

HOUSING AUTHORITY OF ST. CHARLES PARISH, LOUISIANA

**AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTAL DATA**

TWELVE MONTHS ENDED SEPTEMBER 30, 2019

Mike Estes, P.C.
A Professional Accounting Corporation

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Independent Auditor's Report

Board of Commissioners
Housing Authority of St. Charles Parish
Boutte, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of each major fund of the Housing Authority of St. Charles Parish, Louisiana as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Housing Authority of St. Charles Parish, Louisiana basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in financial statements. The procedures selected depend on the auditor's judgment, including 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 and audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the Housing Authority of St. Charles Parish, Louisiana, as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Also included in Supplementary Information is an Agreed-Upon Procedures report, which reports on an Agreed-Upon Procedures engagement now required by the Louisiana Legislative Auditor. Our opinion is not modified in respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Managements' Discussion and Analysis on pages 4 to 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards general accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority of St. Charles Parish, Louisiana's basic financial statements. The statement of modernization costs-uncompleted, financial data schedules, schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and other information as listed on the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The statement of modernization costs-uncompleted, financial data schedules, schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and other information as listed on the table of contents is the responsibility of management and was derived from

and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the statement of modernization costs-uncompleted, financial data schedules, schedule of expenditures of federal awards, and other information as listed on the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 2020 on our consideration of the Housing Authority of St. Charles Parish, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Audit Standards* in considering the Housing Authority of St. Charles Parish, Louisiana's internal control over financial reporting and compliance.



Mike Estes, P.C.
Fort Worth, Texas
July 15, 2020

HOUSING AUTHORITY OF ST. CHARLES PARISH, LA

REQUIRED SUPPLEMENTAL INFORMATION

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

September 30, 2019

The management of Housing Authority of St Charles, LA presents the following discussion and analysis (MD&A) of the Housing Authority's financial activities for the fiscal year ending September 30, 2019. This represents an overview of financial information. Please read this discussion and analysis in conjunction with the Authority's included audited financial statements.

FINANCIAL HIGHLIGHTS

- The primary source of funding for these activities continues to be subsidies and grants from the Department of Housing and Urban Development (HUD), whereas tenant rentals provide a secondary but also significant source of funding.
- The Housing Authority's assets exceeded its liabilities by \$1,868,497 at the close of the fiscal year ended 2019.
 - ✓ Of this amount \$1,711,389 represents a restriction equal to the net amount invested in land, buildings, furnishings, leasehold improvements, equipment, and construction in progress, minus associated debts.
 - ✓ Also, of this amount, \$248,033 of net position is restricted for the Housing Choice Voucher program.
 - ✓ The remainder of (\$90,925) of unrestricted assets includes monies owed from the Housing Choice Voucher program to the Disaster Housing Assistance program in the amount of \$173,255. The remaining \$82,330 could be used to meet the Housing Authority's ongoing obligations to citizens and creditors. As a measure of financial strength, this amount equals 2.4% of the total operating expenses of \$3,346,394 for the fiscal year 2019, which means the Authority might be able to operate 3 months using the unrestricted assets alone, compared to 0 months in the prior fiscal year.
- The Housing Authority's total net position increased by \$169,757, a 10% increase from the prior fiscal year 2018.
- The increase in net position of these funds was accompanied by an increase in cash and cash equivalents of \$131,396.
- The Authority Spent \$231,738 on construction in progress.
- These changes led to an increase in total assets by \$230,932 and an increase in total liabilities by \$61,175. As related measure of financial health, there are still over \$2 of current assets covering each dollar of total current liabilities, which compares to \$1 covering the prior fiscal year's liabilities.
- The Housing Authority continues to operate without the need for debt borrowing.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Reporting on the Housing Authority as a Whole

One of the most important questions asked about the Authority's finances is, "Is the Housing Authority as a whole better off, or worse off, as a result of the achievements of fiscal year 2019?" The Statement of net position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the Housing Authority as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Fund Financial Statements

All of the funds of the Housing Authority are reported as proprietary funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Housing Authority, like other enterprises operated by state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

USING THIS ANNUAL REPORT

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

Public Housing Capital Fund Program	\$ 259,315
Low Rent Public Housing	535,766
Housing Choice Vouchers	<u>2,306,634</u>
Total funding received this current fiscal year	<u>\$ 3,101,715</u>

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

Reporting the Housing Authority's Most Significant Funds

The Housing Authority's financial statements provide detailed information about the most significant funds. Some funds are required to be established by the Department of Housing and Urban Development (HUD). However, the Housing Authority establishes other funds to help it control and manage money for particular purposes, or to show that it is meeting legal responsibilities for using grants and other money.

The Housing Authority's enterprise funds use the following accounting approach for Proprietary funds: All of the Housing Authority's services are reported in enterprise funds. The focus of proprietary funds is on income measurement, which, together with the maintenance of net position, is an important financial indicator.

FINANCIAL ANALYSIS

The Housing Authority's net position was \$1,868,497 as of September 30, 2019. Of this amount, \$1,711,389 was invested in capital assets and (\$90,925) was unrestricted. There were \$248,033 in specific assets restricted for the Housing Choice Voucher (HCV) program.

Housing Authority of St. Charles Parish, LA
 Management's Discussion and Analysis (MD&A)
 December 31, 2019

CONDENSED FINANCIAL STATEMENTS

**Condensed Statement of Net Position
 As of September 30, 2019**

	<u>2019</u>	<u>2018</u>
ASSETS		
Current assets	\$ 261,424	\$ 102,861
Assets restricted for Housing Choice Voucher (HCV) program	74,778	27,334
Capital assets, net of depreciation	<u>1,711,389</u>	<u>1,686,464</u>
Total assets	<u>2,047,591</u>	<u>1,816,659</u>
LIABILITIES		
Current liabilities	160,606	101,310
Non-current liabilities	<u>18,488</u>	<u>16,609</u>
Total liabilities	<u>179,094</u>	<u>117,919</u>
NET POSITION (DEFICIT)		
Invested in capital assets, net of depreciation	1,711,389	1,686,464
Net position restricted for the Housing Choice Voucher program	248,033	189,038
Unrestricted net position	<u>(90,925)</u>	<u>(176,762)</u>
Total net position	<u>\$ 1,868,497</u>	<u>\$ 1,698,740</u>

The net position of these funds increased by \$169,757, or by 10%, from those of fiscal year 2018, as explained below. In the narrative that follows, the detail factors causing this change are discussed:

Housing Authority of St. Charles Parish, LA
Management's Discussion and Analysis (MD&A)
December 31, 2019

CONDENSED FINANCIAL STATEMENTS (Continued)

**Condensed Statement of Revenues, Expenses, and Changes in Fund Net Position
Fiscal Year Ended September 30, 2019**

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES		
Tenant Revenue	\$ 345,129	\$ 410,948
HUD grants for operations	2,869,977	2,466,358
Other non-tenant revenue	69,191	37,350
Fraud Recovery	-	1,216
Total operating revenues	<u>3,284,297</u>	<u>2,915,872</u>
OPERATING EXPENSES		
General	125,060	136,470
Ordinary maintenance and repairs	284,424	267,026
Administrative expenses and management fees	421,580	453,782
Utilities	208,847	235,232
Tenant services	3,506	2,353
Federal Housing Assistance Payments (HAP) to landlords & Ports	2,088,400	1,861,236
Extraordinary maintenance and repairs	5,385	5,150
Depreciation	209,192	223,854
Total operating expenses	<u>3,346,394</u>	<u>3,185,103</u>
Income (losses) from operations	<u>(62,097)</u>	<u>(269,231)</u>
NON-OPERATING REVENUES		
Interest income	116	83
Total non-operating revenues	<u>116</u>	<u>83</u>
Income (losses) before capital contributions	<u>(61,981)</u>	<u>(269,148)</u>
CAPITAL CONTRIBUTIONS	<u>231,738</u>	<u>-</u>
CHANGES IN NET POSITION	<u>169,757</u>	<u>(269,148)</u>
NET POSITION - BEGINNING	1,698,740	1,967,888
NET POSITION - END	<u>\$ 1,868,497</u>	<u>\$ 1,698,740</u>

EXPLANATIONS OF FINANCIAL ANALYSIS

Compared with the prior fiscal year, total operating and capital contributions increased \$600,163 from a combination of larger offsetting factors. Reasons for most of this change are listed below:

- Total tenant revenue decreased by \$65,819 from that of the prior fiscal year because the amount of rent each tenant pays is based on a sliding scale of their personal income. Included in this total is other tenant revenues (such as fees collected from tenants for late payment of rent, damages to their units, and other assessments) which decreased by \$1,490.
- Federal revenues from HUD for operations increased by \$403,619 from that of the prior fiscal year. The determination of operating grants is based in part upon operations performance of prior years. This amount fluctuates from year-to-year because of the complexities of the funding formula HUD employs. Generally, this formula calculates an allowable expense level adjusted for inflation, occupancy, and other factors, and then uses this final result as a basis for determining the grant amount. The amount of rent subsidy received from HUD depends upon an eligibility scale of each tenant.
- Federal Capital Funds from HUD increased by \$231,738 from that of the prior fiscal year. The Housing Authority was still in the process of completing projects funded from grants by HUD for fiscal years 2017 through 2018, and submitted a new grant during fiscal year 2019.
- Total other operating revenue increased by \$30,625 and interest income increased by \$33 from the prior fiscal year.

Compared with the prior fiscal year, total operating expenses increased \$161,291, or by 5%, but this also was made up of a combination of offsetting factors. Again, reasons for most of this change are listed below:

- Depreciation expense decreased by \$14,662 from that of the prior fiscal year.
- Maintenance and repairs increased by \$17,633 from that of the prior fiscal year due to changes in the following: Repair staff wages increased by \$12,891 and related employee benefit contributions increased by \$4,636. Materials used decreased by \$20,650 and contract labor costs increased by \$20,521. Finally, Extraordinary maintenance increased by \$235 from the prior fiscal year.
- General Expenses decreased by \$11,410 from that of the prior fiscal year. Payments in lieu of taxes (PILOT) decreased by \$4,351. PILOT is calculated as a percentage of rent minus utilities and therefore changed proportionately to the changes in each of these. Insurance premiums decreased by \$20,285, other general expenses increased by \$13,343 and bad debts decreased by \$6,563. Lastly, compensated absences increased by \$6,446.
- Administrative Expenses decreased by \$32,202 from that of the prior fiscal year due to a combination of factors. Administrative staff salaries decreased by \$73,724 and related employee benefit contributions decreased by \$10,126; therefore, total staff salaries and benefit costs decreased. Outside professional fees changed as follows: audit fees decreased by \$2,525 and legal fees decreased by \$6,085. In addition, staff travel reimbursements increased by \$12,169, office expenses increased by \$5,766 and sundry expenses increased by \$42,323.
- Housing Assistance Payments to landlords increased by \$227,164 from that of the prior fiscal year partly because there was an increase in the number of tenants qualifying for subsidy during the year.
- Utilities Expense decreased by \$26,385 from that of the prior fiscal year because water cost increased by \$5,639, electricity cost decreased by \$539, gas cost decreased by \$5,080, and other utilities expense (such as labor, benefits, garbage, sewage, and waste removal) decreased by \$26,405.
- Total Tenant Services increased by \$1,153 from that of the prior fiscal year due to the following combination of factors: relocation costs increased by \$1,795 and other tenant services decreased by \$642.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2019, the Housing Authority had a total cost of \$9,294,167 invested in a broad range of assets and construction in progress from projects funded in 2017 through 2018, listed below. This amount, not including depreciation, represents increases of \$218,171 from the prior year. More detailed information about capital assets appears in the notes to the financial statements.

**Statement of Capital Assets
 As of September 30, 2019**

	<u>2019</u>	<u>2018</u>
Land	\$ 13,028	\$ 13,028
Construction in progress	231,738	-
Buildings	8,005,612	8,005,612
Leasehold improvements	757,181	757,181
Furniture and equipment	286,608	300,175
Accumulated Depreciation	<u>(7,582,778)</u>	<u>(7,389,532)</u>
Total	<u>\$ 1,711,389</u>	<u>\$ 1,686,464</u>

As of the end of the 2019 fiscal year, the Authority is still in the process of completing HUD grants of \$629,451 obtained during the 2017 through 2019 fiscal years. A total remainder of \$284,428 will be received and \$225,615 spent for completing these projects during fiscal year 2020.

Debt

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Housing Authority is primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by Federal budget than by local economic conditions. The capital budgets for the 2020 fiscal year have already been submitted to HUD for approval and no major changes are expected.

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

CONTACTING THE HOUSING AUTHORITY'S FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, investors, and creditors with a general overview of the Housing Authority's finances, and to show the Housing Authority's accountability for the money it receives. If you have questions about this report, or wish to request additional financial information, contact Leatrice Hollis, at Housing Authority of St. Charles, LA; P O Box 4481, Boutte, LA 70039.

HOUSING AUTHORITY OF ST. CHARLES PARISH, LOUISIANA
STATEMENT OF NET POSITION

SEPTEMBER 30, 2019

	General	Section Eight	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 64,483	\$ 39,356	\$ 103,839
Accounts receivable net	73,743	3,458	77,201
Prepaid items and other assets	38,631	12,186	50,817
Restricted assets - cash and cash equivalents	20,790	74,778	95,568
Inventories	8,777	0	8,777
	<u>206,424</u>	<u>129,778</u>	<u>336,202</u>
Capital Assets, net			
Land and other non-depreciated assets	244,766	0	244,766
Other capital assets - net of depreciation	1,465,584	1,039	1,466,623
	<u>1,710,350</u>	<u>1,039</u>	<u>1,711,389</u>
Total Capital Assets, net	<u>1,710,350</u>	<u>1,039</u>	<u>1,711,389</u>
Total Assets	<u>\$ 1,916,774</u>	<u>\$ 130,817</u>	<u>\$ 2,047,591</u>
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 23,797	\$ 20,311	\$ 44,108
Unearned income	88,278	0	88,278
Compensated absences payable	5,856	1,574	7,430
Deposits due others	20,790	0	20,790
	<u>138,721</u>	<u>21,885</u>	<u>160,606</u>
Noncurrent Liabilities			
Compensated absences payable	15,851	2,637	18,488
	<u>154,572</u>	<u>24,522</u>	<u>179,094</u>
NET POSITION			
Net investment in capital assets	1,710,350	1,039	1,711,389
Restricted for:			
HAP Equity	0	248,033	248,033
Unrestricted	51,852	(142,777)	(90,925)
	<u>1,762,202</u>	<u>\$ 106,295</u>	<u>\$ 1,868,497</u>
Net Position	<u>\$ 1,762,202</u>	<u>\$ 106,295</u>	<u>\$ 1,868,497</u>

The Notes to the Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF ST. CHARLES PARISH, LOUISIANA
STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND NET POSITION

YEAR ENDED SEPTEMBER 30, 2019

	General	Section Eight	Total
OPERATING REVENUES			
Dwelling rental	\$ 330,942	\$ 0	\$ 330,942
Governmental operating grants	563,343	2,306,634	2,869,977
Other- dwelling income	14,187	0	14,187
Other	21,515	47,676	69,191
Total Operating Revenues	929,987	2,354,310	3,284,297
OPERATING EXPENSES			
Administration	279,349	142,231	421,580
Tenant services	3,506	0	3,506
Utilities	208,847	0	208,847
Ordinary maintenance & operations	283,804	620	284,424
General expenses	99,816	25,244	125,060
Depreciation	208,755	437	209,192
Extraordinary maintenance	5,385	0	5,385
Housing assistance payments	0	2,042,854	2,042,854
Housing assistance- Ports In	0	45,546	45,546
Total Operating Expenses	1,089,462	2,256,932	3,346,394
Income (Loss) from Operations	(159,475)	97,378	(62,097)
Non Operating Revenues (Expenses)			
Interest earnings	68	48	116
Total Non-Operating Revenues (Expenses)	68	48	116
Income (Loss) before contribution	(159,407)	97,426	(61,981)
Capital Contribution	231,738	0	231,738
Change in net position	72,331	97,426	169,757
Total net position - beginning	1,689,871	8,869	1,698,740
Total net position - ending	\$ 1,762,202	\$ 106,295	\$ 1,868,497

The Notes to the Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF ST. CHARLES PARISH, LOUISIANA
STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30, 2019

	General	Section Eight	Total
	<u> </u>	<u> </u>	<u> </u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Rental receipts	\$ 388,026	\$ 0	\$ 388,026
Other receipts	42,191	43,628	85,819
Federal grants	501,252	2,306,634	2,807,886
Payments to vendors	(563,412)	(96,654)	(660,066)
Payments to employees – net	(321,150)	(78,456)	(399,606)
Payments to private landlords	0	(2,088,400)	(2,088,400)
	<u> </u>	<u> </u>	<u> </u>
Net cash provided (used) by operating activities	46,907	86,752	133,659
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(234,118)	0	(234,118)
Federal Capital Grants	231,738	0	231,738
	<u> </u>	<u> </u>	<u> </u>
Net cash provided (used) by capital and related financing activities	(2,380)	0	(2,380)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	69	48	117
	<u> </u>	<u> </u>	<u> </u>
Net cash provided (used) by investing activities	69	48	117
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	44,596	86,800	131,396
CASH AND CASH EQUIVALENTS			
Beginning of Fiscal Year	40,677	27,334	68,011
	<u> </u>	<u> </u>	<u> </u>
CASH AND CASH EQUIVALENTS			
End of Fiscal Year	\$ 85,273	\$ 114,134	\$ 199,407
	<u> </u>	<u> </u>	<u> </u>

Continued

HOUSING AUTHORITY OF ST. CHARLES PARISH, LOUISIANA
STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30, 2019

	General	Section Eight	Total
	<u> </u>	<u> </u>	<u> </u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (159,475)	\$ 97,378	\$ (62,097)
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation Expense	208,755	437	209,192
Provision of uncollectible accounts	4,946	91	5,037
Change in assets and liabilities:			
Receivables	(72,546)	(2,616)	(75,162)
Prepaid items	(1,653)	668	(985)
Inventories	(9,752)	0	(9,752)
Account payables	594	765	1,359
Accrued comp/payroll taxes	1,164	(2,402)	(1,238)
Deposits due others	(106)	0	(106)
Unearned income	67,411	0	67,411
Interfund changes	7,569	(7,569)	0
Net cash provided (used) by operations	<u>\$ 46,907</u>	<u>\$ 86,752</u>	<u>\$ 133,659</u>

Concluded

The Notes to the Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF ST. CHARLES PARISH, LOUISIANA
NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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HOUSING AUTHORITY OF ST. CHARLES PARISH, LOUISIANA
NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES The accompanying financial statements of the Housing Authority of St. Charles Parish have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. REPORTING ENTITY Housing Authorities are chartered as public corporations under the laws (LSA – R.S. 40.391) of the State of Louisiana for the purpose of providing safe and sanitary dwellings accommodations. This creation was contingent upon the local governing body of the city or parish declaring a need for the Housing Authority to function in such city or parish. The Housing Authority is governed by a five member Board of Commissioners. The members, appointed by the Honorable Mayor should be appointed by the Parish President of St. Charles Parish.

The Housing Authority has the following units:

PHA Owned Housing	129 Units
Section 8	
Housing Choice Vouchers	373 Vouchers

GASB Statement 14 establishes criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Housing 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. As used in GASB Statement 14, fiscally independent means that the Housing Authority may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt with HUD approval.

The Housing Authority is a related organization of St. Charles Parish since St. Charles Parish appoints a voting majority of the Housing Authority’s governing board. St. Charles Parish is not financially accountable for the Housing Authority as it cannot impose its will on the Housing Authority and there is no potential for the Housing Authority to provide financial benefit to, or impose financial burdens on, St. Charles Parish. Accordingly, the Housing Authority is not a component unit of the financial reporting entity of St. Charles Parish.

Governmental Accounting Standards Board (GASB) Codification Section 2100 establishes criteria for determining which, if any, component units should be considered part of the Housing Authority for financial reporting purposes. The basic criteria for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability, which includes:

HOUSING AUTHORITY OF ST. CHARLES PARISH, LOUISIANA
NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

- 1) Appointing a voting majority of an organization's governing body, and:
 - a) The ability of the government to impose its will on that organization and/or
 - b) The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the government.
- 2) Organizations for which the government does not appoint a voting majority but are fiscally dependent on the government.
- 3) Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Based on the previous criteria, the Housing Authority has determined that there are no component units that should be considered as part of the Housing Authority reporting entity.

B. FUNDS The accounts of the Housing 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 are maintained consistent with legal and managerial requirements.

The transactions of the Housing Authority are reported in a proprietary enterprise fund. The general fund accounts for the transactions of the Public Housing Low Rent program and the Capital Fund program. The housing choice voucher fund accounts for the Section 8 Housing Choice Voucher program.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

PROPRIETARY FUNDS 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.

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 funds' principal ongoing operations. According to the Authority's policy, governmental operating grants are considered operating revenues. The other principal operating revenues of the Housing Authority are rent and maintenance charges to residents and operating fees earned. Operating expenses for proprietary funds include the administrative costs of providing the service and the housing assistance payments to landlords. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

HOUSING AUTHORITY OF ST. CHARLES PARISH, LOUISIANA
NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

D. CASH AND CASH EQUIVALENTS Cash includes amounts in demand deposits and interest-bearing demand deposits. Cash equivalents include amounts in time deposits, of less than ninety days, and cash with fiscal agent. Under state law, the Housing Authority may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

On the Statement of Cash Flows, cash and cash equivalents, end of year, is \$199,407. This is comprised of cash and cash equivalents of \$103,839 and restricted assets – cash of \$95,568, on the statement of net position.

E. INVESTMENTS Investments are limited to L.S.-R.S. 33:2955 and the Housing Authority 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.

The investments are reflected at quoted market prices except for the following which are required/permitted as per GASB Statement No. 31:

Investments in *nonparticipating* interest-earning contracts, such as nonnegotiable certificates of deposit with redemption terms that do not consider market rates, are reported using a cost-based measure.

Definitions:

Interest-earning investment contract include time deposits with financial institutions (such as certificates of deposit), repurchase agreements, and guaranteed investment contracts.

F. REVENUE RECOGNITION Revenues and other governmental fund financial resource increments are recognized in the accounting period in which they become susceptible to accrual – that is, when they become *measurable* and *available* to the finance expenditures of the fiscal period. “Available” is determined as collectible within the 12 months of the fiscal year or soon enough thereafter to be used in pay liabilities of the current period.

G. INVENTORY All purchased inventory items are valued at cost using the first-in, first-out method. Inventory is recorded using the purchase method. At year end, the amount of inventory is recorded for external financial reporting.

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

HOUSING AUTHORITY OF ST. CHARLES PARISH, LOUISIANA
NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

I. CAPITAL ASSETS Capital assets are recorded at historical cost and depreciated over their estimated useful lives (excluding salvage value). The capitalization threshold is \$1,500. Donated capital assets are recorded at their estimated fair value at the date of donation. Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight line depreciation is used based on the following estimated useful lives:

Site improvements	15 years
Buildings	15-44 years
Building improvements	15 years
Furniture and equipment	5-7 years
Computers	3 years

J. UNEARNED INCOME The Housing Authority reports prepaid revenues on its statement of net position. Prepaid revenues arise when resources are received by the Housing Authority before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the Housing Authority has a legal claim to the resources, the liability for prepaid revenue is removed from the statement of net position and the revenue is recognized.

K. COMPENSATED ABSENCES The Housing Authority follows Louisiana Civil Service regulations for accumulated annual and sick leave. Employees may accumulate up to three hundred hours of annual leave which may be received upon termination or retirement. Sick leave hours accumulate, but the employee is not paid for them if not used by his/her retirement or termination date.

L. POST EMPLOYMENT BENEFITS The Authority does not recognize or pay any post employment benefits. Accordingly, Governmental Accounting Standards Board (GASB) Statement Number 45 does not apply.

M. NET POSITION AND FLOW ASSUMPTIONS Net position is reported as restricted when constraints placed on net position use as either:

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

Sometime the Authority may fund outlays from both restricted and unrestricted resources. In the event that should occur, the Authority must make a flow assumption about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

HOUSING AUTHORITY OF ST. CHARLES PARISH, LOUISIANA
NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

N. 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.

NOTE 2 – DEPOSITS AND INVESTMENTS The Housing Authority has reported their investments with a maturity at time of purchase of one year or less at amortized cost. Investments with maturity at time of purchase of greater than one year are presented at fair value at September 30, 2019. Deposits are stated at cost, which approximates fair value.

Interest Rate Risk: The Housing Authority's policy does not address interest rate risk.

Credit Rate Risk: GASB 40 disclosure of credit rate risk does not apply, since the Authority's only investments are certificates of deposit.

Custodial Credit Risk: The Authority's policy requires the financial institution to cover the first \$250,000 of deposits with FDIC coverage. Any excess deposits must be collateralized with securities held by the pledging financial institution, with a fair market value that equals or exceeds the amount of excess deposits.

Restricted Cash: \$20,790 is restricted in the General Fund for security deposits. \$74,778 is restricted in the Housing Choice Voucher fund for HAP Equity.

At September 30, 2019, the Housing Authority's carrying amount of deposits was \$199,407 and the bank balance was \$259,890. The entire bank balance was covered by FDIC Insurance.

HOUSING AUTHORITY OF ST. CHARLES PARISH, LOUISIANA
NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 3 – ACCOUNTS RECEIVABLE The receivables at September 30, 2019, are as follows:

<u>Class of Receivables</u>	<u>General</u>	<u>Section Eight</u>	<u>Total</u>
Local sources:			
Tenants	\$ 10,237	\$ 0	\$ 10,237
Other	1,415	303	1,718
Federal sources:			
Grants	62,091	3,155	65,246
Total	<u>\$ 73,743</u>	<u>\$ 3,458</u>	<u>\$ 77,201</u>

The tenants account receivable is net of an allowance for doubtful accounts of \$16,837.

NOTE 4 – CAPITAL ASSETS The changes in capital assets are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Non-depreciable assets				
Land and buildings	\$ 13,028	\$ 0	\$ 0	\$ 13,028
Construction in progress	0	231,738	0	231,738
Depreciable assets:				
Buildings	8,762,793	0	0	8,762,793
Furniture and equipment	300,175	2,379	15,946	286,608
Total capital assets	<u>9,075,996</u>	<u>234,117</u>	<u>15,946</u>	<u>9,294,167</u>
Less: accumulated depreciation				
Buildings	7,101,981	207,824	0	7,309,805
Furniture and equipment	287,551	1,368	15,946	272,973
Total accumulated depreciation	<u>7,389,532</u>	<u>209,192</u>	<u>15,946</u>	<u>7,582,778</u>
Total capital assets, net	<u>\$ 1,686,464</u>	<u>\$ 24,925</u>	<u>\$ 0</u>	<u>\$ 1,711,389</u>

HOUSING AUTHORITY OF ST. CHARLES PARISH, LOUISIANA
NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 5 – ACCOUNTS PAYABLE The payables at September 30, 2019 are as follows:

	General	Section Eight	Total
Vendors	\$ 14,696	\$ 4,225	\$ 18,921
Payroll taxes & Retirement withheld	9,101	0	9,101
HUD	0	16,086	16,086
Total	\$ 23,797	\$ 20,311	\$ 44,108

NOTE 6 – COMPENSATED ABSENCES At September 30, 2019, employees of the Housing Authority have accumulated and vested \$25,918 of employee leave computed in accordance with GASB, Codification Section C60.

NOTE 7 – LONG-TERM OBLIGATIONS The following is a summary of the long-term obligation transactions for the year ended September 30, 2019.

	Compensated Absences
Balance, beginning	\$ 26,253
Additions	9,629
Deletions	(9,964)
Balance, ending	25,918
Amounts due in one year	\$ 7,430

NOTE 8 – INTERFUND RECEIVABLES AND PAYABLES At September 30, 2019, the General Fund owes the Housing Choice Voucher (HCV) Fund \$4,385. For financial statement purposes, this amount was deducted from General Fund cash and added to HCV Fund cash.

HOUSING AUTHORITY OF ST. CHARLES PARISH, LOUISIANA
NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 9 – RETIREMENT SYSTEM The Housing Authority participates in the Housing Agency Retirement Trust (HART), 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 Housing Authority provides pension benefits for all of its full-time employees. All full-time employees are eligible to participate in the plan on the first day of the month after completing six continuous months of employment.

Under a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Each participant may contribute up to 5% of their effective compensation, and the Authority matches the employee's contribution, and then contributes an additional 2%.

The Housing Authority's contribution for each employee and income allocated to the employee's account is fully vested after five years of continuous service. The Housing Authority's contributions and interest forfeited by employees who leave employment before five years of service are first used to pay for plan expenses and if there is any residual amount, the amount is refunded to the Housing Authority.

The Housing Authority has the right to establish or amend retirement plan provisions. The Housing Authority's Joinder Agreement with the HART may be amended or modified by Board Resolution. Amendment of the Joinder Agreement is limited to provisions affecting plan specifications.

The Housing Authority made the required contributions of \$9,100 for the year ended September 30, 2019, of which \$6,825 was paid by the Housing Authority and \$2,275 was paid by employees. No payments were made out of the forfeiture account.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Commitments The Authority renewed an Employment Agreement with the Executive Director, effective June 27, 2019. The Agreement is for one year. The Authority has the option to extend for two additional one year extensions by a simple majority vote of the Board. Failure to vote to extend the contract terminates the Agreement. If the Agreement is terminated for cause, the Authority is obligated to pay the Director only the annual salary for work and time already performed.

Litigation The Housing Authority is not presently involved in litigation.

Grant Disallowances The Housing Authority participates in a number of federally assisted grant programs. The programs are subject to compliance audits under the single audit approach. Such audits could lead to requests for reimbursement by the grantor agency for expenditures disallowed under terms of the grants. Housing Authority management believes that the amount of disallowance, if any, which may arise from future audits will not be material.

HOUSING AUTHORITY OF ST. CHARLES PARISH, LOUISIANA
NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

Construction Projects There are certain renovation or construction projects in progress at September 30, 2019. These include modernizing rental units. These projects are being funded by HUD. Funds are requested periodically as the cost is incurred.

Risk Management The Housing 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 Housing Authority carries commercial insurance.

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

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

Louisiana State law prohibits one governmental entity assessing another entity. If the Louisiana Housing Council, Inc. Group Self Insurance Risk Management Agency risk pool is unable to meet its obligations, the risk to the Housing Authority is only that its own claim would be unpaid.

Coverage has not significantly changed from the previous year and settlements for each of the past three years have not exceeded insurance coverage.

NOTE 11 – ECONOMIC DEPENDENCE The Department of Housing and Urban Development provided \$3,101,715 to the Housing Authority, which represents approximately 88% of the Housing Authority's total revenue and capital contributions for the year.

NOTE 12 – HUD HELD RESERVES At September 30, 2019, HUD held Section Eight reserves of \$19,347.

NOTE 13 - SUBSEQUENT EVENTS As a result of a HUD-OIG audit in 2014, the Authority owes \$605,575 in HCV restricted funds to HUD that are required to be paid from non-federal funds. The most recent correspondence available from HUD to us is dated February 12, 2020. As of the date of this audit report, the Authority is in the final stages of a voluntary conversion plan. If the plan is successful, the Low Rent units will be removed from inventory, and converted on a temporary basis to tenant protection vouchers. Ultimately, the former Low Rent units will be available to tenants through Project Based Vouchers. It appears that this will satisfy the debt owed to HUD that originated with the 2014 OIG review.



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

Independent Auditor's Report

Housing Authority of St. Charles Parish
Boutte, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of each major fund of the Housing Authority of the City of St. Charles Parish, Louisiana, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Housing Authority of the City of St. Charles Parish, Louisiana's basic financial statements, and have issued our report thereon dated July 15, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Authority of St. Charles Parish, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as Audit Findings 2019-001 and 2019-002.

Response to Finding

The Housing Authority of St. Charles Parish, Louisiana's response to the findings identified in our audit are described in the accompanying Corrective Action Plan. The Housing Authority of St. Charles Parish, Louisiana's response was not subjected to the auditing procedure applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Mike Estes, P.C.

Mike Estes, P.C.
Fort Worth, Texas
July 15, 2020



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Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditor's Report

Housing Authority of St. Charles Parish
Boutte, Louisiana

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the City of St. Charles Parish, Louisiana's 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 Housing Authority of the City of St. Charles Parish, Louisiana's major federal programs for the year ended September 30, 2019. The Housing Authority of the City of St. Charles Parish, Louisiana's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Housing Authority of the City of St. Charles Parish, Louisiana's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority of the City of St. Charles Parish, Louisiana's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Housing Authority of St. Charles Parish, Louisiana's compliance.

Basis for Qualified Opinions on Section Eight Housing Choice Voucher Program

As described in the accompanying schedule of findings and questioned costs, the Housing Authority of St. Charles Parish, Louisiana did not comply with the requirements regarding the Section Eight Housing Choice Voucher Program as described in the Audit Finding 2019-001 and 2019-002 Allowable Costs.

Compliance with such requirements is necessary, in our opinion, for the Housing Authority of St. Charles Parish, Louisiana to comply with the requirements applicable to that program.

Qualified Opinions on Section Eight Housing Choice Voucher Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinions paragraph, the Housing Authority of St. Charles Parish, Louisiana complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Section Eight Housing Choice Voucher Program for the year ended September 30, 2019.

Other Matters

The results of our auditing procedures disclosed another instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item Audit Finding 2019-003.

The Housing Authority of St. Charles Parish, Louisiana's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Housing Authority of St. Charles Parish, Louisiana's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Housing Authority of St. Charles Parish, Louisiana is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Housing Authority of St. Charles Parish, Louisiana's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority of St. Charles Parish, Louisiana's internal control over compliance.

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

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as audit findings 2019-001 and 2019-002 to be material weaknesses.

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 charges with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Audit Finding 2109-003 to be a significant deficiency.

The Housing Authority of St. Charles Parish, Louisiana's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The Housing Authority of St. Charles Parish, Louisiana's response was not subjected to the auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Housing Authority of St. Charles Parish, Louisiana as of and for the year ended September 30, 2018, and have issued our report thereon dated March 26, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the 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 our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Mike Estes, P.C.

Mike Estes, P.C.
Fort Worth, Texas
July 15, 2020

HOUSING AUTHORITY OF ST. CHARLES PARISH, LOUISIANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2019

FEDERAL GRANTOR PROGRAM TITLE	CDFA NO.	PROGRAM EXPENDITURES
U. S. Department of Housing and Urban Development Direct Programs:		
Low-Income Housing Operating Subsidy	14.850a	\$ 535,766
Capital Fund Program	14.872	259,315
Housing Choice Voucher	14.871	2,306,634
Total United States Department of Housing and Urban Development		\$ 3,101,715
Total Expenditures of Federal Awards		\$ 3,101,715

The accompanying notes are an integral part of this schedule.

HOUSING AUTHORITY OF ST. CHARLES PARISH, LOUISIANA
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2019

NOTE 1 – BASIS OF PRESENTATION The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of the Housing Authority of St. Charles Parish, Louisiana (the “Housing Authority”) under programs of the federal government for the year ended September 30, 2019. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Housing Authority, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Housing Authority.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 - RELATIONSHIP TO BASIC FINANCIAL STATEMENTS Federal awards revenues are reported in the Housing Authority’s basic financial statements as follows:

		Federal Sources
Enterprise Funds		
Governmental operating grants	\$	2,869,977
Capital contributions		231,738
Total	\$	3,101,715

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 generally accepted accounting principles.

NOTE 5 – DE MINIMIS INDIRECT COST RATE The Housing Authority did not elect to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

HOUSING AUTHORITY OF ST. CHARLES PARISH, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2019

Section I – Summary of the Auditor’s Results

Financial Statement Audit

1. Type of Auditor’s Report Issued on Financial Statements – Unmodified.
2. Internal Control Over Financial Reporting:
 - a. Material weakness(es) identified? yes no
 - b. Significant deficiency(ies) identified? yes none reported
3. Noncompliance material to financial statements noted? yes no

Audit of Federal Awards

1. Internal Control Over Major Programs:
 - a. Material weakness(es) identified? yes no
 - b. Significant deficiency(ies) identified that are not considered to be material weaknesses? yes none reported
2. Type of Auditor’s Report Issued on Compliance For Major Programs – Modified.
3. Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance (2 CFR 200)? yes no
4. The programs tested as major programs include:

CFDA# 14.871 Section 8 Housing Choice Voucher
5. Dollar threshold used to distinguish between Type A and Type B Programs as described in the Uniform Guidance (2 CFR 200): \$ 750,000
6. Auditee qualified as low-risk auditee under Uniform Guidance (2 CFR 200)? yes no
7. Nonstatistical sampling was used. To determine sample sizes, the AICPA Audit Guide *Audit Sampling* was used.

HOUSING AUTHORITY OF ST. CHARLES PARISH, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2019

Section II – Findings related to the financial statements which are required to be reported in accordance with Governmental Auditing Standards generally accepted in the United States of America:

General Fund-Low Rent Program-CDFA #14.850 and Section Eight Housing Fund-CDFA #14.871

Finding 2019-001-Internal Controls Inadequate for Disbursements-Allowable Costs

Criteria and Condition

In our tests, we noted approximately \$4,388 of disbursements that were not supported by invoices or other detail. Most of this appears to be food and beverage costs. Also, we noted approximately \$4,414 of disbursements that appeared to be for food and beverage costs that were adequately supported, but appeared to excessive. Also, we noted a minimum of \$5,993 of travel costs, principally for hotel rooms, that were adequately supported, part of which may be considered excessive.

Context

We first noted exceptions in our initial sample of disbursements, and also our sample for Other General and Travel Expense. We then reviewed all monthly credit card statements, and also all direct payments to the Executive Director. For some time, it appears that current Management was unable to secure a credit card in the Authority's name. During that period, the Authority reimbursed the Executive Director for Authority charges on her personal credit card.

Management claims that most, if not all, the food and beverage costs were for staff. We explained that to be in accordance with state law (federal law is similar) four tests must be met for food and beverage costs to be allowable. First, there needs to be a written agenda for the in-house staff training. Secondly, there needs to be a written sign-in sheet or some other documentation of who attended the meeting. Third, the reason the training could not be done early or late in the working day and thus had to done at the lunch hour needs to be documented. And finally, the costs of the food and beverage needs to be minimum and reasonable.

We requested the above information but received none. In our opinion, most of the food and beverage costs was excessive, although we realize this is subjective.

Regarding the travel, the board minutes document that the board was engaged in a significant pending decision for the Authority-whether to adopt RAD, Project-Based Vouchers, or another alternative housing option. It appears that the travel, much of it to D.C. or Atlanta, was likely needed and helpful to those that traveled.

HOUSING AUTHORITY OF ST. CHARLES PARISH, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2019

Section II – Findings related to the financial statements which are required to be reported in accordance with Governmental Auditing Standards generally accepted in the United States of America:

Effect

The above categories total to approximately \$14,795. It appears that much of these funds might have been better utilized in another part of the PHA. However, we note that current Management inherited an Authority with serious financial issues, as noted in Audit Finding 2019-002. The Authority has taken steps to address this situation, including being in the process of converting to Project Based Vouchers.

Cause

We are not sure why the Executive Director was not aware of the significant limitations on food and beverage disbursements out of Authority funds.

Questioned Costs

None.

Recommendation

Food and drink for the staff should only be purchased when the four criteria noted above are present. Regarding travel, as noted above, a significant decision has been made regarding the future housing of the PHA. This may justify the high travel costs of the travel period. However, considering the present financial condition of the Authority, the board should strongly consider limiting out of town travel to that considered absolutely essential. Many trainings and explanations are available on the internet, including the HUD website. When travel is absolutely necessary, the cheapest, reasonable rooms should be secured.

Views or Responsible Officials and Planned Corrective Action

I am Leatrice Hollis, Executive Director and Designated Person to answer these findings. Morale was very low when I assumed the Director position. We engaged in some meetings that were not trainings in the traditional sense, but were for team and morale building. I think employee relations have improved. However, I am now aware of the requirements and will heed then in the future.

Section Eight Housing Fund – CFDA #14.871-Special Tests

Finding 2019– 002 – Insufficient Restricted Cash and Deficit in Unrestricted Net Position – Allowable Costs

HOUSING AUTHORITY OF ST. CHARLES PARISH, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2019

Section II – Findings related to the financial statements which are required to be reported in accordance with Governmental Auditing Standards generally accepted in the United States of America:

Criteria and Condition

This condition existed before the present Executive Director started in June 2018.

The Restricted Net Position balance at September 30, 2019 was \$248,033. \$173,255 of remaining funds from the DHAP Katrina program, presently reserved for future HUD-designated disaster programs, comprises part of this amount. \$74,778 was the balance of the Housing Choice Voucher Program. The total restricted cash was \$74,778 with the \$173,255 shortage of cash related to the total reserved balance existing in the Housing Choice Voucher Program (\$248,033 - \$74,778).

In addition, the Unrestricted Net Position was a deficit of \$142,477. This balance should not show a deficit.

A significant issue that continues is that the Housing Choice Voucher Fund has utilized all of the remaining \$173,255 of cash left with the DHAP-Katrina Fund. This money is only supposed to be used for designated disaster programs.

Context

Cash and investments should be at least equal to the Restricted Net Position. The latter is the amount reserved for payment of Housing Assistance Payments (HAP), per the funding from HUD through the end of the fiscal year.

In regards to the Unrestricted Net Position, when a surplus (positive), is the remaining amount that can be paid for non-HAP, administrative expenses. When the number is a deficit (negative), this means that administrative expenses have been paid from funds designated by HUD funding to be used for only HAP payments.

Effect

The PHA did not have sufficient cash on hand at year-end to pay its obligation for HAP payments, in a prior audit year, due to inadequate forecasting. In addition, the PHA had paid cumulatively to date, September 30, 2019, \$142,477 more for administrative expenses from funds not designated for administrative expenses, but instead from funds designated by HUD funding for HAP payments, including in essence also incorrectly borrowing from the \$173,255 remaining cash of the DHAP-Katrina Fund.

HOUSING AUTHORITY OF ST. CHARLES PARISH, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2019

Section II – Findings related to the financial statements which are required to be reported in accordance with Governmental Auditing Standards generally accepted in the United States of America:

Cause

The bottom line answer for the deficit of \$142,477 in Unrestricted Equity is that the Authority spent more, in prior years for Administrative Costs (all costs other than Housing Assistance Payments) than HUD allowed the Authority by HUD formula and drawdowns.

In years prior to year ended September 30, 2015, part of the reason for the creation of the deficit was that the Authority was under-issued on its vouchers. The funding for administrative increases or decreases rise or fall with the number of issued vouchers. Prior to fiscal year ended 2015, the Authority dealt with a large number of Ports, which increase administrative time, but without funding. Beginning in the year ended September 2016, many of the Ports were absorbed, which somewhat improved the administrative funding, but not enough to offset the administrative costs.

HUD was holding reserves of approximately \$19,347 at September 30, 2019.

Questioned Costs

None.

Recommendation

The Authority hired a new Executive Director, who started in late June 2018. She has reduced expenses. The new E.D. should continue to look for ways to evaluate expenses as to their benefit and necessity.

The unrestricted equity deficit was reduced \$38,868 for the year ended September 30, 2019.

Views of Responsible Officials and Planned Corrective Actions

We will continue to reduce expenses where it is possible. As noted above, I, the Executive Director, was retained toward the end of the prior audit year. Also as noted above, the unrestricted equity deficit was reduced \$38,868 for the current audit year.

HOUSING AUTHORITY OF ST. CHARLES PARISH, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2019

Section III – Findings and questioned costs for federal awards which are required to be reported under OMB Circular No. A-133 Section .510 (a):

Audit Findings 2019-001 and 002 also apply here.

Section Eight Housing Fund-CDFA # 14.871

Finding 2019-003-Errors Noted in HAP Payments, SEMAP Needs Better Documentation-Special Tests

Criteria and Condition

a) Housing Assistance Payments (HAPs) are calculated at move-in, annual recertification, transfers, and for interim changes. The essential calculation is performed on software. The form that contains the calculation that is transmitted to HUD is the 50058. Other agreements, including the tenant lease and HAP contract, include the tenant rent, HAP payments, and related amounts. In our tests, we noted three instances where the actual HAP paid was different that that figured on the 50058 and the related contracts and agreements noted previously.

b) SEMAP regulations state that the SEMAP sample, which is generated and tested by PHA personnel, is to be drawn in an unbiased manner. This was done. The total population or universe is also to be defined. This needs improvement. Indicator One requires testing from the waiting list, and also testing from a list of move-ins. It appears testing was only done from the waiting list.

Context

a) We reviewed thirty-three tenant files. In three files, we noted that an incorrect HAP payment was made from June 2019 through September 2019. In all three instances, the HAP payment changed in June due to annual recertifications. But the amount paid for the monthly HAP was different and incorrect from June 2019 through September 2019. For the thirty- three tenants tested, the September 2019 HAP payments totaled \$22,193. The correct amount that should have been paid was \$22,133, a total error of \$60. When interpolated to the total HAP payments for the year, the dollar error is approximately an overstatement of \$5,500, an amount we consider immaterial.

b) SEMAP samples were of adequate size. We also note that the samples were drawn from a random generator program held by the software provider. Thus, it appears that Management met the most crucial tests, that of adequate sample size and to be drawn in an unbiased manner. However, the total population was not defined or delineated in the SEMAP work papers.

In addition, Indicator One requires either two samples, or one sample divided in half. We have seen work papers developed by consultants with both methods. One is testing from the waiting list-to determine whether someone was appropriately housed, denied, purged, or still holding on the list. The second method is from a population of move-ins during the period. A tenant could be inappropriately housed, and never appear on the waiting list. Without the second test of strictly from the housed, this exception would never be noted in SEMAP tests.

HOUSING AUTHORITY OF ST. CHARLES PARISH, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2019

Section III – Findings and questioned costs for federal awards which are required to be reported under OMB Circular No. A-133 Section .510 (a):

Effect

As noted above, the approximate error rate to the total HAPs paid for the year is an immaterial amount of \$5,500.

Cause

The quality control checks did not detect the errors as noted in three tenant files that we tested. We are not aware of the reason.

Questioned Costs

None.

Recommendation

Quality control steps should include checking amounts from the 50058 and related agreements to the actual amount paid for the HAP. Regarding SEMAP, in our opinion the personnel is doing an adequate job in this area. The documentation of the population or universe and tweaking of the sample for Indicator One can be enhanced possibly by at least two personnel attending a SEMAP webcast of Nelrod or something similar. We note that at least one webcast was viewed during the audit year.

Views of Responsible Officials and Planned Corrective Action

We will check from the 50058 to the HAP Register as part of our quality control checks. Two of us will attend a webcast on SEMAP within the next 45 days.