

**HOUSING AUTHORITY OF THE
CITY OF LAKE CHARLES
Lake Charles, Louisiana
Financial Statements
And Supplementary Information
For the Year Ended September 30, 2019**

Trimm Consulting, APAC
1901 Sampson Street
Westlake, La. 70669

HOUSING AUTHORITY OF THE CITY OF LAKE CHARLES
LAKE CHARLES, LOUISIANA

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For the Year Ended September 30, 2019

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Independent Auditor's Report

Board of Commissioners
Housing Authority of The City
of Lake Charles
Lake Charles, Louisiana 70601

Regional Inspector General for Audit
Department of Housing and Urban
Development
221 W. Lancaster Street, P.O. Box 2905
Fort Worth, Texas 76113

I have audited the accompanying basic financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Housing Authority of The City of Lake Charles as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively 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 an opinion on these financial statements based upon 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 of 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.

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

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Housing Authority of The City of Lake Charles as of September 30, 2019, and the changes in financial position and cash flows for the year ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Other Matters

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have issued my report dated March 6, 2020 on my consideration of the Housing Authority of The City of Lake Charles' 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards in considering the Housing Authority of Lake Charles' internal control over financial reporting and compliance*.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pages 5-10, 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 an opinion on the financial statements as a whole. The accompanying *Statement & Certification of Actual Modernization Cost*, page 32. *Financial Data Schedule*, pages 33-36 and the *Schedule of Compensation, Benefits and Other Payments to the CEO*, page 37, are presented for purposes of additional analysis and are not a required part of the financial statements. The *Schedule of Expenditures of Federal Awards*, page 43, is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

William V. Trimm, CPA Trimm Consulting, APAC March 6, 2020

Housing Authority of the City of Lake Charles, Louisiana Management's Discussion and Analysis (MD&A)

September 30, 2019

(Unaudited)

We, the management of the Housing Authority of The City of Lake Charles, present the following discussion and analysis of the Housing Authority's financial activities for the fiscal year ended September 30, 2018. This represents an overview of financial information. Please read this discussion and analysis in conjunction with the Housing Authority's audited financial statements, which follows.

FINANCIAL HIGHLIGHTS

- The assets of the Housing Authority exceeded its liabilities at September 30, 2019 by \$27,589,095.
- Of this amount, \$15,952,755 of unrestricted net position may be used to meet the Housing Authority's ongoing obligations to citizens and creditors.
- The remainder of \$11,636,340 represents the net amount invested in land, building, furnishings, leasehold improvements, and equipment of \$11,363,801 and restricted cash and investments of \$272,539.
- The Housing Authority's total net position decreased by \$ 4,371,596, a 13.67% decrease from fiscal year 2018.

USING THIS ANNUAL REPORT

This discussion and analysis is intended to serve as an introduction to the Housing Authority's financial statements. The Housing Authority's basic financial statements are comprised of two components. 1) fund financial statements, and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. The Housing Authority is a special purpose government engaged only in business-type activities. Accordingly, only fund financial statements are presented as the basic financial statements.

The financial statements are designed to provide readers with a broad overview of the Housing Authority's finances in a manner similar to a private sector business.

The statement of net position presents information on all of the Housing Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Housing Authority is improving or deteriorating, or otherwise changing in a dramatic manner.

Housing Authority of The City of Lake Charles, Louisiana
Management's Discussion and Analysis (MD&A)
September 30, 2019

(Unaudited)

The statement of revenue, expenses and changes in net position presents information detailing how the Housing Authority's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that are the result of cash flows in prior years or will result in cash flows in future years (e.g., depreciation and earned but unused vacation leave.).

The statement of cash flows provides information about the Housing Authority's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities.

These financial statements report on the functions of the Housing Authority that are principally supported by intergovernmental revenues. The Housing Authority's function is to provide decent safe, and sanitary housing to low-income and special needs populations, which is primarily funded with grant revenue received from the U. S. Department of Housing and Urban Development (HUD) and dwelling rentals.

FINANCIAL ANALYSIS
Fund Financial Statements

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 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Housing Authority of The City of Lake Charles, Louisiana
Management's Discussion and Analysis (MD&A)
September 30, 2019
(Unaudited)

The Housing Authority utilizes only one fund type, namely the enterprise fund type. An enterprise fund is a proprietary fund type. A proprietary fund utilizes the full accrual method of accounting in which all assets and all liabilities associated with the operation of this fund is included on the statement of net position. The focus of the proprietary fund is on income measurement, which, together with the maintenance of equity, is an important financial indication. The financial statements can be found on pages 11 through 15 of this report.

Notes to the Financial Statements

Notes provide additional information essential to a full understanding of the data provided in the financial statements. Notes to the financial statements can be found on pages 16 through 30 of this report.

Statement of Net Position

The following table represents a condensed Statement of Net Position as of September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Current Assets	\$ 11,266,211	\$ 12,560,834
Restricted Assets	596,569	535,723
Long-Term Assets	6,123,156	7,373,121
Other Assets	0	32,820
Fixed Assets	<u>14,772,432</u>	<u>16,038,928</u>
Total Assets	<u>\$ 32,758,368</u>	<u>\$ 36,541,426</u>
Current Liabilities	\$ 1,452,945	\$ 584,540
Current liabilities payable for restricted assets	211,626	248,597
Non-current Liabilities	<u>4,957,647</u>	<u>4,332,138</u>
Total Liabilities	<u>5,169,273</u>	<u>4,580,735</u>
Net Position:		
Invested in capital assets	11,363,801	12,401,675
Restricted net position	272,539	198,536
Unrestricted net position	<u>15,952,755</u>	<u>19,360,480</u>
Total Net Position	<u>27,589,095</u>	<u>31,960,691</u>
Total Liabilities and Net Position	<u>\$ 32,758,368</u>	<u>\$ 36,541,426</u>

continued

**Housing Authority of The City of Lake Charles, Louisiana
Management's Discussion and Analysis (MD&A)
September 30, 2019
(Unaudited)**

Statement of Net Position (Continued)

As noted earlier, net position may serve over time as a useful indicator of the improvement or deterioration of a government's financial position. In the case of the Housing Authority, assets exceeded liabilities by approximately \$27,589,095 at September 30, 2019 and \$31,960,691 at September 30, 2018.

By far the largest portion of the Housing Authority's net position (50.18%) is its investments in capital assets (e.g., buildings, machinery, and equipment). The Housing Authority uses these capital assets to provide housing services to residents; consequently, these assets are not available for future spending. The unrestricted net position of the Housing Authority are available for future use to provide program services.

Statement of Revenues, Expenses and Changes in Net Position

The following table represents a condensed Statement of Revenues, Expenses, and Changes in Net Position for the year ended September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Operating Revenues		
Dwelling rental and other	\$ 2,798,300	\$ 2,966,369
Interest Earnings	221,150	159,526
Federal grant	<u>10,627,016</u>	<u>10,661,475</u>
Total Operating Revenues	13,646,466	13,787,370
Operating Expenses		
Administration	669,924	992,087
Salaries	1,567,082	1,673,854
Employee Benefits	702,357	528,674
Tenant service	732	89,918
Utilities	465,021	446,684
Ordinary maintenance and operations	1,210,554	1,253,605
Protective services	21,465	42,900
General expenses	303,066	165,435
Interest expense	127,853	147,243
Insurance	885,464	882,361
Housing assistance payments	6,747,799	6,689,916
Depreciation	<u>1,534,767</u>	<u>1,560,935</u>
Total Operating Expenses	<u>14,236,084</u>	<u>14,473,612</u>

continued

Housing Authority of The City of Lake Charles, Louisiana

Management's Discussion and Analysis (MD&A) (Un-audited) September 30, 2019

Statement of Revenues, Expenses, Capital Contributions, and Changes in Net Position-Cont'd

	<u>2019</u>	<u>2018</u>
Net income (Loss) before Capital Contributions and Transfers	(589,618)	(686,242)
Capital Contributions and Transfers	<u>(4,961,214)</u>	<u>(114,302)</u>
Net increase (decrease) in net position	<u>\$ (4,371,596)</u>	<u>\$ (800,544)</u>

The net position of the Housing Authority decreased by \$ 4,371,596 and decreased by \$ 800,544 during the years ended September 30, 2019 and 2018 respectively. The Housing Authority's revenues are derived primarily from dwelling rental income and various HUD programs.

SIGNIFICANT CHANGES BETWEEN FY 2019 and FY 2018

The Lake Charles Housing Authority (LCHA) had a successful year during this audit period as we accomplished some of the long-term goals for most of our programs, though we had setbacks in others.

The LCHA is no longer rated in the HUD PHAS scoring system as we are trying to get our entire Housing portfolio into the Rental Assistance Demonstration (RAD) Program. Our ratios in Financial, Management and Operation are good. The reason we are moving to the RAD program is because of continual cuts and prorations to our operating subsidy. The RAD system will allow us to stabilize our income stream such that we will have the necessary capital to totally refurbish our existing units. In our RAD conversion process, we were unable to close on our first phase of Public Housing units not associated with our Mixed Finance/Low Income Housing Tax Credit portfolio. However, we were able to close on a 233-unit Phase 1 Rad conversion on October 2, 2019, 2 days after the beginning of our new fiscal year. This reduction in units will impact our Low-Income Public Housing Budget. In anticipation of reduced income from 233 less units we instituted a layoff of three (3) personnel in our Public Housing operations. We have had a hiring freeze in effect for the past four (4) years in anticipation of this event. We will have to closely monitor our Public Housing budgets as we navigate this transition. We are currently working on Phase II of our RAD Conversion.

In our tax credit properties, operations and occupancy are doing well. These properties include the recently converted RAD properties of Bayou Bluff, Kingsley Court and Rufus Mayfield Homes. It also includes the low-income housing tax credit properties Villages of Lake Charles and High School Park Homes. Our conventional property, Greinwich Village Homes, a 114-unit development, is also enjoying success with respect to financial, management and occupancy ratios. To maintain liquidity and solvency requirements of our Tax Credit portfolio we needed to transfer certain properties to our affiliated NonProfit Entity. Details of the transaction are reflected in Note15 of the upcoming disclosures.

The LCHA Housing Choice Voucher Program (HCV) continued its string of High Performer Ratings with another excellent rating this year. We are still participating in our Moderate Rehab program at Hillcrest Housing. The LCHA HCV Program was rated Standard with another satisfactory rating this year.

The LCHA geographical area is experiencing an acute shortage of affordable housing due to the huge expansion in the Petro-chemical industry. In our HCV program we are experiencing lower utilization rates as a result of the rising rents in the private housing market. To combat it we have received permission from HUD to pay 120% of FMR's and we are requesting an increase in that amount.

In resident-related activities we provide access by referrals in partnership, with Volunteers of America, to social services in the area. These services include health services, mental health counseling, adult education, tutoring services, and commodity distribution. We partner with other social service organizations like Calcasieu Council on Aging by referral. Also, we will strive to have neighborhood watch programs and provide our community rooms for meetings.

Housing Authority of the City of Lake Charles, Louisiana Management's Discussion and Analysis (MD&A)

September 30, 2019

(Unaudited)

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2019, the Housing Authority's investment in capital assets for its business-type activities was approximately \$ 14,772,432 (net of accumulated depreciation) compared to \$ 16,038,928 as of September 30, 2018, a decrease of \$ 1,266,496 or 7.90%.

	<u>2019</u>	<u>2018</u>
Land	\$ 2,246,850	\$ 2,307,886
Buildings and Improvements	51,147,424	51,346,312
Furniture, equipment and machinery	1,307,245	1,307,245
Accumulated Depreciation	<u>(39,929,087)</u>	<u>(38,922,515)</u>
Total	<u>\$ 14,772,432</u>	<u>\$ 16,038,928</u>

Debt

Non-current liabilities include accrued annual vacation and sick leave to employees. Additional debt is explained in Note L of the Notes to the Financial Statements.

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 the Federal budget than by local economic conditions. HUD has already approved the Budgets for 2019/2018.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Housing Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, Housing Authority of the City of Lake Charles, P.O. Box 1206, Lake Charles, LA 70602 or call (337) 439-4189.

Housing Authority of The City of Lake Charles
Lake Charles, Louisiana

ENTERPRISE FUNDS
Statement of Net Position

September 30, 2019

	General	Section 8	Management	Elimination	Total Primary Government
ASSETS					
Current assets					
Cash	\$ 1,611,885	\$ 679,727	\$ 260,259	\$ -	\$ 2,551,871
Investments	4,143,360	2,653,790	117,979	-	6,915,129
Accrued interest receivable	-	-	7	-	7
Accounts receivable, net	909,153	-	400,516	-	1,309,669
Interfund receivable	40,726	23,674	-	(64,400)	-
Inventory	69,989	-	8,249	-	78,238
Prepaid items and other assets	330,649	-	80,648	-	411,297
Total current assets	7,105,762	3,357,191	867,658	(64,400)	11,266,211
Restricted assets					
Cash-restricted	-	384,943	-	-	384,943
Security deposits	175,900	-	35,726	-	211,626
Investments - restricted	-	-	-	-	-
Total restricted assets	175,900	384,943	35,726	-	596,569
Capital assets, net					
Land	1,547,059	-	699,791	-	2,246,850
Buildings and equipment, net	8,423,071	1,596	4,100,915	-	12,525,582
Total capital assets, net	9,970,130	1,596	4,800,706	-	14,772,432
Notes, Loans & Mtgs. Receivable	5,322,156	-	801,000	-	6,123,156
Total Notes, Loans & Mtgs. Receivable	5,322,156	-	801,000	-	6,123,156
Other assets	-	-	-	-	-
Total non-current assets	15,468,186	386,539	5,637,432	-	21,492,157
TOTAL ASSETS	\$ 22,573,948	\$ 3,743,730	\$ 6,505,090	\$ (64,400)	\$ 32,758,368

Notes to the financial statements are an integral part of this statement.

Housing Authority of The City of Lake Charles
Lake Charles, Louisiana

ENTERPRISE FUNDS
Statement of Net Position

September 30, 2019

LIABILITIES AND NET POSITION	General	Section 8	Management	Elimination	Total Primary Government
LIABILITIES					
Current Liabilities					
Accounts payable	\$ 152,639	\$ 7,426	\$ 87,557	\$ -	\$ 247,622
Interfund payable	35,787	17,452	11,161	(64,400)	-
Other current liabilities	90,591	1,248	-	-	91,839
Unearned Revenue	-	53,703	-	-	53,703
Accts. Payable-HUD/Other Government	721,788	66,067	-	-	787,855
Current portion of L/T Debt	-	-	235,534	-	235,534
Current portion of compensated absences	31,627	4,287	478	-	36,392
Total current liabilities	1,032,432	150,183	334,730	(64,400)	1,452,945
Current liabilities payable from current restricted assets					
Deposits due others	175,900	-	35,726	-	211,626
Noncurrent liabilities					
L/T Debt-Net of Current	-	-	3,173,097	-	3,173,097
Non-current Liabilities-Other	-	-	4,085	-	4,085
Compensated absences payable	284,639	38,582	4,299	-	327,520
Total liabilities	1,492,971	188,765	3,551,937	(64,400)	5,169,273
NET POSITION					
Investment in capital assets	9,970,130	1,596	1,392,075	-	11,363,801
Restricted	-	272,539	-	-	272,539
Unrestricted	11,110,847	3,280,830	1,561,078	-	15,952,755
Net Position	21,080,977	3,554,965	2,953,153	-	27,589,095
TOTAL LIABILITIES and NET POSITION	\$ 22,573,948	\$ 3,743,730	\$ 6,505,090	\$ (64,400)	\$ 32,758,368

The notes to the financial statements are an integral part of this statement.

Housing Authority of The City of Lake Charles
 Lake Charles, Louisiana
 ENTERPRISE FUNDS
 Statement of Revenues, Expenses, and Changes in Net Position
 For the Year Ended September 30, 2019

	General	Section 8	Management	Total Primary Government
OPERATING REVENUES				
Net Tenant Rental Revenue	\$ 1,616,845	\$ -	\$ 1,077,058	\$ 2,693,903
Other Revenue and Fees	7,121	74,288	22,988	104,397
Total operating revenues	<u>1,623,966</u>	<u>74,288</u>	<u>1,100,046</u>	<u>2,798,300</u>
OPERATING EXPENSES				
Administration	85,050	484,292	100,582	669,924
Salaries	1,232,086	272,907	62,091	1,567,084
Employee benefits	523,056	179,301		702,357
Tenant services	730	-	-	730
Utilities	410,056	-	54,965	465,021
Ordinary maintenance and operations	832,753	37,133	340,668	1,210,554
Insurance	714,189	29,894	141,381	885,464
Interest	-	-	127,853	127,853
Protective services	-	-	21,465	21,465
General expenses	187,596	3,684	111,786	303,066
Housing assistance payments	79,776	6,668,023	-	6,747,799
Depreciation	1,395,705	324	138,738	1,534,767
Total operating expenses	<u>5,460,997</u>	<u>7,675,558</u>	<u>1,099,529</u>	<u>14,236,084</u>
	<u>(3,837,031)</u>	<u>(7,601,270)</u>	<u>517</u>	<u>(11,437,784)</u>
Nonoperating revenues (expenses)				
Interest earnings	147,340	36,378	37,432	221,150
Casualty Losses	-	-	-	-
Gain (loss) on disposition of capital assets	-	-	-	-
Federal grants	3,182,484	7,444,532	-	10,627,016
Total nonoperating revenues (expenses)	<u>3,329,824</u>	<u>7,480,910</u>	<u>37,432</u>	<u>10,848,166</u>
Net income (loss) before transfers and contributions	(507,207)	(120,360)	37,949	(589,618)
Transfers	(94,164)	-	(4,310,389)	(4,404,553)
Capital contributions	622,575	-	-	622,575
Change in net position	21,204	(120,360)	(4,272,440)	(4,371,596)
NET POSITION AT BEGINNING OF YEAR	<u>21,059,773</u>	<u>3,675,325</u>	<u>7,225,593</u>	<u>31,960,691</u>
NET POSITION AT END OF YEAR	<u>\$ 21,080,977</u>	<u>\$ 3,554,965</u>	<u>\$ 2,953,153</u>	<u>\$ 27,589,095</u>

The notes to the financial statements are an integral part of this statement

Housing Authority of The City of Lake Charles
Lake Charles, Louisiana

ENTERPRISE FUNDS
Statement of Cash Flows

For the Year Ended September 30, 2019

	<u>General</u>	<u>Section 8</u>	<u>Management</u>	<u>Total Primary Government</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Rental receipts	\$1,616,845	\$ -	\$1,077,058	\$2,693,903
Payments to vendors	(1,920,374)	(465,920)	(863,878)	(3,250,172)
Payments to employees	(1,755,142)	(452,208)	(94,026)	(2,301,376)
Other receipts (payments)	7,121	74,288	22,988	104,397
Payments to private landlords	(79,776)	(6,668,023)	-	(6,747,799)
Net cash provided by (used in) operating activities	<u>(2,131,326)</u>	<u>(7,511,863)</u>	<u>142,142</u>	<u>(9,501,047)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Federal Grants	2,771,398	7,420,758	-	10,192,156
Net cash provided by (used in) noncapital financing activities	<u>2,771,398</u>	<u>7,420,758</u>	<u>-</u>	<u>10,192,156</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital contributions	622,575	-	-	622,575
Purchase of capital assets	(773,127)	-	-	(773,127)
Net cash provided by (used in) capital and related financing activities	<u>(150,552)</u>	<u>-</u>	<u>-</u>	<u>(150,552)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments	-	-	(1,461,682)	(1,461,682)
Purchase of investments	(3,495,810)	(1,608,674)	(59)	(5,104,543)
Interest and dividends received	147,340	36,378	37,434	221,152
Net cash provided by (used in) investing activities	<u>(3,348,470)</u>	<u>(1,572,296)</u>	<u>(1,424,307)</u>	<u>(6,345,073)</u>
Net increase (decrease) in cash and cash equivalents	(2,858,950)	(1,663,401)	(1,282,165)	(5,804,516)
Cash and cash equivalents at beginning of year	4,646,735	2,728,071	1,578,150	<u>\$ 8,952,956</u>
Cash and cash equivalents at end of year	<u>\$ 1,787,785</u>	<u>\$ 1,064,670</u>	<u>\$ 295,985</u>	<u>\$ 3,148,440</u>

The notes to the financial statements are an integral part of this statement

Housing Authority of The City of Lake Charles
Lake Charles, Louisiana

ENTERPRISE FUNDS
Statement of Cash Flows

For the Year Ended September 30, 2019

	General	Section 8	Management	Total Primary Government
RECONCILIATION OF OPERATING INCOME				
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES				
Operating income (loss)	\$ (3,837,031)	\$ (7,601,270)	\$ 517	\$ (11,437,784)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			-	
Depreciation	1,419,350	324	138,738	1,558,412
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	261,028	3,211	(2)	264,237
(Increase) decrease in interfund receivables	(40,726)	4,189	-	(36,537)
(Increase) decrease in inventory	(2,807)	-	(54)	(2,861)
(Increase) decrease in prepaid items	(28,453)	11,108	(16,199)	(33,544)
(Increase) decrease in accounts payable	152,132	7,426	85,305	244,863
Increase (decrease) in other liabilities	(67,494)	31,565	(75,858)	(111,787)
Increase (decrease) in interfund payables	33,851	17,433	8,927	60,211
Increase (decrease) in compensated absences	(21,176)	14,151	768	(6,257)
Net cash provided by (used in) operating activities	<u>\$ (2,131,326)</u>	<u>\$ (7,511,863)</u>	<u>\$ 142,142</u>	<u>\$ (9,501,047)</u>
Reconciliation of cash and cash equivalents at end of year to Balance Sheet presentation:				
Cash	\$ 1,611,885	\$ 1,064,670	\$ 260,259	\$ 2,936,814
Security deposits	175,900	-	35,726	211,626
Cash and cash equivalents at end of year	<u>\$ 1,787,785</u>	<u>\$ 1,064,670</u>	<u>\$ 295,985</u>	<u>\$ 3,148,440</u>

The notes to the financial statements are an integral part of this statement.

Housing Authority of The City of Lake Charles
Lake Charles, Louisiana

Notes to Basic Financial Statements

September 30, 2019

Note 1 - Organization and Summary of Significant Accounting Policies

The Housing Authority of The City of Lake Charles (the Authority) was incorporated April 25, 1940 under the authority of the Constitution and statutes (LSA:R.S. 40:381) of the state of Louisiana for the purpose of providing safe and sanitary dwellings accommodations in Lake Charles, Louisiana.

A. Financial Reporting Entity

GASB Statement 14, *The Financial Reporting Entity*, establishes criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under the provisions of this Statement, the Authority is considered a primary government, since it is a special purpose government that has a separate governing body, is legally separate, and is fiscally independent of other state or local governments.

The Authority is a related organization of the City of Lake Charles since the Honorable Mayor of the City of Lake Charles appoints the Authority's governing board. The Authority's governing board is composed of five members appointed for staggered five-year terms. The City of Lake Charles is not financially accountable for the Authority as it is not able to 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 City of Lake Charles. Accordingly, the Authority is not a component unit of the financial reporting entity of the City of Lake Charles or any other governmental unit.

In determining how to define the reporting entity, management has considered all potential component units. Governmental Accounting Standards Board (GASB) Codification Section 2100 establishes criteria for determining which, if any, component units should be considered part of the Authority for financial reporting purposes. The criterion includes manifestation of oversight responsibility; including financial accountability, appointment of a voting majority, imposition of will, financial benefit to or burden on a primary organization, financial accountability as a result of fiscal dependency, potential dual inclusion, and organizations included in the reporting entity although the primary organization is not financially accountable.

Based on the previous criteria, the Authority has determined that there are is a component unit that should be considered as part of the Authority's reporting entity .It is discretely presented in Note 15 of the note disclosures.

continued

Housing Authority of The City of Lake Charles
Lake Charles, Louisiana

Notes to Basic Financial Statements

September 30, 2019

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

A. Financial Reporting Entity (Continued)

Programs within the general and Section 8 funds operated by the Authority receive federal financial assistance from the U.S. Department of Housing and Urban Development (HUD), and are subject to applicable laws and regulations. The operations of each fund are accounted for through a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Federal contributions are received and accounted for in the individual programs based upon the purposes for which they are to be spent. The Authority is not subject to income taxes.

A brief description of the various programs is as follows:

- Housing Authority Owned Rental Housing (FW-1132) - Approximately 689 units of low-income public housing is owned by the Housing Authority of The City of Lake Charles. Low Income is defined by published entry in the Federal Register per Standard Metropolitan Statistical Areas (SMSA). Tenants pay the highest of 30% of their adjusted income or 10% of monthly income for such housing.
- Section 8 Public Owned Rental Housing - Section 8 Public Housing is a program designed to allow private homeowners to lease their houses to low-income families. The rents are set by the Federal Government and published in the Federal Register and cannot be increased without HUD approval. Tenants pay the highest of 30% of their adjusted income or 10% of monthly income for such housing. The Housing Authority of The City of Lake Charles makes up the difference between the tenant's portion of the rent and the Fair Market Rent as subsidy to the homeowner. Section 8 has evolved into two programs:

Housing Choice Vouchers (FW-2228V) – 1986 units
Moderate Rehab (FW-2074) – 70 units

continued

Housing Authority of The City of Lake Charles
Lake Charles, Louisiana

Notes to Basic Financial Statements

September 30, 2019

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

A. Financial Reporting Entity (Continued)

- PHA Owned Rental Housing - PHA Owned Housing consists of tenant housing units which the Housing Authority of The City of Lake Charles has acquired through the Federal Home Loan Bank Affordable Housing Program. The basic Section 8 rules apply. The qualifications are the same income limits published in the Federal Register for Low Income Public Housing tenants. Tenants pay the highest of 30% of their adjusted income or 10% of monthly income for such housing.
- PHA Owned Rental Housing and Other Properties - This program consists of PHA owned housing units and other properties acquired through management fees and earnings. Fair rental values are established and charged for the housing units, but low-income guidelines do not apply.

B. 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 the public housing low rent program and the capital fund program. The Section 8 fund accounts for transactions of the housing choice voucher program, and the moderate rehab program. The management program accounts for owned housing and other properties and management fees received for which the Authority is the managing agent.

continued

Housing Authority of The City of Lake Charles
Lake Charles, Louisiana

Notes to Basic Financial Statements

September 30, 2019

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. 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 measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The Authority has elected, pursuant to Governmental Accounting Standards Board (GASB) Statement 20, to apply all GASB pronouncements and only FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 funds are rent and maintenance charges to residents and administration fees earned. Operating expenses for proprietary funds include the administrative costs of providing the service and the housing assistance payments to residents. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

As of this audit period ending September 30, 2019 the affiliated non profit entity, LCNHDC-Lake Charles Non-Profit Housing Development Corporation (presented as a component unit-Note # 15 disclosure) nongovernmental accounting standards follow the entity's (LCHA) summary of significant accounting policies (Note P).

continued

Housing Authority of The City of Lake Charles
Lake Charles, Louisiana

Notes to Basic Financial Statements

September 30, 2019

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

D. Budgets

Budgets are prepared on an annual basis for each major operating program and are used as a management tool throughout the accounting cycle. Budgets are not, however, legally adopted nor required for financial statement presentation.

E. Cash and Cash Equivalents

Cash includes amounts in demand deposits and interest-bearing demand deposits. The Authority considers all highly liquid financial instruments purchased with an original maturity of 90 days or less when purchased to be cash equivalents. The Authority had no cash equivalents at September 30, 2019.

F. Investments

Investments are limited by LSA-R.S. 33:2955 and the Authority's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments included certificates of deposit, a money market account, and LAMP investments. The total of all investments was \$ 6,915,129. The CD's are measured at cost plus accrued interest. The LAMP investment balance is stated at fair value. See Note 2 for more detail on investment risk.

Housing Authority of The City of Lake Charles
Lake Charles, Louisiana

Notes to Basic Financial Statements

September 30, 2019

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

G. Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for services rendered. Services provided, deemed to be at market or near market rates, are treated as revenues and expenses. Additionally, transactions occur between individual funds as a result of the use of a common paymaster for shared costs of the Authority. Cash settlements are made periodically. These receivables and payables are classified as inter-fund receivables/payables.

H. Inventory

All purchased inventory items are valued at cost using first-in, first-out method. Acquisition of materials and supplies are accounted for on the consumption method, that is, the expenses are charged when the items are consumed.

I. Prepaid Items

Payments made to vendors that will benefit periods beyond the fiscal year end are recorded as prepaid items.

J. Restricted Assets

Certain assets are classified as restricted assets on the statement of net position because their use is restricted for modernization programs, security deposits held in trust, and for the replacement of property and other project expenditures approved by HUD.

K. Capital Assets

The Authority's purchased capital assets are recorded at historical cost and depreciated over their estimated useful lives. Donated capital assets are recorded at their estimated fair value at the date of donation. The Authority's policy is to capitalize significant items of equipment, major renovations, buildings, and real estate. The Authority changed its capitalization of equipment and/or personal property policy on June 28, 2018 such that any initial cost of \$5,000 or more and an anticipated life or useful value of said equipment or property of more than one year will be capitalized. The capitalization threshold applies to all capital assets, with the exception of ranges and refrigerators.

continued

Housing Authority of The City of Lake Charles
Lake Charles, Louisiana

Notes to Basic Financial Statements

September 30, 2019

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

K. Capital Assets (continued)

Straight-line depreciation is calculated in accordance with public housing authority guidelines as follows:

Buildings	40 years
Site improvements	15-40 years
Furniture, equipment, and machinery	5-10 years
Vehicles	5-10 years
Computers	3 years

When capital assets are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

L. Long-Term Debt

The Authority obtained a \$4,000,000 loan from Jeff Davis Bank to finance the purchase of Greinwich Village. The note has an interest rate of 4% and a term of 15 years. Future projected payments are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Balance Due</u>
			3,086,630
2019	39,037	20,511	3,047,593
2020	238,920	117,555	2,808,673
2021	248,654	107,821	2,560,019
2022	258,784	97,691	2,301,235
2023	269,328	87,147	2,031,907
Thereafter	2,031,907		

The current portion of this debt that is due as of 9-30-19 is \$235,534.

An additional loan was obtained from Jeff Davis Bank for \$ 322,000. This loan was made to fund the development of a low-income housing project known as Booker T. Washington Homes in Lake Charles, Louisiana. The loan shall bear interest at 0.25% per annum, compounded annually and shall be due and payable on the forty-first (41st) anniversary of the date of the original loan, which will be September 11, 2055.
continued

Housing Authority of The City of Lake Charles
Lake Charles, Louisiana

Notes to Basic Financial Statements
September 30, 2019

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

M. Compensated Absences

The Authority follows Louisiana Civil Service regulations for accumulated annual and sick leave. Annual and sick leave is earned by each full-time and each part-time associate who has a regular tour of duty, except that no associate shall earn annual or sick leave while serving on restricted appointment or while using leave from an agency leave pool as defined in Rule 11.34. The earning of such leave is based on the equivalent of years of full-time State service and shall be creditable at the end of each calendar month or at the end of each regular pay period based on graduated rates per hour. Accrued unused annual and sick leave earned by an associate shall be carried forward to succeeding calendar years. Upon separation from the Authority, an associate is paid the value of his accrued annual leave in a lump sum up to a maximum of 300 hours disregarding any final fraction of an hour; provided the privileges of this rule shall not extend to any associate who is dismissed for theft of Authority funds or property. Upon separation from the Authority, an associate is not compensated for sick leave.

N. Restricted Net Position

The statement of net position reports net position as the difference between all other elements in a statement of net position and is displayed in the three following components:

* Net investment in capital assets - consists of capital assets including restricted capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

* Restricted - consists of amounts with constraints placed on the use by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

* Unrestricted - all other amounts that do not meet the definition of "restricted" or "net investment in capital assets."

continued

Housing Authority of The City of Lake Charles
Lake Charles, Louisiana

Notes to Basic Financial Statements

September 30, 2019

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

O. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and other financing sources and uses during the reporting period. Actual results could differ from those estimates.

P. Component Use of Accounting Standards

The component unit referred to in Note 15 of the disclosures uses nongovernmental accounting standards as it relates to its reporting of the financial information on the nonprofit.

Note 2- Deposits and Investments-

The Authority's investments are limited to those allowed by state statute.

Custodial Credit Risk-Deposits: Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The balances of the *demand deposits* with financial institutions on September 30, 2019 was \$ 3,148,440. Of this amount \$ 500,000 is totally insured by FDIC insurance. The balance of \$2,648,440 was secured by collateral held by the pledging financial institution agent in the name of the pledging financial institutions and pledged to the Housing Authority of The City of Lake Charles.

continued

Housing Authority of The City of Lake Charles
 Lake Charles, Louisiana
 Notes to Basic Financial Statements

September 30, 2019

Note 2-Deposits and Investments-continued

Although the pledged securities are considered uncollateralized under the provisions of GASB Statement 40, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Authority that the fiscal agent has failed to pay deposited funds upon request.

Under state law, the Authority's demand deposits are required to be fully collateralized at all times. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

Custodial Credit Risk – Investments: For an investment, this is the risk that, in the event of the failure of the counter-party, the Authority will not be able to recover the value of its investments or collateral securities are in the possession of an outside party. The Authority does maintain investment accounts at Louisiana Asset Management Pool (LAMP). LAMP participants' investments in the pool are evidenced by shares of the pool. LCHA's investment is with the pool, not the securities that make up the pool. LAMP is rated AAAM by Standard & Poor's. The funds in LAMP are not categorized in the three risk categories provided by GASB because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form. Only political subdivisions having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placements of public funds in short-term, high quality investments.

Interest Rate Risk/Credit Risk: LAMP is designed to be highly liquid to give its participants immediate access to their account balances.

Money Market Account Balance: \$ 530,595 (insured by FDIC and pledged securities)

Louisiana Asset Management Pool Balance: The investments of \$ 6,139,226 in LAMP are stated at fair value. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the net asset value of the pool shares. LAMP is not registered with the SEC as an investment company.

Certificates of Deposit Balances: (insured by FDIC)

	<u>Maturity</u>	<u>Interest</u> <u>Rate</u>	
Certificate of Deposit	12/28/18	.350%	\$ 127,329
Certificate of Deposit	11/18/18	.050%	\$ 117,979
Total Current			\$ 245,308

The certificates of deposit are recorded at cost plus accrued interest.

Housing Authority of The City of Lake Charles
Lake Charles, Louisiana

Notes to Basic Financial Statements
September 30, 2019

Note 3 - Accounts Receivable

The accounts receivable at September 30, 2019 are as follows:

<u>Class of Receivable</u>	<u>General</u>	<u>Section 8</u>	<u>Management</u>	<u>Total</u>
Tenants	\$ 78,043	-0-	6,289	\$ 84,332
A/R-Cap.Fund Misc.	767,459	-0-	-0-	\$ 767,459
A/R-Miscellaneous	58,998	-0-	394,227	\$ 453,225
A/R-HUD/Other Projects	4,649	-0-	-0-	\$ 4,649
Totals	\$ 909,149	\$ -0-	\$ 400,516	\$ 1,309,665

The accounts receivable – other consists of balances due from other entities the Authority manages and consists of balances due from other entities that are commercial property tenants. The Authority expects to collect those balances in full. Included in tenants accounts receivable are repayment agreements for fraudulently reporting incorrect income amounts for past rental calculations. HUD approved LCHA to use capital funds for predevelopment expenses for their CCM RAD conversion project. This resulted in an accounts receivable balance of \$ 767,459. The funds were reimbursed in the subsequent audit period.

Note 4 – Prepaid Items

Prepaid items as of September 30, 2019 consisted of prepaid insurance of \$411,297.

Note 5 – Capital Assets Changes in capital assets and accumulated depreciation during the current year are as follows:

	<u>9/30/2018</u>			<u>9/30/2019</u>
	Cost	Additions	Dispositions	Cost
Land	\$ 2,307,886	\$ -	\$ 61,036	\$ 2,246,850
Building and Improvements	51,346,312	-	198,888	51,147,424
Furniture, equip., and machinery	1,307,245	-	-	1,307,245
	<u>\$ 54,961,443</u>	<u>\$ -</u>	<u>\$ 259,924</u>	54,701,519
Accumulated depreciation:				
Balance 09/30/18				38,922,515
Current year depreciation				1,534,767
Current year dispositions				<u>(528,195)</u>
Balance 09/30/19				<u>39,929,087</u>
Capital assets, net of accumulated depreciation				<u>\$ 14,772,432</u>

Housing Authority of The City of Lake Charles
Lake Charles, Louisiana

Notes to Basic Financial Statements

September 30, 2019

Note 6 – Inter-fund Receivables/Payables

The following schedule reports receivables and payables within the reporting entity at September 30, 2019:

	<u>Receivables</u>	<u>Payables</u>
General		
Housing Choice Vouchers	40,726	35,787
	40,726	35,787
Section 8		
Disaster Housing	-	-
Fed.Act. Sect. 901	-	-
14.IKE	-	-
Housing Choice Vouchers	6,227	-
Moderate Rehab	17,447	17,452
	23,674	17,452
Management		
Housing Choice Vouchers	-	11,161
	-	11,161
Totals	\$ 64,400	\$ 64,400

Note 7 - Accounts Payable

The accounts payable at September 30, 2019 are as follows:

	<u>General</u>	<u>Section 8</u>	<u>Management</u>	<u>Total</u>
<u>Class of Payable</u>				
Vendors	\$ 152,639	\$ 7,426	\$ 87,557	\$ 247,622
Accts. Payable-Other Govt.	721,788	66,067	-	\$ 787,855
Other Liabilities	-	53,703	-	\$ 53,703
	\$ 874,427	\$ 127,196	\$ 87,557	\$ 1,089,180

The \$ 721,788 represents funds loaned to the tax credit entities that will be paid back to HUD. HUD approved this transaction before it occurred.

Housing Authority of The City of Lake Charles
Lake Charles, Louisiana
Notes to Basic Financial Statements
September 30, 2019

Note 8 – General Long-Term Obligations

The following is a summary of the long-term obligation transactions for the year ended September 30, 2019, which consisted of, compensated absences:

Balance, beginning	\$ 370,169
Net Changes	<u>(42,649)</u>
Balance, ending	<u><u>\$ 327,520</u></u>
Amounts due in one year	<u><u>\$ 36,392</u></u>

In the past the liability has been liquidated by the general fund.

Note 9 – Retirement Plan

The Authority participates in the Housing-Renewal and Local Agency Retirement Plan, 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. The Board of Commissioners of the Authority determines plan provisions and changes to plan contributions.

Under a defined contribution plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account and the returns earned on investments of those contributions.

Under the plan, the Authority contributes 8.5% of the employee's basic (excludes overtime) monthly salary to the plan with the provision that the employee is required to contribute a minimum of 6%. 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. Normal retirement date shall be the first day of the month following the employee's 65th birthday.

The Authority's total payroll for the year ended September 30, 2019 was \$1,567,084. The Authority's contributions were calculated using the average base salary amount of \$1,524,924. The Authority made the required contributions of \$129,616 for the year ended September 30, 2019.

Housing Authority of The City of Lake Charles
Lake Charles, Louisiana

Notes to Basic Financial Statements

September 30, 2019

Note 10 - Contingencies and Commitments

Litigation At September 30, 2019, the Authority was involved in a variety of litigation. It is the opinion of the legal advisor of the Authority that this litigation would not have a material effect on the financial statements and that any potential liability would be covered by insurance.

Note 11 – 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; and natural disasters for which the Authority carries commercial insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 12 - Management Agreement

In July 2001 the Authority received approval from the United States Department of Housing and Urban Development (HUD) to become the management agent of Willow Manor. The Authority will have the duty of maintaining, servicing, repairing, promoting, publicizing, operating, and managing a housing complex owned by Willow Manor, Inc. The management fee set forth and approved by HUD, is 8.9% of residential income collected. Management fee income for the year was \$ 7,773.

Note 13 – Economic Dependence and Current Vulnerability Due to Certain Concentrations

The Department of Housing and Urban Development provided \$ 11,249,588 to the Authority, which represents approximately 78.84% of the Authority's total revenue for the year.

The Authority's operations are concentrated in the public housing real estate market. In addition, the Authority operates in a heavily regulated environment. The operations of the Authority are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules, and regulations are subject to change by an act of congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay the related cost, including additional administrative burden, to comply with a change.

Note 14 – Financing of Note Receivable/Related Party Transactions

In 2012 HUD approved the advancing of Fungibility Funds to several new tax credit entities. Construction and permanent financing was provided by the Housing Authority of the City of Lake Charles. Non-recourse promissory notes were issued by the Partnerships that were formed in these new tax credit entities.

The Partnerships shall make annual payments to the Housing Authority from available cash flow as set forth in the Partnership Agreements. The loans are collateralized by a second security interest in the Partnership's property and improvement and granting a pledge and security interest in all general intangibles, equipment, inventory, accounts receivable, operating accounts, furniture, fixtures, etc. of the Borrower. The detail for the tax credit entities owing the financing to The Housing Authority is as follows:

<u>Entity</u>	<u>Mortgage</u>	<u>Term</u>	<u>Int.Rate</u>	<u>Maturity</u>
Booker T. Washington	\$ 322,000	40 yrs	.25%	9/11/2055
Booker T. Washington	\$ 160,000	40 yrs	2.00%	1/04/2053
Booker T. Washington	\$ 1,328,138	40 yrs	4.00%	1/04/2053
Kingsley Court	\$ 1,508,404	40 yrs	2.00%	12/31/2052
Bayou Bluff	\$ 1,732,066	40 yrs	2.00%	12/31/2052
High School Park	\$ 319,000	35 yrs	0.00%	12/28/2050
Accrued Interest	\$ 753,548			
Total Notes Receivable	<u>\$ 6,123,156</u>			

Note 15 – Discrete presentation of Component Unit of LCHA

The afore-mentioned tax credit entity projects (reference in Note 14 above) were entered into with the intent of expanding the housing available to low-income persons. In its effort to expand this mission the LCHA formed a nonprofit organization called the Lake Charles Non-Profit Housing Development Corporation, LCNHDC. This non-profit organization partners with other finance sources for the purpose of developing additional housing and acts as the “developer” in the transactions. In 2019 discussions took place as to the guaranties that were provided relating to the net worth and liquidity of the organizations involved in these projects. The requirements indicated that the nonprofit's net worth requirements were \$ 2,500,000 and its liquidity requirements were \$ 500,000. Attorneys were consulted and an analysis took place as to how best to satisfy the requirements that were put in place.

The component unit is incorporated as a not-for-profit corporation and the primary government is the sole corporate member, as identified in the component unit's articles of incorporation or bylaws.

Note 15-Discrete presentation of Component Unit of LCHA-cont'd

Transfers of assets were made from the Management division. No transfers occurred within the General or Section 8 divisions. All assets contained in the Statement of Net Position were transferred in order to satisfy the net worth and liquidity requirements.

As indicated on the LCHA Statement of Revenues, Expenses and Changes in Net Position found on Page # 13 of this audit report, the transfer to the nonprofit totaled \$ 4,310,389. The nonprofit's net income for 2019 , \$ 44,358, was added to that transfer and it brought the net position of the nonprofit to \$ 4,354,747. Assets transferred included cash, investments, accounts receivable due from the tax credit entities to LCHA as well a commercial building and a commercial warehouse.

Income generated through the nonprofit includes commercial rental paid by LCHA to the nonprofit for the building(s) that were transferred. Interest generated from the investments transferred is also reflected in the statement of revenues, expenses and changes in net position.

Lake Charles Non-Profit Housing Development Corporation Lake Charles, Louisiana Component Unit Statement of Net Position September 30, 2019		Lake Charles Non-Profit Housing Development Corp Lake Charles, Louisiana Component Unit Stmnt. of Revenues, Expenses, and Net Position September 30, 2019	
ASSETS		OPERATING INCOME	
Cash and Cash Equivalents	137,738	Rental-commercial	\$ 39,047
Accounts Receivable	2,554,711	Interest-investments	5,311
Investments	<u>1,307,991</u>	Net income	<u>\$ 44,358</u>
Total current assets	4,000,440		
CAPITAL ASSETS, net		NET POSITION AT BEGINNING OF YEAR	-
Property and equipment, net of accumulated depreciation	354,307	Change in Net Position	44,358
		NET POSITION AT END OF YEAR	4,354,747
TOTAL ASSETS	<u>\$ 4,354,747</u>		
NET POSITION			
Restricted	-		
Net investment in Capital Assets	354,307		
Unrestricted	<u>4,000,440</u>		
TOTAL LIABILITIES & NET POSITION	<u>\$ 4,354,747</u>		

It should be noted that the financial statements presented above are presented as of the same fiscal period as the LCHA for consistency purposes.

SUPPLEMENTARY INFORMATION

Statement & Certification of Actual Modernization Cost

Financial Data Schedule

Schedule of Compensation, Benefits & Other Payments to CEO

Housing Authority of The City of Lake Charles
Statement and Certification of Actual Modernization Cost
Annual Contribution Contract

September 30, 2019

1. The Actual Modernization Costs are as follows:

	<u>(2016) Capital Fund</u>	<u>(2017) Capital Fund</u>
Funds approved	\$ 1,158,301	\$ 1,203,958
Funds expended	\$ (1,158,301)	\$ (443,043)
Funds left to spend	<u>\$ -0-</u>	<u>\$ 760,915</u>
	<u>(2018) Capital Fund</u>	<u>(2019) Capital Fund</u>
Funds approved	\$ 1,875,007	\$ 1,683,395
Funds expended	<u>\$ (960,143)</u>	<u>\$ (35,000)</u>
Funds left to spend	<u>\$ 914,864</u>	<u>\$ 1,648,395</u>

2. The distribution of costs by project as shown on the Statements of Modernization Costs accompanying the Actual Modernization Costs Certificates submitted to HUD for approval are in agreement with the PHA's records.
3. All modernization costs have been paid and all related liabilities have been discharged through payment.

Housing Authority of The City of Lake Charles
Lake Charles, Louisiana
FINANCIAL DATA SCHEDULE
For the Year Ended September 30, 2019

Account Description	14.850	14.871	Business Activities	Elimination	14.IKE
	Low Rent Public Housing	Housing Choice Vouchers			DHAP-Ike
Cash-Unrestricted	\$1,611,885	\$563,629	\$260,259	\$0	\$66,344
Cash-Other restricted	\$0	\$326,242	\$0	\$0	\$0
Cash-Tenant Security Deposits	\$175,900	\$0	\$35,726	\$0	\$0
Total Cash	\$1,787,785	\$889,871	\$295,985	\$0	\$66,344
Accounts Receivable-PHA Projects	\$0	\$0	\$0	\$0	\$0
Accounts Receivable-HUD Other Projects	\$4,649	\$0	\$0	\$0	\$0
Accounts Receivable-Other Government	\$0	\$0	\$0	\$0	\$0
Accounts Receivable-Miscellaneous	\$826,457	\$0	\$394,227	\$0	\$0
Accounts Receivable-Tenants-Dwelling Rents	\$81,625	\$0	\$6,497	\$0	\$0
Allowance for Doubtful Accounts-Tenants	(\$3,582)	\$0	(\$208)	\$0	\$0
Notes, Loans, & Mortgages Rclble-Current	\$0	\$0	\$0	\$0	\$0
Fraud Recovery	\$0	\$300,068	\$0	\$0	\$0
Allowance for Doubtful Accounts-Fraud	\$0	(\$300,068)	\$0	\$0	\$0
Accrued Interest Receivable	\$4	\$0	\$7	\$0	\$0
Total Receivables, net of allowance for doubtful accounts	\$909,153	\$0	\$400,523	\$0	\$0
Investments-Unrestricted	\$4,143,360	\$1,516,539	\$117,979	\$0	\$935,105
Investments-Restricted	\$0	\$0	\$0	\$0	\$0
Prepaid Expenses and Other Assets	\$330,649	\$0	\$80,648	\$0	\$0
Inventories	\$69,989	\$0	\$8,249	\$0	\$0
Interprogram Due From	\$40,726	\$6,227	\$0	(\$64,400)	\$0
Total Current Assets	\$7,281,662	\$2,412,637	\$903,384	(\$64,400)	\$1,001,449
Land	\$1,547,059	\$0	\$699,791	\$0	\$0
Buildings	\$46,444,120	\$0	\$4,507,932	\$0	\$0
Furniture, Equipment & Machinery-Dwellings	\$593,206	\$0	\$0	\$0	\$0
Furniture, Equipment & Machinery-Administration	\$645,394	\$40,338	\$28,307	\$0	\$0
Leasehold Improvements	\$59,605	\$0	\$135,767	\$0	\$0
Accumulated Depreciation	(\$39,319,254)	(\$38,742)	(\$571,091)	\$0	\$0
Total Fixed Assets, Net of Accumulated Depreciation	\$9,970,130	\$1,596	\$4,800,706	\$0	\$0
Notes, Loans & Mortgages Receivable	\$5,322,156	\$0	\$801,000	\$0	\$0
Other Assets	\$0	\$0	\$0	\$0	\$0
Total Non-Current Assets	\$15,292,286	\$1,596	\$5,601,706	\$0	\$0
Total Assets	\$22,573,948	\$2,414,233	\$6,505,090	(\$64,400)	\$1,001,449
Accounts Payable<=90 days	\$40,282	\$7,426	\$11,730	\$0	\$0
Accounts Payable >=90 Days	\$0	\$0	\$0	\$0	\$0
Accrued Wage/Payroll Taxes Payable	\$0	\$0	\$0	\$0	\$0
Accrued Compensated Absences - Current Portion	\$31,627	\$3,988	\$478	\$0	\$0
Accounts Payable-HUD PHA Programs	\$721,788	\$7,366	\$0	\$0	\$0
Accounts Payable-Other Government	\$112,357	\$0	\$75,827	\$0	\$0
Tenant Security Deposits	\$175,900	\$0	\$35,726	\$0	\$0
Unearned Revenue	\$0	\$53,703	\$0	\$0	\$0
Current Portion of L/T Debt-Capital	\$0	\$0	\$235,534	\$0	\$0
Other Current Liabilities	\$90,591	\$0	\$0	\$0	\$0
Loan Liability-Current	\$0	\$0	\$0	\$0	\$0
Interprogram Due To	\$35,787	\$0	\$11,161	(\$64,400)	\$0
Total Current Liabilities	\$1,208,332	\$72,483	\$370,456	(\$64,400)	\$0
Accrued Compensated Absences-Non Current	\$284,639	\$35,896	\$4,299	\$0	\$0
Long-term Debt-Net of Current-Cap.Projects/Mortgage	\$0	\$0	\$3,173,097	\$0	\$0
Non-current Liabilities-Other	\$0	\$0	\$4,085	\$0	\$0
Total Noncurrent Liabilities	\$284,639	\$35,896	\$3,181,481	\$0	\$0
Total Liabilities	\$1,492,971	\$108,379	\$3,551,937	(\$64,400)	\$0
Invested In Capital Assets, Net of Related Debt	\$9,970,130	\$1,596	\$1,392,075	\$0	\$0
Restricted Net Position	\$0	\$272,539	\$0	\$0	\$0
Unrestricted Net Position	\$11,110,847	\$2,031,719	\$1,561,078	\$0	\$1,001,449
Total Equity/Net Assets/Position	\$21,080,977	\$2,305,854	\$2,953,153	\$0	\$1,001,449
Total Liabilities, Deferred Inflows of Resources & Equity	\$22,573,948	\$2,414,233	\$6,505,090	(\$64,400)	\$1,001,449

14.856	
Lower Income	
Section 8	
Mod Rehab	
MR002/MR003	Total
\$49,754	\$2,551,871
\$58,701	\$384,943
\$0	\$211,626
\$108,455	\$3,148,440
\$0	\$0
\$0	\$4,649
\$0	\$0
\$0	\$1,220,684
\$0	\$88,122
\$0	(\$3,790)
\$0	\$0
\$0	\$300,068
\$0	(\$300,068)
\$0	\$11
\$0	\$1,309,676
\$202,146	\$6,915,129
\$0	\$0
\$0	\$411,297
\$0	\$78,238
\$17,447	\$0
\$328,048	\$11,862,780
\$0	\$2,246,850
\$0	\$50,952,052
\$0	\$593,206
\$0	\$714,039
\$0	\$195,372
\$0	(\$39,929,087)
\$0	\$14,772,432
\$0	\$6,123,156
\$0	\$0
\$0	\$20,895,588
\$328,048	\$32,758,368
\$0	\$59,438
\$0	\$0
\$0	\$0
\$299	\$36,392
\$58,701	\$787,855
\$0	\$188,184
\$0	\$211,626
\$0	\$53,703
\$0	\$235,534
\$1,248	\$91,839
\$0	\$0
\$17,452	\$0
\$77,700	\$1,664,571
\$2,686	\$327,520
\$0	\$3,173,097
\$0	\$4,085
\$2,686	\$3,504,702
\$80,386	\$5,169,273
\$0	\$11,363,801
\$0	\$272,539
\$247,662	\$15,952,755
\$247,662	\$27,589,095
\$328,048	\$32,758,368

Housing Authority of the City of Lake Charles
Lake Charles, Louisiana
For the Year Ended September 30, 2019

	14.850	14.871		14.IKE	
Account Description	Low Rent Public Housing	Housing Choice Vouchers	Business Activities	Elimination	DHAP- Ike
Net Tenant Rental Revenue	\$1,616,845	\$0	\$1,077,058	\$0	\$0
Tenant Revenue-Other	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0	<u>\$0</u>
Total Tenant Revenue	\$1,616,845	\$0	\$1,077,058	\$0	\$0
HUD PHA Operating Grants	\$3,182,481	\$7,068,190	\$0	\$0	\$0
Capital Grants	\$622,575	\$0	\$0	\$0	\$0
Management Fee	\$589,074	\$0	\$0	(\$589,074)	\$0
Asset Management Fee	\$254,688	\$0	\$0	(\$254,688)	\$0
Bookkeeping Fee	\$162,615	\$0	\$0	(\$162,615)	\$0
Investment Income-Unrestricted	\$42,984	\$18,064	\$37,432	\$0	\$16,112
Mortgage Interest Income	\$104,356	\$0	\$0	\$0	\$0
Fraud Recovery	\$0	\$13,504	\$0	\$0	\$0
Other Revenue	\$7,121	\$60,142	\$22,988	\$0	\$0
Gain or Loss on Sale of Capital Assets	\$0	\$0	\$0	\$0	\$0
Investment Income-Restricted	\$0	\$0	\$0	\$0	\$0
Total Revenue	\$6,582,739	\$7,159,900	\$1,137,478	(\$1,006,377)	\$16,112
Administrative Salaries	\$751,341	\$254,161	\$62,091	\$0	\$0
Book-keeping and Auditing Fees	\$73,942	\$142,006	\$5,003	(\$162,615)	\$4,991
Management Fees	\$589,074	\$0	\$0	(\$589,074)	\$0
Office expenses	\$0	\$0	\$0	\$0	\$0
Employee Benefit Contributions-Administrative	\$296,164	\$175,598	\$31,935	\$0	\$0
Asset Management Fees	\$0	\$0	\$0	\$0	\$0
Travel	\$16,092	\$1,600	\$21,787	\$0	\$0
Legal Expenses	\$64,579	\$770	\$15,920	\$0	\$0
Other-Administrative	\$491,952	\$153,809	\$25,937	\$0	\$0
Other-Tenant Services	\$83,410	\$163,080	\$0	(\$254,688)	\$0
Water	\$276,231	\$0	\$4,410	\$0	\$0
Electricity	\$91,177	\$0	\$47,898	\$0	\$0
Gas	\$42,648	\$0	\$2,657	\$0	\$0
Ordinary Maintenance and Operations-Labor	\$480,745	\$0	\$0	\$0	\$0
Ordinary Maintenance and Operations-Materials and Other	\$242,524	\$1,910	\$69,687	\$0	\$0
Ordinary Maintenance and Operations-Contract Costs	\$320,589	\$34,560	\$270,981	\$0	\$0
Employee Benefit Contributions-Ordinary Maintenance	\$269,640	\$0	\$0	\$0	\$0
Protective Services-Other Contract Costs	\$0	\$0	\$21,465	\$0	\$0
Property Insurance	\$578,197	\$20,376	\$131,269	\$0	\$0
Liability Insurance	\$0	\$0	\$0	\$0	\$0
Workmen's Compensation	\$40,034	\$4,894	\$1,006	\$0	\$0
All Other Insurance	\$95,958	\$3,096	\$9,106	\$0	\$0
Other General Expenses	\$0	\$3,684	\$0	\$0	\$0
Payments in Lieu of Taxes	\$112,357	\$0	\$83,826	\$0	\$0
Interest of Mortgage Payable	\$0	\$0	\$127,853	\$0	\$0
Interest on Notes Payable	\$0	\$0	\$0	\$0	\$0
Bad Debt-Tenant Rents	\$75,239	\$0	\$27,960	\$0	\$0
Total Operating Expenses	\$4,991,893	\$959,544	\$960,791	(\$1,006,377)	\$4,991
Excess Operating Revenue over Operating Expenses	\$1,590,846	\$6,200,356	\$176,687	\$0	\$11,121
Extraordinary Maintenance	\$0	\$0	\$0	\$0	\$0
Casualty Losses-Non-Capitalized	\$0	\$0	\$0	\$0	\$0
Housing Assistance Payments	\$79,776	\$6,290,879	\$0	\$0	\$0
HAP Portability In	\$0	\$56,211	\$0	\$0	\$0
Depreciation Expense	\$1,395,702	\$324	\$138,738	\$0	\$0
Total Expenses	\$6,467,371	\$7,306,958	\$1,099,529	(\$1,006,377)	\$4,991
Operating Transfers In	\$0	\$0	\$0	\$0	\$0
Operating Transfers Out	(\$94,164)	\$0	(\$4,310,389)	\$0	\$0
Transfers between Program and Project-In	\$0	\$0	\$0	\$0	\$0
Transfers between Project and Program-Out	\$0	\$0	\$0	\$0	\$0
Total Other Financing Sources (Uses)	(\$94,164)	\$0	(\$4,310,389)	\$0	\$0
Excess-Deficiency of Operating Revenue Over (Under)	\$21,204	(\$147,058)	(\$4,272,440)	\$0	\$11,121
Debt Principle Payments	\$0	\$0	\$0	\$0	\$0
Beginning Equity	\$21,059,773	\$2,452,912	\$7,225,593	\$0	\$990,328
Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	\$0	\$0	\$0	\$0
Unit Months Available	8,268	23,808	1,368		
Number of Unit Months Leased	7,348	13,590	1,307		

14.856	
Lower Income	
Section 8	
Mod Rehab	
MR002/MR003	Total
\$0	\$2,693,903
<u>\$0</u>	<u>\$0</u>
\$0	\$2,693,903
\$376,342	\$10,627,013
\$0	\$622,575
\$0	\$0
\$0	\$0
\$0	\$0
\$2,202	\$116,794
\$0	\$104,356
\$642	\$14,146
\$0	\$90,251
\$0	\$0
\$0	\$0
\$379,186	\$14,269,038
\$18,746	\$1,086,339
\$8,797	\$72,124
\$0	\$0
\$0	\$0
\$3,703	\$507,400
\$8,928	\$8,928
\$0	\$39,479
\$0	\$81,269
\$311	\$672,009
\$0	(\$8,198)
\$0	\$280,641
\$0	\$139,075
\$0	\$45,305
\$0	\$480,745
\$0	\$314,121
\$663	\$626,793
\$0	\$269,640
\$0	\$21,465
\$0	\$729,842
\$0	\$0
\$671	\$46,605
\$857	\$109,017
\$0	\$3,684
\$0	\$196,183
\$0	\$127,853
\$0	\$0
\$0	\$103,199
\$0	\$5,910,842
\$0	\$7,979,010
\$0	\$0
\$0	\$0
\$320,933	\$6,691,588
\$0	\$56,211
\$0	\$1,534,764
\$363,609	\$14,193,405
\$0	\$0
\$0	(\$4,404,553)
\$0	\$0
\$0	\$0
\$0	(\$4,404,553)
\$15,577	(\$4,371,596)
\$0	\$0
\$232,085	\$31,960,691
\$0	\$0
\$0	\$0
840	34,284
744	22,989

Housing Authority of The City of Lake Charles
Lake Charles, Louisiana
Schedule of Compensation, Benefits and Other Payments to the Chief Executive Officer
For the Year Ended September 30, 2019

Expenditure Purpose

Salary	\$ 127,376
Benefits-Health Insurance	9,486
Benefits-Retirement	11,028
Cell Phone	972
Travel (including per diem and advances)	<u>12,985</u>
Total Compensation, Benefits and Other Payments	<u>\$ 161,847</u>

Agency Head: S. Benjamin Taylor, Chief Executive Officer

Trimm Consulting, APAC
1901 Sampson Street
Westlake, La. 70669
(337)478-0993

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 City of Lake Charles
Lake Charles, 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 business-type activities, each major fund, and the aggregate remaining fund information of the Housing Authority of The City of Lake Charles as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued my report thereon dated March 6, 2020.

Internal Control Over Financial Reporting

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

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

My 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Authority of The City of Lake Charles' financial statements are free of 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.

Management's Response to Finding

The Housing Authority of Lake Charles' response to the finding identified in my audit is described in the accompanying schedule of findings and questioned costs. 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 it.

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 result 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. This report is intended for the use of the Board, management, the Louisiana Legislative Auditor and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of these reports may be limited, under Louisiana Revised Statute 24:513 this report is distributed by the office of the Louisiana Legislative Auditor as a public document.

William V. Trimm, CPA

Trimm Consulting, APAC

March 6, 2020

Trimm Consulting, APAC
1901 Sampson St. Westlake, LA. 70669
(337) 478-0993

Independent Auditor's Report on Compliance for Each Major Federal Program and
on Internal Control over Compliance Required by the
Uniform Guidance

Board of Commissioners
Housing Authority of The City of Lake Charles
Lake Charles, Louisiana

Report on Compliance for Each Major Federal Program

I have audited the Housing Authority of The City of Lake Charles' compliance with the types of compliance requirements described in the *(OMB) Compliance Supplement* that could have a direct and material effect on each of the entity's major federal programs for the year ended September 30, 2019. The Housing Authority of The City of Lake Charles' 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the Housing Authority of The City of Lake Charles' major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance require that I 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 Housing Authority of The City of Lake Charles' compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination on the Housing Authority of The City of Lake Charles' compliance.

Opinion on Each Major Federal Program

In my opinion, the Housing Authority of The City of Lake Charles, 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 September 30, 2019.

Report on Internal Control Over Compliance

Management of the Housing Authority of The City of Lake Charles is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Housing Authority of The City of Lake Charles' 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 for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Housing Authority of The City of Lake Charles'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.

My 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified.

This purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

It is intended for the information and use of the Board, management, the Louisiana Legislative Auditor, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of these reports may be limited, under Louisiana Revised Statute 24:513 this report is distributed by the office of the Louisiana Legislative Auditor as a public document.

William V. Trimm, CPA
Trimm Consulting, APAC
March 6, 2020

Housing Authority of The City of Lake Charles
Lake Charles, Louisiana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2019

Federal Grantor/Pass-through Grantor/Program Name	CFDA Number	Grant Number	Grants	
			Receipts	Expenses
Department of HUD				
PHA Owned Housing	14.850	FW-1132	\$ 2,830,990	\$ 2,830,990
Capital Grant(s)	14.872		974,066	974,066
ARRA-Capital Grant Recovery	14.885		-0-	-0-
DHAP-IKE	14.IKE		-0-	-0-
Sect. 8 Mod. Rehabilitation	14.856	FW-2074	376,342	376,342
Disaster Housing Asst. Grant	97.109		-0-	-0-
Shelter Plus Care Renewal	14.238	LA-48C40-1001	-	-
Sect. 8 Housing Choice Vouchers	14.871	FW-2228V	<u>7,068,190</u>	<u>7,068,190</u>
			Total	<u>\$ 11,249,588</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

Housing Authority of The City of Lake Charles
Lake Charles, Louisiana

Notes to the Schedule of Federal Financial Assistance

For the Year Ended September 30, 2019

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of all federal awards programs of the Housing Authority of The City of Lake Charles (the Authority). The Authority's reporting entity is defined in Note 1 of the notes to the basic financial statements. The information in this schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations Part 200, Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance").

Note 2 - Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the Authority's basic financial statements. The entity did not elect to use the 10 percent de-minimus indirect rate.

Note 3 – Relationship to Basic Financial Statements

Federal awards revenues are reported in the Authority's basic financial statements as follows:

<u>Federal Sources</u>	<u>Amount</u>
General	\$ 3,805,058
Section 8	<u>7,444,530</u>
	<u>\$ 11,249,588</u>

Note 4 – Relationship to Federal Financial Reports

Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports except for changes made to reflect amounts in accordance with accounting principles generally accepted in the United States of America.

Note 5 - Sub-recipients

There were no awards passed through to sub-recipients.

Housing Authority of The City of Lake Charles
Lake Charles, Louisiana

SCHEDULE OF FINDINGS & QUESTIONED COSTS

For the Year Ended September 30, 2019

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? ___ yes x none reported
- Significant deficiency(ies) identified? ___ yes x none reported

Noncompliance material to financial statements noted?

___ yes x no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ___ yes x none reported
- Significant deficiency(ies) identified? ___ yes x 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 Uniform Guidance ___ yes x no

Identification of major programs:

- a. CFDA 14.871 Section 8 Housing Choice Voucher Program
- b. CFDA 14.850 PHA Owned – Low Rent Public Housing
- c. CFDA 14.872 Capital Fund Public Housing (CFP)

Dollar threshold used to distinguish between type A & B programs: \$ 750,000.

Auditee qualified as low-risk auditee? x yes ___ no

Housing Authority of The City of Lake Charles
 Lake Charles, Louisiana

SCHEDULE OF FINDINGS & QUESTIONED COSTS
 For the Year Ended September 30, 2019

Section II-Financial Statement Findings

None.

Section III-Findings and Questioned Costs for Federal Awards

None.

Section IV-Schedule of Prior Year Findings & Questioned Costs
For the year ended September 30, 2018

MATERIAL WEAKNESS

Department of Housing & Urban Development
CFDA 14.871 Section 8 Housing Choice Vouchers

FINDING 2018-001: Contractor paid for undocumented HUD Section 8 inspections

Condition: The Housing Authority paid for undocumented inspections; the Housing Authority did not properly monitor the inspection activities of its contract housing inspector for the Section 8 Housing Choice Voucher Program. Specifically, the Housing Authority's management did not adequately review the propriety of the housing inspector's invoices. See the Louisiana Office of the Legislative Auditor's Investigative Report, Audit Control # 50180029 dated February 27, 2019.

Criteria: There must be effective control over, and accountability for, all funds. Controls must be established that are adequate to ensure expenditures charged to project activities are allowable for the intended purposes and that documentation is readily available to verify that such charges are accurate. There should be written procedures for determining the allowability of costs in accordance with Subpart E Cost Principles of this part and the terms and conditions of the Federal Award.

Cause: There was a lack of procedures in place to ensure that supervisory approval was obtained after a thorough examination of the supporting documentation.

Effect: These failures caused unsupported costs to be charged to a federal program.

Context: Section 8 Housing Inspection invoices (and the corresponding support) were reviewed for the last three years. The review found that the invoices being billed by the housing inspector were not properly supported or substantiated. This non-compliance with policy amounted to \$ 118,473 in questioned costs.

<u>Period ending:</u>	<u>9/30/16</u>	<u>9/30/17</u>	<u>9/30/18</u>	<u>Total</u>
Questioned costs	\$ 53,550	\$ 55,726	\$ 9,197	\$ 118,473

Recommendation: I recommend that the organization establish adequate controls to ensure that expenditures charged to project activities are allowable and that documentation is readily available to verify that charges are accurate and allowable. I recommend that the organization develop, implement and monitor written policies and procedures for determining the allowability of costs in accordance with Subpart E-Cost Principles and the terms and conditions of Federal Awards.

Management's Response: The Housing Authority changed the tenant housing inspection procedure. The inspection is carried out by either a salaried manager or an hourly employee. Inspections are no longer paid for on an inspection basis thus eliminating the temptation to abuse the system in the area of vacancies. In the past, multiple inspections of vacant residences were taking place and being paid for.

Housing Authority of the City of Lake Charles, Louisiana
Independent Accountant's Report on Applying Agreed Upon Procedures
For the Period October 1, 2018 through September 30, 2019

Trimm Consulting, APAC

1901 Sampson Street

Westlake, LA. 70669

(337)478-0993

Independent Accountant's Report on Applying Agreed Upon Procedures

March 6, 2020

The Board of the Housing Authority of the City of Lake Charles, Louisiana

I have performed the procedures enumerated below, which were agreed to by management of the City of Lake Charles, Louisiana and the Legislative Auditor, State of Louisiana (LLA), on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed Upon Procedures (SAUPs) for the fiscal period October 1, 2018 through September 30, 2019. Management of the City of Lake Charles, Louisiana is responsible for those C/C areas identified in the SAUPs.

This agreed upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, I make no representation regarding the sufficiency of these procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Louisiana Legislative Auditor-Statewide Agreed-Upon Procedures

Written Policies and Procedures:

1) Procedure: Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions: a. Budgeting Policies and Procedures; b. Purchasing Policies and Procedures; c. Disbursement Policies and Procedures; d. Receipt Policies and Procedures; e. Payroll/Personnel Policies and Procedures; f. Contracting Policies and Procedures; g. Credit Card, Debit Card, etc. Policies and Procedures; h. Travel and Expense Policies and Procedures; i. Ethics Policies and Procedures; j. Debt Service Policies and Procedures (or report that the entity does not have any written policies and procedures) as applicable:

a. Budgeting Policies and Procedures

Result: The organization provided current written Budgeting Policies and Procedures that address adopting, monitoring, and amending the budget.

b. Purchasing Policies and Procedures

Result: The organization provided current written Purchasing Policies and Procedures including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

c. Disbursement Policies and Procedures

Result: The organization provided current, written Disbursement Policies and Procedures that address the processing, reviewing, and approving of disbursements

Louisiana Legislative Auditor-Statewide Agreed-Upon Procedures (Continued)

Written Policies and Procedures: (Continued)

d. Receipts/Collections Policies and Procedures

Result: The organization provided current, written Receipt Policies and Procedures that address the receiving, recording, and preparing of deposits.

e. Payroll/Personnel Policies and Procedures

Result: The organization provided current, written Payroll/Personnel Policies and Procedures that include (1) payroll processing, and (2) reviewing and approving time and attendance records including leave and overtime worked.

f. Contracting Policies and Procedures

Result: The organization provided current written Contracting Policies and Procedures addressing the following: 1) types of services requiring written contracts, 2) standard terms and conditions, 3) the legal review and approval process, and 4) the contract monitoring process. **Credit Card Policy and Procedures (and debit cards, fuel cards, P-Cards, if applicable)**

g. Credit Card /Debit Card Policies and Procedures

Result: The organization provided current written Credit Card/Debit Card Policies and Procedures including (1) how credit cards, debit cards, etc. are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage.

Louisiana Legislative Auditor-Statewide Agreed-Upon Procedures (Continued)

Written Policies and Procedures: (Continued)

h. Travel and Expense Reimbursement Policies and Procedures

Result: The organization did provide current written Travel and Expense Reimbursement Policies and Procedures including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

i. Ethics Policies and Procedures

Result: The organization provided current written Ethics Policies and Procedures including (1) the prohibitions as defined in Louisiana Revised Statute 42: 1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annual attest through signature verification that they have read the ethics policy.

j. Debt Service Policies and Procedures

Result: The organization provided current written Debt Service Policies and Procedures including (1) debt issuance approval, (2) continuing disclosure/ EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

k. Disaster Recovery/Business Continuity

Result: The organization provided current written Disaster Recover/Business Continuity Policies and Procedures including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Board (or Finance Committee, if applicable)

2.) Procedure: Obtain and review Board/Finance Committee Minutes for the fiscal period.

- a. Report whether the Managing Board Met with A Quorum At Least Monthly or in Accordance to Board's Enabling Legislation, Charter, or other Equivalent Document.

Result: The organization did meet monthly (with a quorum).

- b. Report whether the Board Minutes referenced or included budget-to-actual comparisons on the General Fund, etc.

Result: The board minutes indicate that financial statements / budgets (that included all major/non-major programs) were included as part of the BOD meeting subjects for discussion.

Louisiana Legislative Auditor-Statewide Agreed-Upon Procedures (Continued)

- c. **Procedure:** Obtain the prior year audit report and observe the unrestricted fund balance in the general funds to determine whether there is a negative balance.

Result: The Unrestricted fund balance was not negative.

Bank Reconciliations

3.) Procedure: Obtain a listing of client bank accounts for the fiscal year from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts. Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for the selected accounts, and observe that:

- a. **Bank Reconciliations include evidence that they were prepared within 2 months of the related statement closing date.**

Result: (5) of the (12) bank reconciliations for the audit period were selected. All (5) of the bank reconciliations were completed timely.

- b. **Procedure:** Bank reconciliations include evidence that a member of management or a board member who does not handle, cash, post ledgers, or issue checks has reviewed each bank reconciliation; and

Result: The bank reconciliations are prepared by an accountant at LCHA and forwarded to the fee-paid accountant. The Accounting Manager initials off on the bank reconciliations after review.

- c. Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months as of the end of the fiscal period.

Result: Management has documentation reflecting that is has researched reconciling items that have been outstanding for more than (12) months.

Louisiana Legislative Auditor-Statewide Agreed-Upon Procedures (Continued)

Collections

4.) Procedure: Obtain a listing of deposit sites for the fiscal year where cash/checks/money orders (cash) are prepared and management's representation that the listing is complete.

Result: List of deposits sites obtained.

5.) Procedure: For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each job site, obtain and inspect written policies and procedures relating to employee job duties at each collection location, and observe that job duties are properly segregated at each location such that:

- a. Employees that are responsible for cash collections do not share cash drawers/registers.

Result: Employees do not share cash drawers/registers.

- b. Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation to the deposit.

Result: No exception noted.

- c. Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

Result: No exception noted.

- d. The employee(s) responsible for reconciling cash collections to the general ledgers and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

Result: No exception noted.

6.) Procedure: Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

Result: There are 2 people responsible for collections at the main headquarters of the LCHA. All of the parties involved are bonded. A staff accountant deposits cash collected into the bank. That same accountant records the related deposit transaction. A different staff accountant reconciles the related bank account.

Louisiana Legislative Auditor-Statewide Agreed-Upon Procedures (Continued)

Collections (Continued)

7.) Procedure: Randomly select two deposit dates for each of the 5 bank accounts selected for procedure # 3 under “Bank Reconciliations” above. Obtain supporting documentation for each of the 10 deposits and:

- a. Observe that receipts are sequentially numbered.

Results: No exceptions noted.

- b. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

Results: No exceptions noted.

- c. Trace the deposit slip total to the actual deposit per the bank statement.

Results: No exceptions noted.

- d. Observe that the deposit was made within one business day of receipt at the collection locations.

Results: No exceptions noted.

- e. Trace the actual deposit per the bank statement to the general ledger.

Results: No exceptions noted.

Louisiana Legislative Auditor-Statewide Agreed-Upon Procedures (Continued)

Non-Payroll Disbursements-General (excluding card purchases/ payments, travel reimbursements, and petty cash purchases)

8.) Procedure: Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations.

Result: No exceptions noted.

9.) Procedure: For each location selected under # 8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties and observe that job duties are properly segregated such that:

- a. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order making the purchase.

Result: No exceptions noted.

- b. At least two employees are involved in processing and approving payments to vendors.

Result: No exceptions noted.

- c. The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

Result: No exceptions noted.

- d. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Result: No exceptions noted.

Louisiana Legislative Auditor-Statewide Agreed-Upon Procedures (Continued)

Non-Payroll Disbursements-General (excluding card purchases/ payments, travel reimbursements, and petty cash purchases) continued

10.) Procedure: For each location selected under # 8 above, obtain the entity's non-payroll disbursement transaction population and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

- a. Observe that the disbursement matched the related original invoice/billing statement.

Results: No exceptions noted.

- b. Observe that the disbursement documentation included evidence of segregation of duties tested under # 9, as applicable.

Results: No exceptions noted.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

11.) Procedure: Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-Cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

Result: No exceptions noted.

12.) Procedure: Using the listing prepared by management, randomly select 5 cards (or all if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

- a. **Procedure:** Observe that there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder.

Result: There is evidence that the monthly statement and supporting documentation was reviewed and approved by someone other than the authorized card holder.

- b. **Procedure:** Observe that finance charges and late fees were not assessed on the selected statements.

Result: No finance charges and/or late fees were assessed on the selected statements.

Louisiana Legislative Auditor-Statewide Agreed-Upon Procedures (Continued)

Credit Cards/Debit Cards/Fuel Cards/P-Cards (Continued)

13.) Procedure: Using the monthly statements or combined statements selected under #12 above, randomly select 10 transactions (or all transactions if less than 10) from each statement and obtain supporting documentation for all transactions. For each transaction, observe that it is supported by (1) an itemized receipt that identifies precisely what was purchased, (2) written documentation of the business /public purpose, and (3) documentation of the individuals participating in meals, if applicable.

Result: All fuel card monthly statements were reviewed. Receipts supporting the monthly charges were attached to the invoices.

Travel and Expense Reimbursement

14.) Procedure: Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period. Obtain management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement as well as the supporting documentation. For each of the 5 reimbursements selected:

- a. If reimbursed using a per diem, agree the reimbursement rate to those rates established by the State of Louisiana or the U.S. General Services Administration.

Result: No exceptions noted.

- b. If reimbursed using actual costs, observe that the reimbursement is supported by original itemized receipts that identify precisely what was purchased.

Result: No exceptions noted.

- c. Observe that each reimbursement is supported by documentation of the business/public purpose and other documentation required by written policy.

Result: No exceptions noted.

- d. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Result: No exceptions noted.

Louisiana Legislative Auditor-Statewide Agreed-Upon Procedures (Continued)

Contracts

15.) Procedure: Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases and construction activities that were initiated or renewed during the fiscal period. Obtain management's representation that the listing is complete. Randomly select 5 contracts, excluding the practitioner's contract, and;

- a. Observe that the contract was bid in accordance with the Louisiana Public Bid Law, if required by law.

Result: 5 contracts selected. No exceptions noted.

- b. Observe that the contract was approved by the governing body/board, if required by policy or law.

Result: 5 contracts selected. No exceptions noted.

- c. If the contract was amended, observe that the original contract terms provided for such an amendment.

Results: 5 contracts selected. No exceptions noted.

- d. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Results: 5 contracts selected. No exceptions noted.

Payroll and Personnel

16.) Procedure: Obtain a listing of employees / elected officials during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Result: Listing obtained.

Louisiana Legislative Auditor-Statewide Agreed-Upon Procedures (Continued)

Payroll and Personnel(continued)

17.) Procedure: Randomly select one pay period during the fiscal period. For the 5 employee/officials selected under # 16 above, obtain attendance records and leave documentation for the pay period, and:

- a. Observe that all selected employee/officials documented their daily attendance and leave.

Results: 5 employees selected. All attendance and leave documented.

- b. Observe that supervisors approved the attendance and leave of the selected employees/officials.

Results: Supervisor approval noted in attendance records.

- c. Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

Results: Leave accrued or taken is reflected in the entity's cumulative leave records.

18.) Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete.

Results: There were no terminations during the fiscal period.

19.) Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and worker's compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Results: It is management's position that all payments and forms noted in Item # 19 have been paid and/or file by required deadlines.

Louisiana Legislative Auditor-Statewide Agreed-Upon Procedures (Continued)

Ethics

20.) Using the 5 randomly selected employees/officials from procedure # 16 under "Payroll and Personnel" above, obtain ethics documentation from management and:

- a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

Results: The entity had no documented proof that ethics classes were attended by all 5 employees selected. Client was reminded of the policy relating to ethics classes.

- b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she read the entity's ethics policy during the fiscal period.

Result: No exceptions noted.

Debt Service

21.) N/A

22.) Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

Result: The entity had outstanding debt during the fiscal period. The entity made scheduled debt service payments. There are no debt covenants that relate to the debt.

Other

23.) Procedure: Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete.

Result: There were no incidents of misappropriation of assets during the fiscal period.

24.) Procedure: Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Result: The organization has posted on its premises and on its website, the notice required by R.S. 24:523.1. This notice concerns the reporting of misappropriation, fraud, or abuse of public funds.

I was not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, I do not express such an opinion or conclusion. Had I performed additional procedures, other matters might have come to my attention that would have reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Respectfully submitted,

William V. Trimm, CPA

Trimm Consulting, APAC

3-6-20

LOUISIANA ATTESTATION QUESTIONNAIRE
(For Attestation Engagements of Quasi-public Agencies)

12-12-19 (Date Transmitted)

TRIMM CONSULTING, APAC (CPA Firm Name)

1901 Sampson St. (CPA Firm Address)

Westlake, LA 70669 (City, State Zip)

In connection with your engagement to apply agreed-upon procedures to the control and compliance matters identified below, as of 9/30/19 (date) and for the year then ended, and as required by Louisiana Revised Statute (R.S.) 24:513 and the *Louisiana Governmental Audit Guide*, we make the following representations to you.

Federal, State, and Local Awards

We have detailed for you the amount of federal, state, and local award expenditures for the fiscal year, by grant and grant year.

Yes No []

All transactions relating to federal, state, and local grants have been properly recorded within our accounting records and reported to the appropriate state, federal, and local grantor officials.

Yes No []

The reports filed with federal, state, and local agencies are properly supported by books of original entry and supporting documentation.

Yes No []

We have complied with all applicable specific requirements of all federal, state, and local programs we administer, to include matters contained in the OMB Compliance Supplement, matters contained in the grant awards, eligibility requirements, activities allowed and unallowed, and reporting and budget requirements.

Yes No []

Open Meetings

Our meetings, as they relate to public funds, have been posted as an open meeting as required by R.S. 42:11 through 42:28 (the open meetings law). **Note: Please refer to Attorney General Opinion No. 13-0043 and the guidance in the publication "Open Meeting FAQs," available on the Legislative Auditor's website to determine whether a non-profit agency is subject to the open meetings law.**

Yes No []

Budget

For each federal, state, and local grant we have filed with the appropriate grantor agency a comprehensive budget for those grants that included the purpose and duration, and for state grants included specific goals and objectives and measures of performance

Yes No []

Reporting

We have had our financial statements reviewed in accordance with R.S. 24:513.

Yes No []

We did not enter into any contracts that utilized state funds as defined in R.S. 39:72.1 A. (2); and that were subject to the public bid law (R.S. 38:2211, et seq.), while the agency was not in compliance with R.S. 24:513 (the audit law).

Yes [] No []

We have complied with R.S. 24:513 A. (3) regarding disclosure of compensation, reimbursements, benefits and other payments to the agency head, political subdivision head, or chief executive officer.

Yes [] No []

Prior-Year Comments

We have resolved all prior-year recommendations and/or comments.

Yes [] No []

General

We are responsible for our compliance with the foregoing laws and regulations and the internal controls over compliance with such laws and regulations.

Yes [] No []

We have evaluated our compliance with these laws and regulations prior to making these representations.

Yes [] No []

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations.

Yes [] No []

We have made available to you all records that we believe are relevant to the foregoing agreed-upon procedures.

Yes [] No []

We have provided you with any communications from regulatory agencies, internal auditors, other independent practitioners or consultants or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of your report.

Yes [] No []

We will disclose to you, the Legislative Auditor, and the applicable state grantor agency/agencies any known noncompliance that may occur up to the date of your report.

Yes [] No []

The previous responses have been made to the best of our belief and knowledge.

 Secretary 12-12-19 Date

Treasurer _____ Date

President _____ Date