$0		\$0		\$0
13510 CFFP Debt Service Payments	\$0		\$0		\$0
13901 Replacement Housing Factor Funds	\$0		\$0		\$0

The Housing Authority of Independence

Schedule of Compensation, Benefits and Other Payments to Agency Head

or Chief Executive Officer

For the Year Ended September 30, 2018

Dana Vernon, Executive Director

Purpose	Amount
Salary	\$19,980
Benefits-insurance	6,188
Benefits-retirement	\$2,133

Ms. Vernon served 6 months of the fiscal year.

**HOUSING AUTHORITY OF THE
TOWN OF INDEPENDENCE**

Independence, Louisiana

Schedule of Compensation Paid to Board Members
Fiscal Year Ended September 30, 2018

Board members serve without compensation.

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

Board of Commissioners
Housing Authority of the Town of Independence
Independence, Louisiana

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Housing Authority of the Town of Independence, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the authority's basic financial statements, and have issued my report thereon dated April 11, 2019.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the authority's internal control. Accordingly, I do not express an opinion on the effectiveness of the authority's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, I identified certain deficiencies in internal control that I consider to be material weaknesses.

HOUSING AUTHORITY OF THE TOWN OF INDEPENDENCE

Independence, Louisiana
Report on Internal Control... *Government
Auditing Standards*, 2018
Page Two

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. I consider the deficiencies described in the accompanying schedule of findings to be material weaknesses. See Finding 2018-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the authority's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as Finding 2018-001.

The Authority's Response to Finding

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

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

William Daniel McCaskill

William Daniel McCaskill, CPA
A Professional Accounting Corporation

April 11, 2019

HOUSING AUTHORITY OF THE TOWN OF INDEPENDENCE

Independence, Louisiana

Schedule of Findings
Fiscal Year Ended September 30, 2018

Section I—Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? X yes no

SECTION II - FINDINGS - FINANCIAL STATEMENTS AUDIT

FINDING 2018-001 WEAK INTERNAL CONTROLS

Program: ENTITY WIDE

Condition:

- a) This 9/30/2018 audit is being published in June 2019 and therefore it is late per State law. Note that it is timely per federal regulations.
- b) The board held no documented meetings during the months of December 2017 through August 2018. When the board did meet during the fiscal year there was no documented review of any monthly financial statements, including monitoring budget vs. actual.
- c) When testing 40 vendor disbursements we noted 8 transactions which did not include adequate support such as approved invoices. We also noted one transaction whereas finance charges and interest were paid.

HOUSING AUTHORITY OF THE TOWN OF INDEPENDENCE

Independence, Louisiana
Schedule of Findings (continued)
Fiscal Year Ended September 30, 2018

Criteria:

- a) In accordance with Louisiana State Law RS 24:513A (5) (a) (i), the authority is required to complete and submit each annual audit within 6 months after fiscal year end. Federal regulations allow 9 months after fiscal year end.
- b) The Board of Directors should document proper oversight of management by the use of regular board meetings and minutes. Proper internal controls include periodic reviews of current financials including monitoring budget vs. actual.
- c) All check signers should review and approve all supporting documentation prior to signing checks. Finance and late charges are unallowed expenditures.

Cause:

- a) Required documents were not made available to the fee accountant and the auditor in time to complete the audit timely.
- b) The cause for the lack of board meetings is unknown.
- c) Staff did not follow the authority's disbursement policy.

HOUSING AUTHORITY OF THE TOWN OF INDEPENDENCE

Independence, Louisiana
Schedule of Findings (continued)
Fiscal Year Ended September 30, 2018

Effect:

- a) Delays caused by the management resulted in the audit report being issued late per State Law, which requires the audit be published within 180 days of fiscal year end.
- b) The authority is at risk for fraud, abuse, errors, and noncompliance with laws, regulations, contracts, and grants.
- c) The authority did not comply with its own policies and procedures, State Law and Federal regulations requiring review and approval of supporting documentation for expenditures.

Auditors Comment

I note that, the month after FYE 9-30-18, the Authority hired a seasoned former Executive Director (retired from another Authority) to turn management around. In March 2019 the Authority hired a permanent Executive Director (ED) and retained the former ED to train the new ED and to continue the work organizing the Agency. This resulted in so much improvement that as of the date the Audit Report is being published the financial statements are completely caught as of last month, May 2019. All other administrative aspects of the Authority show similar improvement.

**HOUSING AUTHORITY OF THE
TOWN OF INDEPENDENCE**
Independence, Louisiana

Schedule of Prior Year Audit Findings
Fiscal Year Ended September 30, 2018

FINDING 2017-001 WEAK INTERNAL CONTROLS

This is repeated as Finding 2018-001

HOUSING AUTHORITY OF THE TOWN OF INDEPENDENCE

Independence, Louisiana
Corrective Action Plan for Current Year Findings
For Fiscal Year Ended September 30, 2018

FINDINGS—FINANCIAL STATEMENTS AUDIT

FINDING 2018-001

Action Planned

- a) We take complete responsibility for the late audit. In October 2018 we hired an Executive Director and we are catching up on our responsibilities.
- b) Since September 2018 we have met in accordance with our by-laws and we are reviewing timely financial statements, including budget to actual data.
- c) We will ensure that all future disbursements are properly reviewed and documented before we sign the check.