

**Tallulah Housing Authority
a Component Unit of the City of Tallulah
204 North Cedar Street
Tallulah, LA 71282**

**Annual Financial Report
As of and for the Year Ended
December 31, 2017**

Tallulah Housing Authority

Table of Contents

	PAGE
FINANCIAL SECTION	
INDEPENDENT AUDITORS' REPORT	3
REQUIRED SUPPLEMENTARY INFORMATION	
Management's Discussion and Analysis (MD&A)	6
BASIC FINANCIAL STATEMENTS:	
Statement of Net Position	12
Statement of Revenue, Expenses, and Changes in Fund Net Position	13
Statement of Cash Flows	14
Notes to Basic Financial Statements	16
SUPPLEMENTARY INFORMATION	
Schedule of Compensation Paid Board Members	27
Schedule of Compensation, Benefits, and Other Payments to Agency Head or Chief Executive Officer	28
OTHER REPORTS REQUIRED BY <i>GOVERNMENT AUDITING STANDARDS</i>	
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 <i>Government Auditing Standards</i>	29
Schedule of Audit Findings	31
Summary Schedule of Prior-Year Audit Findings	33

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Tallulah Housing Authority
a Component Unit of the City of Tallulah
204 North Cedar Street
Tallulah, LA 71282

We have audited the accompanying financial statements of the business-type activities and each major fund of the Tallulah Housing Authority, a Component Unit of the City of Tallulah, (hereinafter referred to as THA) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise THA'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

Our responsibility is to express an opinion 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 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, 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.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Business-Type Activities	Unmodified
Discretely Presented Component Unit	Adverse

Basis for Adverse Opinion on Discretely Presented Component Units

The financial statements referred to above do not include financial data for THA's legally separate component unit. Accounting principles generally accepted in the United States of America require financial data for the component unit to be reported with the financial data of the primary government unless THA also issues financial statements for the financial reporting entity that include the financial data for its component unit. THA has not issued such reporting entity financial statements. The amount by which this departure from accounting principles generally accepted in the United States of America, the assets, liabilities, net position, revenues, and expenses of the basic financial statements has not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly the financial position of the discretely presented component unit of THA, as of December 31, 2017, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of THA as of December 31, 2017, 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.

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 6 - 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 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 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 THA's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the THA but is additional information required by the Louisiana Legislative Auditor.

The supplementary information is the responsibility of management and was 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 our opinion, the supplementary information is 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 May 24, 2018, on our consideration of the Tallulah Housing Authority'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 Auditing Standards* in considering the Tallulah Housing Authority's internal control over financial reporting and compliance.

LeBlanc Hausknecht, L.L.P.

Metairie, Louisiana
May 24, 2018

Required Supplementary Information

Management's Discussion and Analysis (MD&A)

**Tallulah Housing Authority
Management's Discussion and Analysis (MD&A)
December 31, 2017**

As management of the Housing Authority, we offer readers of the Housing Authority's financial statements this narrative overview and analysis of the financial activities of the Housing Authority for the fiscal year ended December 31, 2017.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments issued June 1999.

The Housing Authority has one discretely presented component unit, Madison Pointe, LLC, which has not been included in the 2017 Housing Authority audit report. This entity has a separate audit report issued, copies of which can be obtained by contacting the Housing Authority. The Madison Pointe, LLC audit report for 2017 has not been issued at the time of the Housing Authority's audit issuance.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis introduces the Housing Authority's basic financial statements, as required in GASB 34, and the financial report is presented in the following order:

- Management's Discussion and Analysis (Required Supplementary Information)
- Basic Financial Statements
 - Statement of Net Position
 - Statement of Revenue, Expenses, and Changes in Fund Net Position
 - Statement of Cash Flows
 - Notes to the Financial Statements
- Supplementary Information (Other than MD&A)

FUND FINANCIAL STATEMENTS

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

Our auditor has provided assurance in the independent auditors' report, located immediately preceding this Management's Discussion and Analysis, that the business-type activities of each major fund are fairly stated. Our auditor has issued an adverse opinion on the Discretely Presented Component Unit, because they have been excluded from the basic financial statements. Varying degrees of assurance are being provided by the auditor regarding the other information included in this report. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each of the other parts of this report.

**Tallulah Housing Authority
Management's Discussion and Analysis (MD&A)
December 31, 2017**

REPORTING THE HOUSING AUTHORITY'S FUNDS

The Housing Authority's financial statements provide detailed information about the enterprise funds. The Housing Authority's enterprise funds use the following accounting approach:

Proprietary funds - all of the Housing Authority's services are reported in enterprise funds. They are reported using the full accrual method of accounting in which all assets and all liabilities associated with the operation of this fund are included on the balance sheet. The focus of a proprietary fund is on income measurement, which, together with the maintenance of equity, is an important financial indication.

For fiscal year ended December 31, 2017, the Housing Authority had three funds - Martin Luther King (MLK) which accounts for the Martin Luther King Apartment activities; Other Enterprise, which accounts for the Housing Authority's activity associated with Tallulah Madison Partners Limited Partnership I, and Madison Pointe GP, LLC, which accounts for the Housing Authority's activity associated with the Madison Pointe, LLC, a discretely presented component unit which has been excluded from the 2017 financial statements.

FINANCIAL ANALYSIS

The Housing Authority's net position (deficit) was \$(529,137) at December 31, 2017. The Housing Authority's net position (deficit) was \$(525,946) at December 31, 2016. Our analysis below focuses on the net position (deficit) and the change in net position (deficit) of the primary government as a whole.

**Table 1
Net Position
December 31,**

	<u>2017</u>	<u>2016</u>
Current assets	\$ 108,290	\$ 92,453
Restricted current assets	178,015	113,187
Capital assets, net	366,458	441,874
Total assets	<u>652,763</u>	<u>647,514</u>
Current liabilities		
Current liabilities payable from current assets	31,938	6,572
Current liabilities payable from restricted assets	14,863	12,023
Current portion of long term liabilities	21,716	19,767
Long-term liabilities	<u>1,113,382</u>	<u>1,135,098</u>
Total liabilities	<u>1,181,899</u>	<u>1,173,460</u>
Net position		
Net investment in capital assets	(768,641)	(712,991)
Restricted	178,015	113,187
Unrestricted	61,489	73,858
Total net position	<u>\$ (529,137)</u>	<u>\$ (525,946)</u>

**Tallulah Housing Authority
Management's Discussion and Analysis (MD&A)
December 31, 2017**

**Table 2
Revenues, Expenses, and Changes in Net Position
For the Years Ended December 31,**

	2017	2016
Revenues/capital contributions:		
Operating revenues		
Rent and other	\$ 53,627	\$ 61,415
Non-Operating revenues		
Federal grants	323,496	291,640
Interest Income	793	180
Total revenues	377,916	353,235
Expenses:		
Operating expenses		
Administration	67,838	83,758
Operating and maintenance	105,690	118,998
Utilities	22,629	21,481
Insurance	11,644	11,245
Depreciation	75,416	75,416
Tenants utility allowance	5,051	2,741
Other operating expense	-	-
Interest expense	92,839	94,615
Total expenses	381,107	408,254
Increase (decrease) in net position	\$ (3,191)	\$ (55,019)

Total revenues increased (decreased) by \$24,681 from the prior year due to the following:

- Martin Luther King revenue increased (decreased) by \$(7,788).
- Martin Luther King interest income increased by \$613.
- Federal Grants revenue increased \$31,856.

Total expenses increased (decreased) by \$(27,147) from the prior year primarily due to the following:

- Martin Luther King expenses increased (decreased) by \$(17,859), primarily due to an increase (decrease) in administrative expense of \$(6,632) and an increase (decrease) in operating and maintenance expense of \$(13,308).
- Madison Pointe GP, LLC expenses increased (decreased) by \$(9,200) due to a decrease in the audit fee.

**Tallulah Housing Authority
Management's Discussion and Analysis (MD&A)
December 31, 2017**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2017, the Housing Authority had \$2,208,383 invested in capital assets, including land, buildings, site improvements, furniture and equipment. There was no change in capital assets from the prior year. See Note D to the financial statements for more detail on capital assets.

	2017	2016
Land	\$ 38,008	\$ 38,008
Buildings and building improvements	2,063,235	2,063,235
Furniture and equipment	107,140	107,140
Totals	\$ 2,208,383	\$ 2,208,383

Debt

At December 31, 2017, the Housing Authority had \$1,135,098 in long-term debt which consists of loans payable to the USDA. See Note E for more detail on debt.

ECONOMIC FACTORS

The Housing Authority is primarily dependent upon USDA for the funding of operations; therefore, the Housing Authority is affected more by the Federal budget than by local economic conditions.

CONTACTING THE HOUSING AUTHORITY'S FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, and 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 Gerald Odom at the City of Tallulah, 204 North Cedar, Tallulah, Louisiana 71282, telephone number (318) 574-0964.

BASIC FINANCIAL STATEMENTS

Tallulah Housing Authority

Enterprise Funds Statement of Net Position December 31, 2017

	PRIMARY GOVERNMENT			Total
	Martin Luther King	Other Enterprise	Madison Pointe GP	
ASSETS				
Current Assets				
Cash and Equivalents	\$ 20,648	\$ -	\$ 60,774	\$ 81,422
Accounts Receivable, Net	20,709	-	-	20,709
Prepaid Insurance	6,159	-	-	6,159
Restricted Cash and Cash Equivalents	178,015	-	-	178,015
Total Current Assets	225,531	-	60,774	286,305
Noncurrent Assets				
Capital Assets:				
Land, Buildings and Equipment	2,208,383	-	-	2,208,383
Less Accumulated Depreciation	(1,841,925)	-	-	(1,841,925)
Total Noncurrent Assets	366,458	-	-	366,458
Total Assets	\$ 591,989	\$ -	\$ 60,774	\$ 652,763
LIABILITIES				
Current Liabilities				
Current liabilities (payable from current assets) accounts payable vendors	\$ 30,034	\$ -	\$ -	\$ 30,034
Current liabilities (payable from restricted assets) security deposits	14,863	-	-	14,863
Current portion of notes payable	21,716	-	-	21,716
Interest payable	1,905	-	-	1,905
Total Current Liabilities	68,518	-	-	68,518
Noncurrent Liabilities				
Housing revenue note payable	449,498	-	-	449,498
USDA loan payable	685,600	-	-	685,600
Less: Current portion of notes payable	(21,716)	-	-	(21,716)
Total Noncurrent Liabilities	1,113,382	-	-	1,113,382
Total Liabilities	1,181,900	-	-	1,181,900
NET POSITION				
Net Position				
Net investment in capital assets	(768,641)	-	-	(768,641)
Restricted - expendable				
Reserve funding	135,609	-	-	135,609
Security deposits	14,863	-	-	14,863
Tax and insurance	27,543	-	-	27,543
Unrestricted	715	-	60,774	61,489
Total Net Position	\$ (589,911)	\$ -	\$ 60,774	\$ (529,137)

See independent auditor's report and notes to the financial statements

Tallulah Housing Authority

Enterprise Funds Statement of Revenues, Expenses, and Changes in Net Position For the Year Ended December 31, 2017

	PRIMARY GOVERNMENT			Total
	Martin Luther King	Other Enterprise	Madison Pointe GP	
Operating Revenues				
Rental income	\$ 48,693	\$ -	\$ -	\$ 48,693
Other operating revenues	4,934	-	-	4,934
Total Operating Revenues	<u>53,627</u>	<u>-</u>	<u>-</u>	<u>53,627</u>
Operating Expenses				
Administrative	59,309	29	8,500	67,838
Operating and maintenance	105,690	-	-	105,690
Utilities	22,629	-	-	22,629
Taxes & Insurance	11,644	-	-	11,644
Depreciation and amortization	75,416	-	-	75,416
Tenants utility allowance	5,051	-	-	5,051
Total Operating Expenses	<u>279,739</u>	<u>29</u>	<u>8,500</u>	<u>288,268</u>
Operating Income (Loss)	<u>(226,112)</u>	<u>(29)</u>	<u>(8,500)</u>	<u>(234,641)</u>
Non-Operating Revenues (Expenses)				
Federal grants - FHA				
Rental assistance	254,389	-	-	254,389
Loan subsidy	69,107	-	-	69,107
Interest earned on deposits	793	-	-	793
Interest expense	<u>(92,839)</u>	<u>-</u>	<u>-</u>	<u>(92,839)</u>
Total Non-Operating Revenues (Expenses)	<u>231,450</u>	<u>-</u>	<u>-</u>	<u>231,450</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>5,338</u>	<u>(29)</u>	<u>(8,500)</u>	<u>(3,191)</u>
Other Financing Sources (uses):				
Transfers In	-	-	1,058	1,058
Transfers Out	<u>-</u>	<u>(1,058)</u>	<u>-</u>	<u>(1,058)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>(1,058)</u>	<u>1,058</u>	<u>-</u>
Net Position - Beginning	<u>(595,249)</u>	<u>1,087</u>	<u>68,216</u>	<u>(525,946)</u>
Net Position - Ending	<u>\$ (589,911)</u>	<u>\$ -</u>	<u>\$ 60,774</u>	<u>\$ (529,137)</u>

See independent auditor's report and notes to the financial statements

Tallulah Housing Authority
Enterprise Funds
Statement of Cash Flows
For the Year Ended December 31, 2017

	PRIMARY GOVERNMENT			Total
	Martin Luther King	Other Enterprise	Madison Pointe GP	
Cash flows from operating activities:				
Rental receipts	\$ 48,693	\$ -	\$ -	\$ 48,693
Other receipts / payments	2,724	-	-	2,724
Payments to vendors	(166,447)	(29)	(8,500)	(174,976)
Payments to employees	(36,294)	-	-	(36,294)
Net cash provided (used) by operating activities	<u>(151,324)</u>	<u>(29)</u>	<u>(8,500)</u>	<u>(159,853)</u>
Cash flows from noncapital financing activities:				
Federal grants	321,861	-	-	321,861
Insurance proceeds	25,482	-	-	25,482
Net cash provided (used) by noncapital financing activities	<u>347,343</u>	<u>-</u>	<u>-</u>	<u>347,343</u>
Cash flows from capital and related financing activities:				
Principal payment	(19,766)	-	-	(19,766)
Interest paid on debt	(92,994)	-	-	(92,994)
Net cash provided (used) by capital and related financing activities	<u>(112,760)</u>	<u>-</u>	<u>-</u>	<u>(112,760)</u>
Cash flow from investing activities				
Interest and dividends	793	-	-	793
Net cash provided (used) by investing activities	<u>793</u>	<u>-</u>	<u>-</u>	<u>793</u>
Net increase (decrease) in cash and equivalents	84,052	(29)	(8,500)	75,523
Cash and equivalents, beginning of year	<u>114,611</u>	<u>1,087</u>	<u>68,216</u>	<u>183,914</u>
Cash and equivalents, end of year	<u>\$ 198,663</u>	<u>\$ -</u>	<u>\$ 60,774</u>	<u>\$ 259,437</u>

See independent auditor's report and notes to the financial statements

Tallulah Housing Authority
Enterprise Funds
Statement of Cash Flows
For the Year Ended December 31, 2017

	<u>PRIMARY GOVERNMENT</u>			
	<u>Martin Luther King</u>	<u>Other Enterprise</u>	<u>Madison Pointe, GP</u>	<u>Total</u>
Reconciliation to statement of net position:				
Cash	\$ 20,648	\$ -	\$ 60,774	\$ 81,422
Restricted Cash	178,015	-	-	178,015
	<u>\$ 198,663</u>	<u>\$ -</u>	<u>\$ 60,774</u>	<u>\$ 259,437</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	<u>(226,112)</u>	<u>(29)</u>	<u>(8,500)</u>	<u>(234,641)</u>
Depreciation and amortization expense	75,416	-	-	75,416
Changes in assets and liabilities:				
Prepaid expense	(3,507)	-	-	(3,507)
Accounts payable	2,879	-	-	2,879
Net cash provided by operating activities	<u>\$ (151,324)</u>	<u>\$ (29)</u>	<u>\$ (8,500)</u>	<u>\$ (159,853)</u>

See independent auditor's report and notes to the financial statements

NOTES TO FINANCIAL STATEMENTS

**Tallulah Housing Authority
Notes to Financial Statements
December 31, 2017**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Tallulah Housing Authority was created by ordinance of the City of Tallulah on March 11, 1976, as authorized by Louisiana Revised Statute 40:391. The Housing Authority is governed by a five-member board appointed by the City. Board members serve five-year terms without benefit of compensation.

1. Reporting Entity

As the governing authority of the city, for reporting purposes, the City of Tallulah is the financial reporting entity for the city. The financial reporting entity consists of (a) the primary government (city), (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board (GASB) Statement No. 14 establishes criteria for determining which component units should be considered part of the City of Tallulah for financial reporting purposes. The basic criteria for including a potential component unit within the reporting entity are financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and:
 - a. The ability to impose its will on that organization and/or;
 - b. The potential for the organization to provide financial benefits to or impose specific financial burdens.
2. Organizations for which the agency does not appoint a voting majority but are fiscally dependent.
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.

Because the City appoints the governing body of the Housing Authority and therefore can impose its will on the Housing Authority, the Housing Authority was determined to be a component unit of the City of Tallulah, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the Housing Authority and do not present information on the City, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

In August 2008, Tallulah Madison Housing Partners Limited Partnership I (Partnership I) (also referred to as Tallulah Madison Partnership I) was created as a legally separate entity. One of the General Partners of the partnership was Tallulah Housing Authority, which had 0.05% interest. The Board of Commissioners of the Housing Authority had given the Mayor of the City of Tallulah the authority to oversee the Partnership I, and act in behalf of the Housing Authority. However, in December 2009, the Housing Authority withdrew its direct interest as the General Partner. At this time, Tallulah Madison, LLC became the General Partner of Partnership I. The Housing Authority has 49% ownership in Tallulah Madison, LLC. The Housing Authority does not have voting majority. For the year ended December 31, 2017, there is no potential for Partnership I to impose financial burden on the Housing Authority and the Housing Authority is not a guarantor of the tax-credit property. Based on the above, Partnership I is

**Tallulah Housing Authority
Notes to Financial Statements
December 31, 2017**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

considered to be immaterial to Housing Authority. Since the Housing Authority is neither authorized to appoint a voting majority of the entity or impose its will on Tallulah Madison, LLC, Tallulah Madison, LLC is not considered a component unit of the Housing Authority.

In December 2008, Tallulah Madison Housing Partners Limited Partnership II (Partnership II) was created as a legally separate entity. One of the General Partners of the partnership was Tallulah Housing Authority, which had 0.05% interest. The Board of Commissioners of the Housing Authority had given the Mayor of the City of Tallulah the authority to oversee the Partnership II and act on behalf of the Housing Authority. In addition, there is the potential for Partnership II to impose financial burden on the Housing Authority. Based on the above, Partnership II is considered to be a discretely presented component unit. Partnership II did not have any financial activity during the fiscal year ended December 31, 2017; therefore, no financial statements were issued.

In August 2010, Madison Pointe, LLC ("Madison Pointe") was created as a legally separate entity. The Managing General Partner of Madison Pointe is Madison Pointe GP, LLC ("GP"), which is a nonprofit corporation and owns a 51% interest in Madison Pointe, LLC. The Board of Directors of GP consists entirely of the Board of Commissioners of Tallulah Housing Authority, which provides the Housing Authority with full majority of the governing body of Madison Pointe GP, LLC. In addition, there is the potential for Madison Pointe GP, LLC to impose financial burden on the Housing Authority. Based on the above, Madison Pointe GP, LLC is considered to be a blended component unit. Madison Pointe, LLC's board is not made up of the same board for the Housing Authority as well as Madison Pointe, LLC does not provide services entirely or almost entirely to the Housing Authority. However, the Housing Authority is the guarantor of Madison Pointe, LLC tax-credit property. Therefore, Madison Pointe, LLC is considered to be a discretely presented component unit of the Housing Authority.

Madison Pointe, LLC is required to have an annual audit. As of the date of this report, Madison Pointe, LLC has not issued the required audit reports for years ended December 31, 2017 and 2016.

2. 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 purposes and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Proprietary Funds: Proprietary funds account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds differ from governmental funds in that their focus is on income measurement, which, together with the maintenance of equity, is an important financial indicator. The proprietary funds include the following:

**Tallulah Housing Authority
Notes to Financial Statements
December 31, 2017**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Martin Luther King (MLK) - accounts for activity for the transactions associated with the Martin Luther King Apartments which are federally subsidized with USDA monies.

Other Enterprise - accounts for activity of the Housing Authority for tax credit property developer fees received on Tallulah Madison Housing Partners Limited Partnership I.

Madison Pointe GP, LLC - accounts for activity of the Housing Authority for tax credit property developer fees received on Madison Pointe, LLC.

3. Measurement Focus and Basis of Accounting

Proprietary funds are accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. With this measurement focus, all assets, liabilities, and deferred inflows/outflows 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. The principal operating revenues of the Housing Authority and the component units are rental income and maintenance charges to the residents. Operating expenses include the costs of providing these services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

4. Budgets

The USDA approves all budgets for the Housing Authority. The budget is controlled by fund at the function level. All appropriations lapse at year-end. Encumbrance accounting is not employed. Formal budget integration (within the accounting records) is not employed as a management control device.

5. Cash and Cash Equivalents

Cash includes amounts in demand deposits and interest-bearing demand deposits. Cash equivalents include amounts in time deposits 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.

6. Accounts Receivable

The Housing Authority's Accounts Receivable consists of receivables from USDA rent assistance and other local revenues. These amounts are expected to be paid in full; therefore no allowances for doubtful accounts were set up.

**Tallulah Housing Authority
Notes to Financial Statements
December 31, 2017**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7. Capital Assets

Capital assets are recorded at historical cost and depreciated over their estimated useful lives (excluding salvage value). The Housing Authority capitalizes all capital assets. Donated capital assets are recorded at their estimated fair value at 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 estimated useful lives:

Buildings	35 years
Building improvements	5 - 20 years
Furniture and equipment	5 - 10 years
Intangibles-software	5 - 10 years

In 2010, the Housing Authority implemented GASB 51, Accounting and Financial Reporting for Intangible Assets. There were no intangibles to record for year ended December 31, 2017.

8. Restricted Net Position

Net position is reported as restricted when constraints placed on use are either externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted resources are used first when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

9. 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 and expenses during the reporting period. Actual results could differ from those estimates.

10. Income Taxes

No provision or benefit for income taxes has been included in the financial statements since taxable income or loss passes through to, and is reportable by, the members individually. The time limit for taxing authorities to examine the discretely presented component unit's income tax returns is generally three years from the date of the filing or the due date, whichever is later, unless civil or criminal fraud is proven, for which there is no time limit.

**Tallulah Housing Authority
Notes to Financial Statements
December 31, 2017**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

11. Prepaid Items

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

NOTE B - DEPOSITS

The Housing Authority carried only deposits and did not report any investments at December 31, 2017.

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

Credit Rate Risk: The Housing Authority's policy does not address credit rate risk.

Custodial Credit Risk: In the case of deposits, this is the risk that in the event of bank failure, the Housing Authority's deposits may not be returned to it. As of December 31, 2017, the Housing Authority's bank balance of \$264,376 was not exposed to custodial credit risk. The bank balance was secured by FDIC insurance in the amount of \$264,376. The book balance for deposits as of December 31, 2017 was \$259,437 (Restricted cash of \$178,015 and unrestricted of \$81,422).

NOTE C - ACCOUNTS RECEIVABLE

Accounts receivable for the primary government at year end December 31, 2017 amounted to \$20,709 and were related to USDA rental assistance. All receivables are expected to be received in full, therefore the Housing Authority does not have an allowance for doubtful accounts recorded.

NOTE D - CAPITAL ASSETS

The following presents the changes in capital assets for the year ended December 31, 2017:

Primary Government:

	Beginning Balance	Additions	Deletions	Balance Ending
Land	\$ 38,008	\$ -	\$ -	\$ 38,008
Depreciable capital assets				
Building improvements	898,468	-	-	898,468
Buildings	1,164,767	-	-	1,164,767
Furniture and equipment	107,140	-	-	107,140
Total	<u>2,208,383</u>	<u>-</u>	<u>-</u>	<u>2,208,383</u>
Less accumulated depreciation				
Building improvements	566,462	41,567	-	608,028
Buildings	1,095,318	33,279	-	1,128,597
Furniture and equipment	104,729	571	-	105,300
Total	<u>1,766,509</u>	<u>75,417</u>	<u>-</u>	<u>1,841,925</u>
Capital assets, net	<u>\$ 441,874</u>	<u>\$ (75,417)</u>	<u>\$ -</u>	<u>\$ 366,458</u>

**Tallulah Housing Authority
Notes to Financial Statements
December 31, 2017**

NOTE E - LONG-TERM DEBT

Martin Luther King:

The long-term liability at December 31, 2017, represents a housing revenue note payable to the United States Department of Agriculture (USDA), Rural Development Administration under the Rural Rental Housing Loan Program (CFDA 10.415). The note is due in annual installments of principal and interest with an annual interest rate of 11.50%. The original note payable was re-amortized in May, 2004, with a principal amount of \$540,000.

The following is a summary of notes payable for the year ended December 31:

	<u>2017</u>
Note payable at January 1,	\$ 461,907
Additions	-
Deductions	<u>(12,409)</u>
Note payable at December 31,	<u>\$ 449,498</u>
Amount due within one year	<u>\$ 13,914</u>

The Housing Authority also has a loan payable with the USDA with the proceeds being used for the rehabilitation of apartments which was completed during 2005. The original loan was \$752,727 which is payable until 2049 with annual installments of principal and interest. The stated interest rate of the loan is 5.875%.

The following is a summary of loans payable for the year ended December 31:

	<u>2017</u>
Loan payable at January 1,	\$ 692,958
Additions	-
Deductions	<u>(7,358)</u>
Loan payable at December 31,	<u>\$ 685,600</u>
Amount due within one year	<u>\$ 7,802</u>

The apartment project is pledged as collateral for the mortgage. The mortgage loan is nonrecourse debt secured by deeds of trust on the related real estate.

**Tallulah Housing Authority
Notes to Financial Statements
December 31, 2017**

NOTE E - LONG-TERM DEBT (CONTINUED)

The annual requirements to amortize long-term debt outstanding at December 31, 2017 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	21,716	21,938	43,654
2019	23,874	19,780	43,654
2020	26,265	17,389	43,654
2021	28,915	14,738	43,653
2022	31,855	11,921	43,776
2023-2027	216,041	46,931	262,972
2028-2032	282,920	26,844	309,764
2033-2037	106,008	3,835	109,843
2038-2042	142,102	-	142,102
2043-2047	190,487	-	190,487
2048-2050	64,915	-	64,915
Total	<u>\$ 1,135,098</u>	<u>\$ 163,376</u>	<u>\$ 1,298,474</u>

The Housing Authority has also entered into an interest credit and rental assistance agreement with FmHA under which the Housing Authority earns a credit against the interest payable on the mortgage note. The credit may result in an effective interest rate as low as 1%. FmHA may terminate the interest credit agreement if it is determined that no subsidy is necessary or if the Housing Authority is determined to be in noncompliance with the loan agreement or other applicable FmHA rules or regulations.

NOTE F - RESTRICTED CASH & CASH EQUIVALENTS

The restricted deposits consist of tenant security deposits, reserves and tax and insurance accounts. As of December 31, 2017, the tenant security deposits account is equal to the total security deposit liability of \$14,863, and the tax and insurance accounts amounted to \$27,543.

As discussed in Note E, during 1981 the Housing Authority received a \$1,286,000 loan from Farmers Home Administration (CFDA #10.415) for the construction of housing accommodations for persons of low income. The loan agreement requires the establishment of a reserve fund. Under the original loan requirements, the Housing Authority was to transfer into this fund an amount not less than \$11,255 annually, until there has been accumulated an amount of \$112,554.

During 2005, the USDA granted the Housing Authority permission to use reserve funds due for construction costs incurred during the rehabilitation of apartments. The USDA stated that the Housing Authority does not have to repay funds used and extended the period in which the reserve account must reach the maximum required amount. As of the amortization effective date of the new loan, July 1, 2005, the Housing Authority was required to transfer \$12,935 to the reserve fund until reaching the fully funded amount of \$129,350. At December 31, 2017, the Housing Authority had a balance of \$135,609 in the reserve account.

**Tallulah Housing Authority
Notes to Financial Statements
December 31, 2017**

NOTE G - INTERFUND TRANSFERS

Transfers between funds for the year ended December 31, 2017 are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Other Enterprises	-	1,058
Madison Point GP	1,058	-
Total	1,058	1,058

Interfund transfers occurred by the transfer of remaining cash in the other enterprise fund to the Madison Point GP Fund.

NOTE H - RENTAL ASSISTANCE AGREEMENT

The Housing Authority's primary government has entered into a contract with FmHA that provides rental assistance payments on behalf of eligible lower-income persons or families. Under this contract the Housing Authority agreed to rent only to eligible persons or families at FmHA approved rates and to adhere to certain rules of operation. FmHA may, at its option, terminate the contract if the Housing Authority is determined to be in noncompliance with the FmHA loan agreement or other applicable FmHA rules or regulations. FmHA may also reduce the number of units covered by the contract should it determine that there is a lack of eligible tenants in the area. The contract automatically expires upon the total disbursement of the contract's original obligated amount.

NOTE I - ECONOMIC DEPENDENCY

Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 280-10-50-42 requires disclosure in financial statements of a situation where one entity provides more than 10% of the audited entity's revenues. The United States Department of Agriculture (USDA) provided \$323,496 or 86% of the revenues in rental assistance to the Housing Authority's primary government for year ended December 31, 2017.

NOTE J - RISK MANAGEMENT

The Housing Authority is exposed to various risk of loss related to torts, theft of, damage to, and destruction of assets; and injuries to employees. The fund with exposure to these risks is Martin Luther King Apartments. To handle such risk of loss, Martin Luther King Apartments maintains commercial insurance policies covering property, employee liability, and public officials' liability. No claims were paid on any of the policies during the past three years which exceeded the policies' coverage amounts. There were no significant reductions in insurance coverage during the year ended December 31, 2017.

NOTE K - MANAGEMENT OF THE HOUSING AUTHORITY

On November 13, 2010, the Housing Authority's primary government entered into a three-year management agreement with OSC Management, Inc. located in Metairie, Louisiana for the Management of the Martin Luther King complex. The management agreement with OSC Management, Inc was renewed on November 13, 2015 with a five year term.

**Tallulah Housing Authority
Notes to Financial Statements
December 31, 2017**

NOTE L - SUBSEQUENT EVENTS

FASB Accounting Standards Codification Topic 855, "Subsequent Events" addresses events which occur after the balance sheet date but before the issuance of financial statements. An entity must record the effects of subsequent events that provide evidence about conditions that existed at the balance sheet date and must disclose but not record the effects of subsequent events which provide evidence about conditions that existed after the balance sheet date. Additionally, Topic 855 requires disclosure relative to the date through which subsequent events have been evaluated and whether that is the date on which the financial statements were issued or were available to be issued. Management evaluated the activity of the Housing Authority through May 24, 2018, the date the financial statements were issued, and concluded that no subsequent events have occurred that would require recognition in the Financial Statements or disclosure in the Notes to the Financial Statements.

SUPPLEMENTAL INFORMATION

**Tallulah Housing Authority
Schedule of Compensation Paid Board Members
For the Year Ended December 31, 2017**

The members of the Board of Commissioners serve without compensation. The members of the Board of Commissioners are as follows:

Hazel Suluki, Chairman
1019 North Madison Street
Tallulah, LA 71282
Term expires 12/31/2019

Robert Jones
706 Jerry Street
Tallulah, LA 71282
Term expires 06/30/2017

Tommie Morris
1410 Florida Street
Tallulah, LA 71282
Term expires 12/31/2019

Gloria Williams
911 West Darrow Street
Tallulah, LA 71282
Term expires 12/31/2019

Kenneth Ramsey
117 Thelma Street
Tallulah, LA 71282
Term expires 12/31/2019

**Tallulah Housing Authority
Schedule of Compensation, Benefits, and Other Payments to Agency Head
or Chief Executive Officer
For the Year Ended December 31, 2017**

Agency Head:
Paxton J. Branch, Mayor of the City of Tallulah

During 2017, the agency head received no compensation from the Tallulah Housing Authority.

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*

To the Board of Directors of
Tallulah Housing Authority
204 North Cedar Street

We 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 and each major fund of the Tallulah Housing Authority, a Component Unit of the City of Tallulah, (hereinafter referred to as THA) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise THA's basic financial statements as listed in the table of contents, and have issued our report thereon dated May 24, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the THA'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 THA's internal control. Accordingly, we do not express an opinion on the effectiveness of the THA'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 THA's financial statements are free from 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

LeBlanc Hausknecht, L.L.P.

Metairie, Louisiana
May 24, 2018

**Tallulah Housing Authority
Schedule of Audit Findings
December 31, 2017**

PART I - SUMMARY OF THE AUDITOR'S RESULTS

Financial Statement Audit

- i) The type of audit report issued was unmodified for the business-type activities and adverse for the discretely presented component unit.
- ii) There were no significant deficiencies required to be disclosed by Government Auditing Standards issued by the Comptroller General of the United States of America.
- iii) There were no instances of noncompliance considered material, as defined by the Government Auditing Standards, to the financial statements.

Tallulah Housing Authority
Schedule of Audit Findings
December 31, 2017

Part II - FINANCIAL STATEMENT AUDIT FINDINGS:

There were no current year audit findings.

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**Tallulah Housing Authority
Summary Schedule of Prior-Year Audit Findings
December 31, 2017**

Part III - Prior Year Findings:

There were no prior year audit findings.