

**HOUSING AUTHORITY OF THE TOWN OF WELSH
WELSH, LOUISIANA**

**INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED JUNE 30, 2018

HOUSING AUTHORITY OF THE TOWN OF WELSH
Welsh, Louisiana

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Audit Solutions, LLC.

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of the business-type activities of the Housing Authority of the Town of Welsh (Authority), Louisiana, as of and for the year ended June 30, 2018, 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 opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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 of the Housing Authority of the Town of Welsh, Louisiana, as of June 30, 2018, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i-vi 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.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Housing Authority of the Town of Welsh's basic financial statements. The accompanying PHA's Statement of Certification of Actual Modernization Costs and the Financial Data Schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying PHA's Statement of Certification of Actual Modernization Costs and the Financial Data Schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the accompanying PHA's Statement of Certification of Actual Modernization Costs and the Financial Data Schedule are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standard

In accordance with *Government Auditing Standards*, I have also issued my report dated November 16, 2018 on my consideration of the Authority's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Audit Solutions, LLC.

Chesterfield, Missouri

November 16, 2018

HOUSING AUTHORITY OF THE TOWN OF WELSH
Welsh, Louisiana

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
June 30, 2018

Introduction

This Management's Discussion and Analysis (MD&A) of the Welsh Housing Authority (Authority) provides an introduction and overview to the financial statements of the Welsh Housing Authority for the fiscal year ended June 30, 2018. The Welsh Housing Authority presents this discussion and analysis of its financial performance during the fiscal year ended June 30, 2018, to assist the reader in focusing on significant financial issues.

The primary focus of the Authority's financial statements is on the statements of its single enterprise fund encompassing all programs administered by the Welsh Housing Authority. This information contained herein this MD&A should be considered in conjunction with the Authority's financial statements and related notes to the financial statements.

The Authority has two individual programs. They include the Low Rent Public Housing Program and the Capital Fund Program.

The Low Rent Program consists of 36 dwelling units. Funding is provided based on dwelling rents paid by the tenants and operating fund payments received by the Department of Housing & Urban Development based on a formula.

The Capital Fund Program is also a formula-based program from HUD. The purpose of this program is to provide funding for the modernization and improvement of the Low Rent Public Housing Program. These resources allow the Housing Authority to provide capital improvements for the current dwelling structures and assist in their operations.

The purpose of the Management Program is to manage and operate non-owned low-income housing. One apartment complex is currently being managed from this fund. A management fee is paid to the fund from the Fenton Housing Authority.

Overview of the Financial Statements

This overview of the financial statement is intended to inform and introduce the reader to the Authority's financial statements. The financial statements are comprised of three individual statements. These statements include:

- The Statement of Net Position
- The Statement of Revenues, Expense, and Changes in Net Position
- The Statement of Cash Flows

The Statement of Net Position presents information on the assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the differences between them being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial situation of the Authority is improving or deteriorating. Net position is comprised of three individual components:

- *Investment in Capital Assets* consists of capital asset balances net of accumulated depreciation less any outstanding balances of related debt associated with these assets.
- *Restricted* component of net position consists of resources that are restricted by limitations placed on these resources by an external source or imposed by law through constitutional provisions.
- *Unrestricted* component of net position represents the remaining resources available that do not meet the definition of the above categories. The unrestricted component of net position is basically the amount of resources available for future year appropriations.

HOUSING AUTHORITY OF THE TOWN OF WELSH
Welsh, Louisiana

MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
June 30, 2018

Overview of the Financial Statements – (Continued)

The Statement of Revenues, Expenses, and Changes in Net Position reports the operating revenues, operating expenses, non-operating revenues, and non-operating expenses of the Authority for the fiscal year ended June 30, 2018 to determine the change in net position for the fiscal year.

The Statement of Cash Flows reports cash activities for the fiscal year resulting from operating activities, investing activities, non-capital financing activities, and capital and related financing activities. The net result of these activities represents the increase or decrease of the cash equivalent account balance for the year ended June 30, 2018.

Financial Highlights

- The Welsh Housing Authority’s total net position decreased from \$553,902 in 2017 to \$519,011 in 2018, for a decrease of \$34,891. The total assets decreased by \$27,924 or 5% from the previous year.
- The unrestricted component of net position’s balance is reported as \$108,964 at June 30, 2018. This represents an increase of \$19,504, or 22% from the previous year.
- Total revenues decreased from \$289,198 in 2017 to \$260,513 in 2018, representing a decrease of \$28,685 or 10%.
- Total expenses increased by \$55,168 from \$240,236 to \$295,404 for the current year.

Housing Authority Activities & Highlights

The Housing Authority’s overall financial position and operations for the past two years are summarized below based on the information in the current and prior financial statements. The table below lists the asset and liability comparisons for the year ended June 30, 2018 and June 30, 2017.

***Summary Statement of Net Position
Years Ended June 30, 2018 and 2017***

<u>Category</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>Change \$</u>	<u>Change %</u>
Current Assets	\$ 142,888	\$ 116,417	\$ 26,471	23%
Fixed Assets (Net of Depreciation)	\$ 410,047	\$ 464,442	\$ (54,395)	-12%
Total Assets	\$ 552,935	\$ 580,859	\$ (27,924)	-5%
Current Liabilities	\$ 25,813	\$ 20,964	\$ 4,849	23%
Non Current Liabilities	\$ 8,111	\$ 5,993	\$ 2,118	35%
Total Liabilities	\$ 33,924	\$ 26,957	\$ 6,967	26%
Unrestricted	\$ 108,964	\$ 89,460	\$ 19,504	22%
Restricted	\$ -	\$ -		
Net Investment in Capital Assets	\$ 410,047	\$ 464,442	\$ (54,395)	-12%
Total Net Position	\$ 519,011	\$ 553,902	\$ (34,891)	-6%

Current Assets

Current assets increased by \$26,471, from \$116,417 in 2017 to \$142,888 in 2018. Total cash and investment balances increased by \$25,389. This increase is partly due to net income from the addition of a management program.

HOUSING AUTHORITY OF THE TOWN OF WELSH
Welsh, Louisiana

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
June 30, 2018

Housing Authority Activities & Highlights – (Continued)

Fixed Assets (Net of Depreciation)

Noncurrent assets decreased by \$54,395, from \$464,442 in 2017 to \$410,047 in 2018. The primary reason for the decrease is due to the charging of depreciation expense. Additional information related to the analysis of noncurrent assets is presented in a later section.

Current Liabilities

The Authority's current liabilities increased from \$20,964 to \$25,813, an increase of \$4,849 or 23% for the current year. The primary reason was due to an increase in accrued compensated absences – current portion in the amount of \$1,294 and accrued liabilities – other in the amount of \$1,166.

Noncurrent Liabilities

The Authority had accrued leave compensated absences classified as a long-term liability in the amount of \$8,111 as of June 30, 2018.

Net Position

The Authority's total net position decreased by \$34,891 or 6% from the previous year.

The Authority's unrestricted component of net position increased from \$89,460 to \$108,964, an increase of \$19,504, or 22% for the current year. The unrestricted component of net position is the amount available for future appropriations. This balance is subject to program specific guidelines.

Summary Statement of Revenues & Expenses and Changes in Net Position
Years Ended June 30, 2018 and 2017

<u>Category</u>	6/30/2018	6/30/2017	Change \$	Change %
Program Revenues:				
Tenant Revenue	\$ 103,510	\$ 94,115	\$ 9,395	10%
Government Operating Grants	\$ 108,632	\$ 111,910	\$ (3,278)	-3%
Capital Grants	\$ 11,497	\$ 81,839	\$ (70,342)	-86%
Other Revenue	\$ 36,836	\$ 1,196	\$ 35,640	2980%
Interest Income	\$ 38	\$ 138	\$ (100)	-72%
Total Revenue	\$ 260,513	\$ 289,198	\$ (28,685)	-10%
Expenses:				
Administration	\$ 91,249	\$ 62,271	\$ 28,978	47%
Utilities	\$ 16,039	\$ 13,360	\$ 2,679	20%
Ordinary Maintenance	\$ 83,650	\$ 68,226	\$ 15,424	23%
General/Insurance Expense	\$ 38,574	\$ 35,978	\$ 2,596	7%
Depreciation	\$ 65,892	\$ 60,401	\$ 5,491	9%
Total Expenses	\$ 295,404	\$ 240,236	\$ 55,168	23%
Excess (Deficiency) Before Special Items	\$ (34,891)	\$ 48,962	\$ (83,853)	-171%
Change in Net Position	\$ (34,891)	\$ 48,962	\$ (83,853)	-171%
Net Position, Beginning of Year	\$ 553,902	\$ 504,940	\$ 48,962	10%
Net Position, End of Year	\$ 519,011	\$ 553,902	\$ (34,891)	-6%

HOUSING AUTHORITY OF THE TOWN OF WELSH
Welsh, Louisiana

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
June 30, 2018

Housing Authority Activities & Highlights – (Continued)

Results of Operations

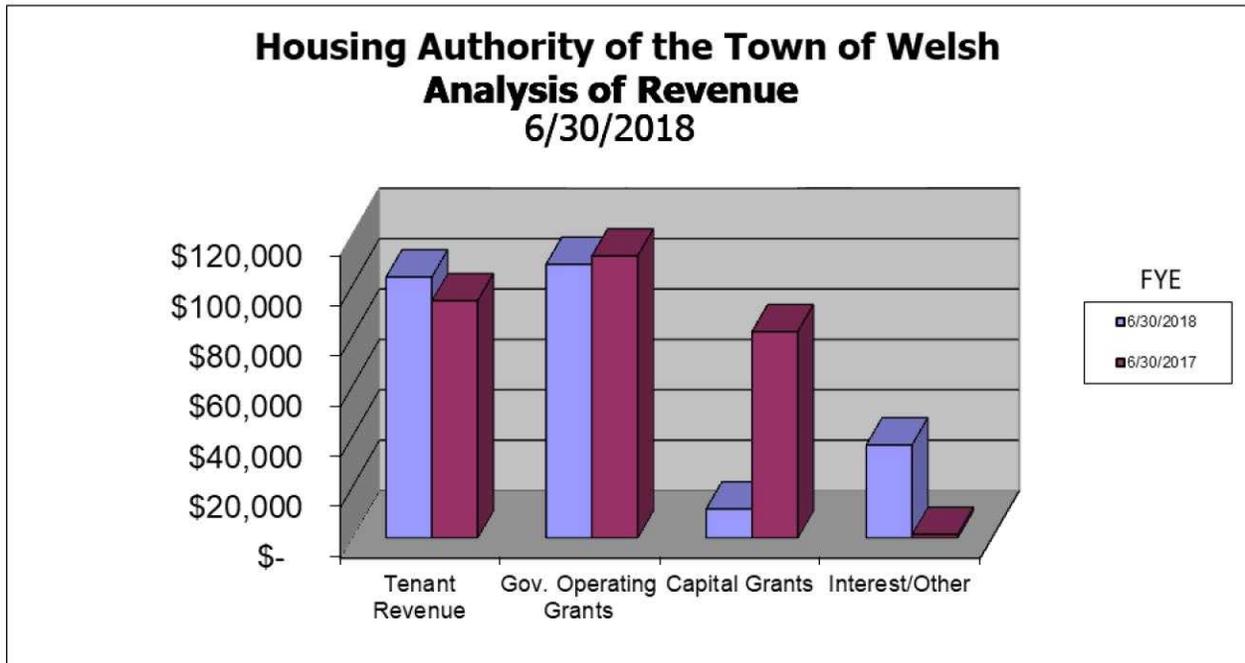
Revenues of the Authority are generated principally from dwelling rents and HUD grants (including Operating and Capital Funds). The Authority's revenue decreased by \$28,685 during the current fiscal year. Significant changes in revenues are as follows:

- Tenant Revenue increased by \$9,395 primarily due to an increase in the average rent from \$213 in 2017, to \$239 in 2018.
- HUD Operating Grants decreased by \$3,278 primarily due to a decrease in operating funds during the current year.
- Capital Grants decreased by \$70,342 primarily due to decreased capital activity during the current year.
- Other revenue increased \$35,640. This is primarily due to income related to the management program.

The Authority's total expenses increased by \$55,168 from the previous year. Significant changes in expenses are as follows:

- Administration increased from \$62,271 to \$91,249 an increase of \$28,978 or 47%. The primary reason for the increase was due to admin salaries and benefits in the amount of \$26,856. This increase was mainly due to additional wages paid from the management program.
- Utilities expense increased from \$13,360 in 2017 to \$16,039 in 2018 an increase of \$2,679. Water increased by \$1,369, sewer increased by \$2,653, and gas by \$12; electricity decreased by \$1,355.
- Ordinary maintenance increased from \$68,226 to \$83,650 an increase of \$15,424 or 23%. The primary reason for the increase was due to maintenance salaries and benefits in the amount of \$12,298. This increase was mainly due to additional wages paid from the management program.

We have provided the following presentations to demonstrate the revenues and expenses by summarized account category:

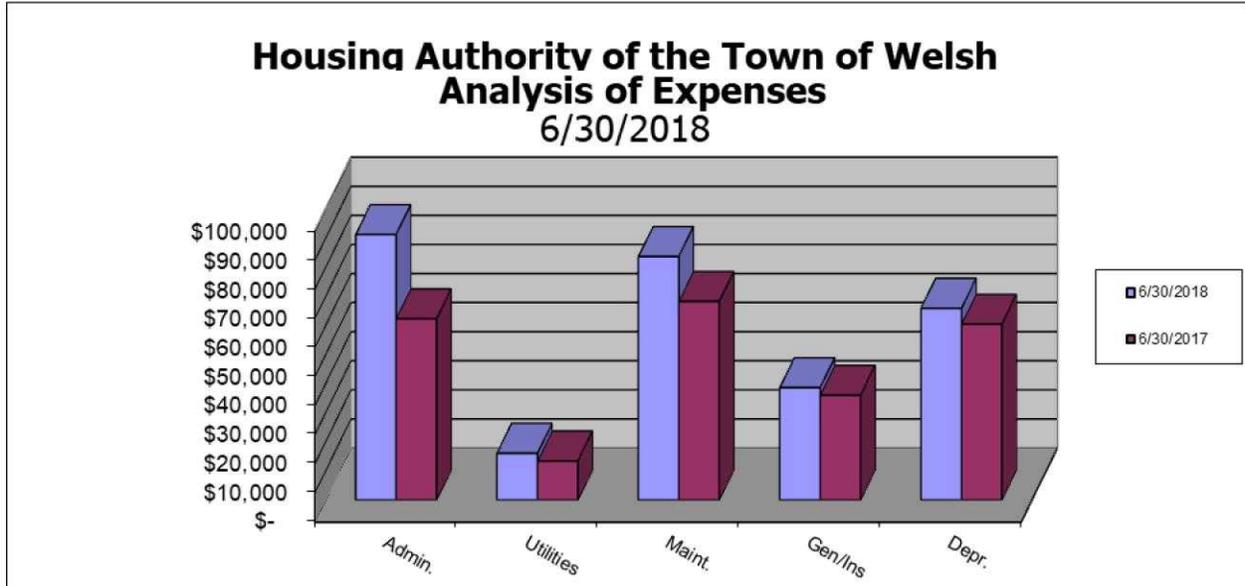


HOUSING AUTHORITY OF THE TOWN OF WELSH
Welsh, Louisiana

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
June 30, 2018

Housing Authority Activities & Highlights – (Continued)

Results of Operations – (Continued)



Net Fixed Assets

As of June 30, 2018, the Welsh Housing Authority's investment in capital assets was \$410,047. This investment includes land, buildings, and equipment.

Category	6/30/2018	6/30/2017	Change \$	Change %
Land	\$ 35,951	\$ 35,951	\$ -	0%
Buildings	\$ 2,528,938	\$ 2,431,038	\$ 97,900	4%
Equipment	\$ 62,755	\$ 62,755	\$ -	0%
Construction in Progress	\$ -	\$ 86,403	\$ (86,403)	-100%
Accumulated Depreciation	\$ (2,217,597)	\$ (2,151,705)	\$ (65,892)	3%
Total Net Fixed Assets	\$ 410,047	\$ 464,442	\$ (54,395)	-12%

- The increase in building is due to and HVAC project funded by the 2014, 2015, and 2016 Capital Fund awards.
- The decrease in construction in progress is due to the HVAC project being completed and transferred to buildings.

HOUSING AUTHORITY OF THE TOWN OF WELSH
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MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
June 30, 2018

Subsequent Event

Due to the 2018 Congressional Appropriations, the Authority's operating subsidy provided by HUD for the Low Rent Housing Program was prorated to 93.69% for the calendar year 2018.

We are planning on installing the last 6 HVAC units using 2017 & 2018 Capital Fund Grants. Once finished all 36 units will have central air and heating. We are also preparing for another low proration of Operating Funds from Congress; we continue to strive to provide safe and sanitary housing while in the midst of these budget prorations.

Request for Information

This financial report is designed to provide a general overview of the Authority's accountability for all those interested.

If you should have additional questions regarding the financial information, you can contact our office in writing at the following address:

Welsh Housing Authority
Calena Boullard, Executive Director
PO Box 430
Welsh, LA 70591-0430

HOUSING AUTHORITY OF THE TOWN OF WELSH
Welsh, Louisiana

STATEMENT OF NET POSITION

June 30, 2018

ASSETS

Current Assets:

Cash and cash equivalents	\$	79,353
Cash - restricted		9,600
Investments		35,607
Receivables - net of allowances		388
Inventory - net of allowances		1,050
Prepaid expenses		<u>16,890</u>

Total Current Assets 142,888

Non-current Assets:

Capital assets:

Land and construction in progress		35,951
Other capital assets, net of depreciation		<u>374,096</u>

Total capital assets - net 410,047

Total Non-current Assets 410,047

Total Assets \$ 552,935

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE TOWN OF WELSH
Welsh, Louisiana

STATEMENT OF NET POSITION - (Continued)

June 30, 2018

LIABILITIES

Current Liabilities:

Accounts payable	\$	11,592
Accrued salaries and benefits		3,032
Tenant security deposit liability		9,600
Accrued compensated absences		1,294
Unearned revenues		<u>295</u>

Total Current Liabilities 25,813

Non-current Liabilities:

Compensated absences		<u>8,111</u>
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Total Non-current Liabilities 8,111

Total Liabilities 33,924

NET POSITION

Net investment in capital assets		410,047
Unrestricted		<u>108,964</u>

Total Net Position 519,011

Total Liabilities and Net Position \$ 552,935

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE TOWN OF WELSH
Welsh, Louisiana

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended June 30, 2018

OPERATING REVENUES	
Tenant revenue	\$ 103,510
Governmental grants and subsidy	108,632
Miscellaneous	<u>36,836</u>
Total operating revenue	<u>248,978</u>
OPERATING EXPENSES	
Administrative	91,249
Utilities	16,039
Ordinary maintenance and operations	83,650
Insurance	24,635
General	13,939
Depreciation expense	<u>65,892</u>
Total operating expenses	<u>295,404</u>
Operating income (loss)	<u>(46,426)</u>
NON-OPERATING REVENUES (EXPENSES)	
Investment income	<u>38</u>
Net non-operating revenues (expenses)	<u>38</u>
Income (loss) before contributions and transfers	<u>(46,388)</u>
Capital contributions	<u>11,497</u>
Change in net position	(34,891)
Total net position - beginning of year	<u>553,902</u>
Total net position - end of year	<u>\$ 519,011</u>

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE TOWN OF WELSH
Welsh, Louisiana

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Received from tenants	\$	103,300
Received from governmental grants and subsidy		109,056
Received from other operating activities		36,836
Payments for goods and services		(123,315)
Payments to employees		(92,877)
Payment in lieu of taxes		(7,647)

Net cash provided by (used in) operating activities 25,353

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from capital contributions		11,497
Purchases of capital assets		(11,497)

Net cash provided by (used in) capital and related financing activities -

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds (payments) from sale (purchase) of investments		(35,607)
Receipts of interest and dividends		36

Net cash provided by (used in) investing activities (35,571)

Net increase (decrease) in cash and cash equivalents (10,218)
Cash and cash equivalents at beginning of year 99,171

Cash and cash equivalents at end of year \$ 88,953

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE TOWN OF WELSH
Welsh, Louisiana

STATEMENT OF CASH FLOWS - (Continued)

For the Year Ended June 30, 2018

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

Operating income (loss)	\$	(46,426)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense		65,892
Change in assets and liabilities:		
Receivables, net		433
Inventories, net		(326)
Prepaid expenses		(1,187)
Accounts and other payables		1,042
Unearned revenues		(148)
Compensated absences		3,412
Accrued expenses		<u>2,661</u>
Net cash provided by (used) by operating activities	\$	<u>25,353</u>

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE TOWN OF WELSH
Welsh, Louisiana

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)

June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

1B. Basis of Presentation – (Continued)

The Authority operates the following programs in the enterprise fund:

Low Rent - The objective of the program is to provide decent, safe and sanitary housing and related facilities for eligible low-income individuals.

Capital Fund Program - The purpose of this program is to provide funds annually to housing authorities for the modernization of the housing development and for management improvements.

Business Activities - To provide management services to the Housing Authority of the Village of Fenton for a specified amount of fee as stated in the Memorandum of Understanding (MOU).

1C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus - The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting - In the financial statements, the proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

1D. Budgets

Budgets are prepared for regulatory purposes in accordance with the Authority’s contract with HUD on an annual basis for all operating programs and on a project length basis for capital projects funds which are approved by the Board of Commissioners and submitted to HUD for their approval, if required.

1E. Estimates and assumptions

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could vary from those estimates.

HOUSING AUTHORITY OF THE TOWN OF WELSH
Welsh, Louisiana

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)

June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

1F. Assets, Liabilities, and Equity

Cash and Investments

For the purpose of the Statement of Net Position, “cash and cash equivalents” includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less. For the purpose of the Statement of Cash Flows, “cash and cash equivalents” include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations, if any, with a remaining maturity at the time of purchase of one year or less. Those investments, if any, are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Notes 2B and 3A.

Inter-fund Receivables and Payables

During the course of operations, numerous transactions occur within individual funds that may result in amounts owed between funds. Inter-fund receivables and payables between funds, if any, are eliminated for financial statement presentation.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances consist of tenant accounts receivable.

Inventories

Inventories are valued at lower of cost or market on an average cost basis. Inventories consist primarily of maintenance materials and supplies held for consumption. The consumption method is used to account for inventories. Under the consumption method, inventories are recorded as assets when purchased and expenses when used.

Fixed Assets

Fixed assets in the proprietary fund types are stated at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. It is the policy of the Authority to capitalize all assets with a cost of \$1,000 or greater. The cost of maintenance and repairs are charged to operations as incurred. Costs of major additions, improvements, and betterments are capitalized.

Depreciation of all exhaustible fixed assets is charged as an expense against operations and is recorded in the Statement of Revenues, Expenses and Changes in Net Position with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Building	15-33 years
Furniture, equipment and machinery - dwelling	7 years
Furniture, equipment and machinery - administrative	3-5 years

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

1F. Assets, Liabilities, and Equity - (Continued)

Restricted Assets

Restricted assets include cash of the proprietary fund that are legally restricted as to their use. The primary restricted asset is related to the security deposit fund under the Low Rent program.

Compensated Absences

The Authority's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term and short-term liabilities based on historical trends. Amounts not expected to be paid within the next fiscal year are classified as long-term liabilities.

Equity Classifications

Equity is classified as net position and displayed in two components:

- 1) 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 borrowing that are attributable to the acquisition, construction, or improvement of those assets.
- 2) Unrestricted net position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

1G. Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

Operating revenues and expenses are those that result from providing services and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, non-capital financing, or investing activities.

Inter-fund Transfers

Permanent reallocation of resources between programs of the reporting entity is classified as inter-fund transfers. For the purposes of the Statement of Revenues, Expenses and Changes in Net Position, all inter-fund transfers between individual programs, if any, have been eliminated.

HOUSING AUTHORITY OF THE TOWN OF WELSH
Welsh, Louisiana

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)

June 30, 2018

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The Authority and its component units, if any, are subject to various federal, state, and local laws and contractual regulations. An analysis of the Authority's compliance with significant laws and regulations and demonstration of its stewardship over Authority resources follows.

2A. Program Accounting Requirements

The Authority's complies with all state and local laws and regulations requiring the use of separate programs. The programs used by the Authority are as follows:

<u>Program</u>	<u>Required By</u>
Public and Indian Housing	U.S. Department of Housing and Urban Development
Capital Fund Program	U.S. Department of Housing and Urban Development
Business Activities	Housing Authority

2B. Deposits and Investments Laws and Regulations

It is the Authority's policy for deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation (FDIC) insurance. The Authority must maintain a written collateral agreement from all financial institutions pledging collateral to the Authority. As reflected in Note 3A, all deposits were fully insured or collateralized.

Investing is performed in accordance with HUD regulations and State Statutes. Funds may be invested in the following type of investments:

- Direct obligations of the U.S. Government pledged by its full faith and credit.
- Demand, savings, money-market and certificates of deposit at commercial banks, mutual savings banks, savings and loan associations and credit unions provided that the entire deposit be insured by the FDIC and any deposits in excess of insured amounts are adequately collateralized.

2C. Revenue Restrictions

The Authority has various restrictions placed over certain revenue sources. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Capital Fund Program	Modernization

For the year ended June 30, 2018, the Authority complied, in all material respects, with these revenue restrictions.

HOUSING AUTHORITY OF THE TOWN OF WELSH
Welsh, Louisiana

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
June 30, 2018

NOTE 3 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3A. Cash Deposits and Investments

As of June 30, 2018, the Authority had the following cash deposits and investments:

Cash deposits	\$	88,853
Certificate of deposits		35,607
Petty cash		<u>100</u>
Total	\$	<u><u>124,560</u></u>

Following is a reconciliation of the Authority's deposit balances as of June 30, 2018:

Cash and cash equivalents	\$	79,353
Restricted assets		9,600
Investments		<u>35,607</u>
Total	\$	<u><u>124,560</u></u>

Deposits

Custodial Credit Risk - Deposits

The custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, the Authority will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. At June 30, 2018, the Authority's bank balances of \$91,871 were entirely covered by FDIC insurance or by pledged collateral held by the Authority's agent bank in the Authority's name.

Investments

Custodial Credit Risk - Investments

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. At June 30, 2018, the Authority's investment balance of \$35,607 was entirely covered by FDIC insurance or by pledged collateral held by the Authority's agent bank in the Authority's name.

Interest Rate Risk

The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

State law limits investment in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organization. As the Authority's investments consist entirely of certificate of deposit, credit risk is not applicable to the Housing Authority.

HOUSING AUTHORITY OF THE TOWN OF WELSH
Welsh, Louisiana

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
June 30, 2018

NOTE 3 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS - (Continued)

3A. Cash Deposits and Investments - (Continued)

Concentration of Credit Risk

The Authority places no limit on the amount the Authority may invest in any one issuer. At June 30, 2018, the concentration of the Authority's investment (excluding cash deposits) was as follows:

<u>Type of Investment</u>	<u>Market Value</u>	<u>Maturity Date</u>
Certificate of Deposit	\$ <u>35,607</u>	6/16/2019

3B. Restricted Assets

Restricted assets at June 30, 2018 consist of the following:

<u>Type of Restricted Assets</u>	<u>Cash Including Time Deposits</u>	<u>Investments</u>	<u>Accrued Interest</u>	<u>Total</u>
Security deposit	\$ <u>9,600</u>	\$ <u>----</u>	\$ <u>----</u>	\$ <u>9,600</u>

3C. Accounts Receivable

Receivables at June 30, 2018 consist of the following:

Tenants	\$ 637
Less: Allowance for doubtful account	<u>(252)</u>
Tenants - net of allowance	385
Interest	<u>3</u>
Receivable – net of allowance	\$ <u>388</u>

3D. Inventory

Inventory at June 30, 2018 comprised of the following:

Inventory	\$ 1,167
Less: Allowance for obsolete inventory	<u>(117)</u>
Inventory - net of allowance	\$ <u>1,050</u>

HOUSING AUTHORITY OF THE TOWN OF WELSH
Welsh, Louisiana

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
June 30, 2018

NOTE 3 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS - (Continued)

3E. Capital Assets

A summary of capital asset activity for the year ended June 30, 2018 is as follows:

	Balance July 1, 2017	Additions	(Retirement)	Reclass/ Transfers in (out)	Balance June 30, 2018
Non-depreciable assets:					
Land	\$ 35,951	\$ -	\$ -	\$ -	\$ 35,951
Construction in progress	86,403	-	-	(86,403)	-
Total non-depreciable assets	<u>122,354</u>	<u>-</u>	<u>-</u>	<u>(86,403)</u>	<u>35,951</u>
Depreciable assets:					
Building	2,431,038	11,497	-	86,403	2,528,938
Equipment - dwelling	18,783	-	-	-	18,783
Equipment - administration	43,972	-	-	-	43,972
Total depreciable assets	2,493,793	11,497	-	86,403	2,591,693
Accumulated depreciation	<u>(2,151,705)</u>	<u>(65,892)</u>	<u>-</u>	<u>-</u>	<u>(2,217,597)</u>
Total depreciable assets, net	<u>342,088</u>	<u>(54,395)</u>	<u>-</u>	<u>86,403</u>	<u>374,096</u>
Capital assets, net	<u>\$ 464,442</u>	<u>\$ (54,395)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 410,047</u>

Depreciation expense is charged to programs as follows:

	<u>Business-type Activities</u>
Low Rent	\$ 64,132
CFP	<u>1,760</u>
Total depreciation expense	<u>\$ 65,892</u>

3F. Accounts Payable

Accounts payable at June 30, 2018 consist of the following:

Vendors & contractors	\$ 1,918
Accrued utilities	1,222
PILOT	<u>8,452</u>
Total Accounts Payable	<u>\$ 11,592</u>

HOUSING AUTHORITY OF THE TOWN OF WELSH
Welsh, Louisiana

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
June 30, 2018

NOTE 3 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS - (Continued)

3G. Non-current liabilities

Non-current liabilities at June 30, 2018 consist of the following:

Accrued compensated absences \$ 1,294

Changes in non-current liabilities

The following is the summary of changes in non-current liabilities:

<u>Description</u>	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2018</u>	<u>Amounts Due within One Year</u>
Accrued compensated absences	\$ <u>5,993</u>	\$ <u>2,118</u>	\$ <u>---</u>	\$ <u>8,111</u>	\$ <u>1,294</u>

3H. Inter-program Transactions and Balances

Operating Transfers

Transfers are used to move revenues from one program to the other program in accordance with the budgetary authorizations.

	<u>Transfers In</u>	<u>Transfers Out</u>
Low Rent	\$ 34,038	\$ -
Capital Fund Program	-	(34,038)
	<u>\$ 34,038</u>	<u>\$ (34,038)</u>

NOTE 4 – OTHER NOTES

4A. Employee Pension Plan

The Authority provides pension benefits for all of its full-time employees through a defined contribution plan with Housing Agency Retirement Trust. The Plan administrator has complete control of the administration of the plan, including complete discretions to interpret or construe the provisions of the Plan and under which contributions are established or may be amended.

In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan requires the Authority to contribute 8.5% of covered wages. Benefits are fully vested at the end of 5 years of service.

The following information related to the defined contribution plan at June 30, 2018:

Total payroll	\$ 84,325
Total payroll for eligible participants	\$ 59,400
Employer contributions	\$ 5,049

HOUSING AUTHORITY OF THE TOWN OF WELSH
Welsh, Louisiana

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
June 30, 2018

NOTE 4 – OTHER NOTES - (Continued)

4B. Risk Management

The Authority is exposed to various risks of losses related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee's health and life; and natural disasters. Claims liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. The Authority manages these various risks of loss as follows:

<u>Type of Loss</u>	<u>Method Managed</u>
a. Torts, errors and omissions	Purchased insurance with Arthur J. Gallagher Risk Management Services, Inc.
b. Injuries to employees (workers' compensation)	Purchased insurance with Arthur J. Gallagher Risk Management Services, Inc. Claims are administered by the same company.
c. Physical property loss and natural disasters	Purchased commercial insurance with \$2,500 deductibles.

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Authority. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

4C. Contingencies

The Authority is subject to possible examinations made by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Authority in the current and prior years. No significant violations of finance-related legal or contractual provisions occurred.

4D. Commitments - Construction

At June 30, 2018, the Authority had pending construction projects in progress. The commitments related to these projects are summarized as follows:

	<u>Funds Approved</u>	<u>Funds Expended - Project to Date</u>
CFP 501-15	\$ 41,075	\$ 40,635
CFP 501-16	43,395	40,853
CFP 501-17	45,537	10,582
	<u>\$ 130,007</u>	<u>\$ 92,070</u>

4E. Financial Data Schedule

The Authority prepares its Financial Data Schedule (FDS) in accordance with HUD requirements in a prescribed format which differs from the presentation of the basic financial statements. The FDS format excludes depreciation and includes investment income and capital contributions in operating activities, which differs from the presentation of basic financial statements.

HOUSING AUTHORITY OF THE TOWN OF WELSH
Welsh, Louisiana

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)

June 30, 2018

NOTE 4 – OTHER NOTES - (Continued)

4F. Subsequent Events

Events that occur after the balance sheet date but before the financial statements were issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events, which provide evidence about conditions that existed after the balance sheet date, require disclosure in the accompanying notes. Management evaluated the activity of the Authority through November 16, 2018 and concluded that no subsequent events have occurred that would require adjustment to or disclosures within these financial statements.

4G. Affiliated Organizations

The Authority provided management services to the Housing Authority of the Village of Fenton through a signed Memorandum of Understanding (MOU). The Authority earned \$5,000 in FY 2018 which is included in the miscellaneous operating revenues in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. This affiliation does not meet the criteria under GASB 14, as amended by GASB 39 and 61, for the inclusion in the reporting entity of the Authority, nor do they represent related parties.

4H. Economic Dependency

The Authority is primarily dependent upon HUD for the funding of operations; therefore, the Authority is affected more by the federal budget than by local economic conditions. The funding of programs could be significantly affected by the 2019 federal budget.

HOUSING AUTHORITY OF THE TOWN OF WELSH
Welsh, Louisiana

PHA'S STATEMENT OF CERTIFICATION OF ACTUAL MODERNIZATION COST
June 30, 2018

1. Actual Capital Fund Program costs are as follows:

	<u>CFP 501-14</u>
Funds approved	\$ 40,607
Funds expended	<u>40,607</u>
Excess of Funds Approved	<u>\$ ---</u>
Funds advanced	\$ 40,607
Funds expended	<u>40,607</u>
Excess (deficiency) of Funds Advanced	<u>\$ ---</u>

2. The costs as shown on the Actual Cost Certificate dated April 26, 2018 submitted to HUD for approval is in agreement with the Authority's records as of June 30, 2018.
3. All costs have been paid and all related liabilities have been discharged through payments.

HOUSING AUTHORITY OF THE TOWN OF WELSH
Welsh, Louisiana

FINANCIAL DATA SCHEDULE
Year Ended June 30, 2018

	Project Total	1 Business Activities	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$70,504	\$8,849	\$79,353	\$0	\$79,353
114 Cash - Tenant Security Deposits	\$9,600		\$9,600	\$0	\$9,600
100 Total Cash	\$80,104	\$8,849	\$88,953	\$0	\$88,953
126 Accounts Receivable - Tenants	\$637		\$637	\$0	\$637
126.1 Allowance for Doubtful Accounts - Tenants	-\$252		-\$252	\$0	-\$252
129 Accrued Interest Receivable	\$3		\$3	\$0	\$3
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$388	\$0	\$388	\$0	\$388
131 Investments - Unrestricted	\$35,607		\$35,607	\$0	\$35,607
142 Prepaid Expenses and Other Assets	\$16,890		\$16,890	\$0	\$16,890
143 Inventories	\$1,167		\$1,167	\$0	\$1,167
143.1 Allowance for Obsolete Inventories	-\$117		-\$117	\$0	-\$117
150 Total Current Assets	\$134,039	\$8,849	\$142,888	\$0	\$142,888
161 Land	\$35,951		\$35,951	\$0	\$35,951
162 Buildings	\$2,528,938		\$2,528,938	\$0	\$2,528,938
163 Furniture, Equipment & Machinery - Dwellings	\$18,783		\$18,783	\$0	\$18,783
164 Furniture, Equipment & Machinery - Administration	\$43,972		\$43,972	\$0	\$43,972
166 Accumulated Depreciation	-\$2,217,597		-\$2,217,597	\$0	-\$2,217,597
160 Total Capital Assets, Net of Accumulated Depreciation	\$410,047	\$0	\$410,047	\$0	\$410,047
180 Total Non-Current Assets	\$410,047	\$0	\$410,047	\$0	\$410,047
290 Total Assets and Deferred Outflow of Resources	\$544,086	\$8,849	\$552,935	\$0	\$552,935
312 Accounts Payable <= 90 Days	\$418	\$1,500	\$1,918	\$0	\$1,918
321 Accrued Wage/Payroll Taxes Payable	\$2,938	\$94	\$3,032	\$0	\$3,032
322 Accrued Compensated Absences - Current Portion	\$1,294		\$1,294	\$0	\$1,294
333 Accounts Payable - Other Government	\$8,452		\$8,452	\$0	\$8,452
341 Tenant Security Deposits	\$9,600		\$9,600	\$0	\$9,600
342 Unearned Revenue	\$295		\$295	\$0	\$295
346 Accrued Liabilities - Other	\$1,222		\$1,222	\$0	\$1,222
310 Total Current Liabilities	\$24,219	\$1,594	\$25,813	\$0	\$25,813
354 Accrued Compensated Absences - Non Current	\$8,111		\$8,111	\$0	\$8,111
350 Total Non-Current Liabilities	\$8,111	\$0	\$8,111	\$0	\$8,111
300 Total Liabilities	\$32,330	\$1,594	\$33,924	\$0	\$33,924
508.4 Net Investment in Capital Assets	\$410,047		\$410,047		\$410,047
512.4 Unrestricted Net Position	\$101,709	\$7,255	\$108,964		\$108,964
513 Total Equity - Net Assets / Position	\$511,756	\$7,255	\$519,011	\$0	\$519,011
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$544,086	\$8,849	\$552,935	\$0	\$552,935

HOUSING AUTHORITY OF THE TOWN OF WELSH
Welsh, Louisiana

FINANCIAL DATA SCHEDULE - (Continued)
Year Ended June 30, 2018

	Project Total	1 Business Activities	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$100,386		\$100,386	\$0	\$100,386
70400 Tenant Revenue - Other	\$3,124		\$3,124	\$0	\$3,124
70500 Total Tenant Revenue	\$103,510	\$0	\$103,510	\$0	\$103,510
70600 HUD PHA Operating Grants	\$108,632		\$108,632	\$0	\$108,632
70610 Capital Grants	\$11,497		\$11,497	\$0	\$11,497
71100 Investment Income - Unrestricted	\$38		\$38	\$0	\$38
71500 Other Revenue	\$3,296	\$33,540	\$36,836	\$0	\$36,836
70000 Total Revenue	\$226,973	\$33,540	\$260,513	\$0	\$260,513
91100 Administrative Salaries	\$39,853	\$17,550	\$57,403	\$0	\$57,403
91200 Auditing Fees	\$7,535		\$7,535	\$0	\$7,535
91400 Advertising and Marketing	\$169		\$169	\$0	\$169
91500 Employee Benefit contributions - Administrative	\$5,531	\$2,824	\$8,355	\$0	\$8,355
91600 Office Expenses	\$9,107	\$129	\$9,236	\$0	\$9,236
91800 Travel	\$4,367	\$237	\$4,604	\$0	\$4,604
91900 Other	\$3,947		\$3,947	\$0	\$3,947
91000 Total Operating - Administrative	\$70,509	\$20,740	\$91,249	\$0	\$91,249
93100 Water	\$5,821		\$5,821	\$0	\$5,821
93200 Electricity	\$676		\$676	\$0	\$676
93300 Gas	\$551		\$551	\$0	\$551
93600 Sewer	\$8,991		\$8,991	\$0	\$8,991
93000 Total Utilities	\$16,039	\$0	\$16,039	\$0	\$16,039
94100 Ordinary Maintenance and Operations - Labor	\$23,173	\$2,408	\$25,581	\$0	\$25,581
94200 Ordinary Maintenance and Operations - Materials and Other	\$24,650	\$2,612	\$27,262	\$0	\$27,262
94300 Ordinary Maintenance and Operations Contracts	\$28,932	\$344	\$29,276	\$0	\$29,276
94500 Employee Benefit Contributions - Ordinary Maintenance	\$1,350	\$181	\$1,531	\$0	\$1,531
94000 Total Maintenance	\$78,105	\$5,545	\$83,650	\$0	\$83,650
96110 Property Insurance	\$16,302		\$16,302	\$0	\$16,302
96120 Liability Insurance	\$2,253		\$2,253	\$0	\$2,253
96130 Workmen's Compensation	\$2,646		\$2,646	\$0	\$2,646
96140 All Other Insurance	\$3,434		\$3,434	\$0	\$3,434
96100 Total insurance Premiums	\$24,635	\$0	\$24,635	\$0	\$24,635
96200 Other General Expenses	\$502		\$502	\$0	\$502
96210 Compensated Absences	\$4,914		\$4,914	\$0	\$4,914
96300 Payments in Lieu of Taxes	\$8,452		\$8,452	\$0	\$8,452
96400 Bad debt - Tenant Rents	\$71		\$71	\$0	\$71
96000 Total Other General Expenses	\$13,939	\$0	\$13,939	\$0	\$13,939
96900 Total Operating Expenses	\$203,227	\$26,285	\$229,512	\$0	\$229,512
97000 Excess of Operating Revenue over Operating Expenses	\$23,746	\$7,255	\$31,001	\$0	\$31,001

HOUSING AUTHORITY OF THE TOWN OF WELSH
Welsh, Louisiana

FINANCIAL DATA SCHEDULE - (Continued)
Year Ended June 30, 2018

	Project Total	1 Business Activities	Subtotal	ELIM	Total
97400 Depreciation Expense	\$65,892		\$65,892	\$0	\$65,892
90000 Total Expenses	\$269,119	\$26,285	\$295,404	\$0	\$295,404
10010 Operating Transfer In	\$34,038		\$34,038	-\$34,038	\$0
10020 Operating transfer Out	-\$34,038		-\$34,038	\$34,038	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$42,146	\$7,255	-\$34,891	\$0	-\$34,891
11030 Beginning Equity	\$553,902	\$0	\$553,902	\$0	\$553,902
11190 Unit Months Available	420		420	0	420
11210 Number of Unit Months Leased	420		420	0	420
11270 Excess Cash	\$75,127		\$75,127		\$75,127
11620 Building Purchases	\$11,497		\$11,497		\$11,497

HOUSING AUTHORITY OF THE TOWN OF WELSH
Welsh, Louisiana

**SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO AGENCY HEAD OR
CHIEF EXECUTIVE DIRECTOR**

Year Ended June 30, 2018

Agency Head Name: Calena Sanchez Boullard

EXPENDITURE PURPOSE

Salary	\$	59,400
Benefits – Insurance		---
Benefits – Retirement		5,049
Benefits (List any other here)		---
Car allowance		---
Vehicle provided by government		---
Per diem		550
Reimbursements		---
Travel		286
Registration fees		425
Conference Travel		---
Continuing professional education fees		---
Housing		---
Unvouchered expenses*		---
Special meals		---
		<hr/>
TOTAL	\$	65,710

* An example of unvouchered expense would be a travel advance

HOUSING AUTHORITY OF THE TOWN OF WELSH
Welsh, Louisiana

SCHEDULE OF COMPENSATION PAID TO BOARD MEMBERS
Year Ended June 30, 2018

Board members serve without compensation.



Audit Solutions, LLC.

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Commissioners
Housing Authority of the Town of Welsh
Welsh, 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 of Housing Authority of the Town of Welsh (Authority), Louisiana, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued my report thereon dated November 16, 2018.

Internal Control Over Financial Reporting

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

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.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify certain deficiency in internal control, described in the accompanying schedule of current findings, recommendations and replies that I consider to be significant deficiency as finding #2018-001.

Compliance and Other Matters

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

Authority's Response to Finding

The Authority's response to the finding identified in my audit is described in the accompanying schedule of current findings, recommendations and replies. 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.

Audit Solutions, LLC

Chesterfield, Missouri

November 16, 2018

HOUSING AUTHORITY OF THE TOWN OF WELSH
Welsh, Louisiana

SIGNIFICANT DEFICIENCIES COMMUNICATED IN PRIOR YEAR
June 30, 2018

The prior audit report for the year ended June 30, 2017 contained no audit finding.

HOUSING AUTHORITY OF THE TOWN OF WELSH
Welsh, Louisiana

CURRENT FINDINGS, RECOMMENDATIONS AND REPLIES
June 30, 2018

The current audit report for the year ended June 30, 2018 disclosed the following audit finding:

2018-001. Segregation of Duties

Criteria:

To ensure effective internal control, a segregation of duties between individuals who authorize transactions and individuals who have control over related assets must always exist.

Condition:

The present system of internal accounting controls in certain situation does not provide for segregation of duties in the performance of functions due to a limited size of the staff.

Questioned Costs:

None noted.

Effect:

As a result of this condition, there is a likelihood that intentional or unintentional errors will go undetected.

Cause:

Due to the small size of the entity, the Authority's decision was based on a "cost to benefit" relationship which does not justify the addition of additional staff to accomplish the desired segregation.

Recommendation:

I recommend that the Authority take steps to ensure compensating controls are in place to mitigate the lack of segregation of duties so that risk of errors can be prevented.

Management's Response:

Due to the small size of the Housing Authority, the Authority segregates duties as much as possible. The Authority has in place controls to limit as much error as possible. The board meets every two months and reviews all financial statements.