

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
REPORT ON EXAMINATION
OF
FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA
YEAR ENDED JUNE 30, 2018

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Housing Authority of the City of Kenner
Kenner, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the Housing Authority of the City of Kenner, Louisiana as of and for the year ended June 30, 2018, and the related notes to the 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 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.

Auditors' 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 Authority'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 Authority'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority 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

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 7 through 14 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.

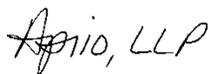
Other Information

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. Supplementary data is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying Financial Data Schedule is presented for the Department of Housing and Urban Development's information and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. Additionally, the accompanying Schedule of Compensation, Benefits and Other Payments to the Executive Director is presented for the Office of the Louisiana Legislative Auditor's information and is not a required part of the basic financial statements.

The Financial Data Schedule, the Schedule of Expenditures of Federal Awards and other supplementary data are the responsibility of management and were derived from and relate directly to the underlying accounting data and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting data and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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 November 26, 2018 on our consideration of the Authority's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Birmingham, Alabama
November 26, 2018

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

Board of Commissioners
 Housing Authority of the City of Kenner
 Kenner, Louisiana

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 Authority, 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 our report thereon dated November 26, 2018.

Internal Control Over Financial Reporting

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

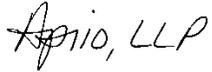
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be *material weaknesses* or *significant deficiencies*. Given these limitations, during our audit we did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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Handwritten signature of Aprio, LLP in black ink.

Birmingham, Alabama
November 26, 2018

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Commissioners
Housing Authority of the City of Kenner
Kenner, Louisiana

Report on Compliance for the Major Federal Program

We have audited the Authority's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended June 30, 2018. The Authority's major federal program is identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the *Uniform Guidance* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Program

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

Other Matter

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the *Uniform Guidance* and which is described in the accompanying Schedule of Findings and Questioned Costs as Finding 2018-001. Our opinion on the major program is not modified with respect to this matter.

The Authority's Response to the Noncompliance Finding

The Authority's response to the noncompliance Finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

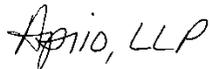
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be *material weaknesses* or *significant deficiencies* and therefore, *material weaknesses* or *significant deficiencies* may exist that have not been identified. We did identify a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as Finding 2018-001, that we consider to be a *material weakness*.

The Authority's Response to the Internal Control over Compliance Finding

The Authority's response to the internal control over compliance Finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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



Birmingham, Alabama
November 26, 2018

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2018**

The Housing Authority of the City of Kenner's ("the Authority") Management's Discussion and Analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, (c) identify changes in the Authority's financial position (its ability to address the next and subsequent year challenges), and (d) identify individual program issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statements.

FINANCIAL HIGHLIGHTS

- The Authority's net position decreased \$.9 million during 2018, and was \$5.8 million and \$4.9 million for 2017 and 2018, respectively.

- Revenues decreased \$1.6 million during 2018, and were \$12 million and \$10.4 million for 2017 and 2018, respectively.

- The total expenses of all Authority programs decreased \$.8 million. Total expenses were \$12.1 million and \$11.3 million for 2017 and 2018, respectively.

Authority-Wide Financial Statements

Statement of Net Position

These Statements include a Statement of Net Position, which is similar to a Balance Sheet. The Statement of Net Position reports all financial and capital resources for the Authority. The statement is presented in the format where total assets equal total liabilities and "net position", formerly known as net assets. Assets and liabilities are presented in order of liquidity.

The focus of the Statement of Net Position (the "Unrestricted Net Position") is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net Position (formerly net assets) is reported in three broad categories:

Net Investment in Capital Assets: This component of Net Position consists of all Capital Assets.

Restricted Net Position: This component of Net Position consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

Unrestricted Net Position: Consists of Net Position that does not meet the definition of "Net Investment in Capital Assets", or "Restricted Net Position".

Statement of Revenues, Expenses, and Changes in Net Position

The Authority-wide financial statements also include a Statement of Revenues, Expenses and Changes in Net Position (similar to an Income Statement). This Statement includes Operating Revenues such as rental income and operating grants, Operating Expenses such as administrative, utilities, maintenance, and depreciation, and Non-Operating Revenue such as capital grant revenue, investment income and a gain on the disposition of capital assets.

The focus of the Statement of Revenues, Expenses and Changes in Net Position is the "Change in Net Position", which is similar to Net Income or Loss.

Statement of Cash Flows

Finally, a Statement of Cash Flows is included, which discloses net cash provided by, or used for operating activities, capital and related financing activities and investing activities.

The Authority's Main Programs

Conventional Public Housing – Under the Conventional Public Housing Program, the Authority rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy and Capital Grant funding to enable the PHA to provide housing at a rent that is based upon 30% of household income. The Conventional Public Housing Program also includes the Capital Fund Program which is the primary funding source for physical and management improvements to the Authority's properties.

Housing Choice Voucher Program – Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure a lease that sets the participants' rent at 30% of household income.

AUTHORITY-WIDE STATEMENTS

Condensed Statement of Net Position

The following table reflects the Condensed Statement of Net Position compared to the prior year. The Authority is engaged only in Business-Type Activities.

TABLE 1
CONDENSED STATEMENT OF NET POSITION

	<u>2018</u>	<u>2017</u>	<u>Variance</u>
Assets:			
Current & Restricted Assets	\$ 1,036,278	\$ 2,831,210	\$ (1,794,932)
Capital Assets	4,127,307	4,910,100	(782,793)
Other Assets	-	48,000	(48,000)
Total Assets	\$ 5,163,585	\$ 7,789,310	\$ (2,625,725)
Liabilities:			
Current Liabilities	\$ 200,439	\$ 1,486,349	\$ (1,285,910)
Non-Current Liabilities	101,470	558,385	(456,915)
Total Liabilities	\$ 301,909	\$ 2,044,734	\$ (1,742,825)
Net Position:			
Net Investment in Capital Assets	\$ 4,127,307	\$ 4,492,747	\$ (365,440)
Restricted Net Position	177,575	615,430	(437,855)
Unrestricted Net Position	556,794	636,399	(79,605)
Total Net Position	\$ 4,861,676	\$ 5,744,576	\$ (882,900)

Major Factors Affecting the Condensed Statement of Net Position

During fiscal year 2018 current and restricted assets decreased due to a) a reduction of unrestricted cash resulting from the reimbursement of remaining Disaster Housing Assistance grant funds to HUD, and b) the utilization of restricted cash to fund housing assistance payments. Capital assets decreased due to dispositions and depreciation exceeding asset additions, resulting primarily from the disposition of an office building acquired during fiscal year 2017 under a capital lease. The lease was terminated during fiscal year 2018. As of fiscal year-end 2017, other assets consisted of non-current prepaid insurance costs paid in connection with the office building lease. The prepayment was reimbursed to the Authority during fiscal year 2018 upon lease termination.

Current liabilities decreased due to the extinguishment of a liability to HUD for remaining Disaster Housing Assistance grant funds held as of fiscal year-end 2017. Non-current liabilities decreased as a result of the termination of a capital lease obligation entered into in connection with the fiscal year 2017 acquisition of the office building.

Restricted net position decreased due to the utilization of restricted cash to fund housing assistance payments.

Table 2 presents details on the change in Unrestricted Net Position

TABLE 2

CHANGE IN UNRESTRICTED NET POSITION

Unrestricted Net Position, June 30, 2017	\$ 636,399
Results of Operations	(872,241)
Proceeds Received on the Disposition of Capital Assets	93,834
Investment Income	461
Depreciation Expense	260,486
Change in Restricted Net Position	<u>437,855</u>
Unrestricted Net Position, June 30, 2018	<u><u>\$ 556,794</u></u>

While the results of operations are a significant measure of the Authority's activities, the analysis of the changes in Unrestricted Net Position provides a clearer change in financial well-being.

TABLE 3**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

The following Schedule compares the revenues and expenses for the current and previous fiscal years.

	<u>2018</u>	<u>2017</u>	<u>Variance</u>
Revenue:			
Tenant Rental Revenue	\$ 377,192	\$ 397,878	\$ (20,686)
Operating Grants	9,770,002	11,286,313	(1,516,311)
Capital Grants	45,046	87,907	(42,861)
Investment Income	461	448	13
Gain/(Loss) on Disposition			
Capital Assets	(56,166)	8,000	(64,166)
Other Revenue	269,616	194,691	74,925
Total Revenue	<u>\$ 10,406,151</u>	<u>\$ 11,975,237</u>	<u>\$ (1,569,086)</u>
Expenses:			
Administrative Expenses	\$ 1,114,967	\$ 1,289,622	\$ (174,655)
Tenant Services	6,971	5,034	1,937
Utilities	98,110	87,840	10,270
Maintenance & Operations	367,220	384,458	(17,238)
General Expense	295,087	393,466	(98,379)
HAP Expense	9,146,210	9,608,167	(461,957)
Depreciation	260,486	309,253	(48,767)
Total Expenses	<u>\$ 11,289,051</u>	<u>\$ 12,077,840</u>	<u>\$ (788,789)</u>
Excess (Deficiency) Revenue Over Expense	<u>\$ (882,900)</u>	<u>\$ (102,603)</u>	<u>\$ (780,297)</u>

Major Factors Affecting the Schedule of Revenue, Expenses and Changes in Net Position

Operating Grants decreased in 2018 due to a reduction of subsidies recognized under the Section 8 Housing Choice Voucher Program to fund housing assistance payments. The fiscal year 2018 loss on disposition of capital assets was a result of the disposition of an office building acquired during fiscal year 2017 under a capital lease. Other revenue increased due primarily to an increase of revenues recognized from other housing authorities for Section 8 Housing Choice Voucher Program participants ported-in.

Administrative expenses decreased due to reductions of consulting costs, administrative office personnel contracts, office service agreements and legal costs incurred during the fiscal year. General expenses also decreased as a result of severance expenses incurred during fiscal year 2017, which did not apply to fiscal year 2018. Housing assistance payment expenses decreased during fiscal year 2018 due to reduced leasing. Depreciation expense experienced a modest decrease as assets reached their estimated useful lives during fiscal years 2017 and 2018.

CAPITAL ASSETS

As of year end, the Authority had \$4.1 million invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (additions, deductions and depreciation) of \$.8 million or 16% from the end of last year.

**TABLE 4
CAPITAL ASSETS AT YEAR-END
(NET OF DEPRECIATION)**

	<u>2018</u>	<u>2017</u>	<u>Variance</u>	<u>% Change</u>
Land	\$ 2,486,487	\$ 2,681,967	\$ (195,480)	-7%
Buildings & Improvements	9,457,679	9,721,226	(263,547)	-3%
Furniture & Equipment	163,304	144,388	18,916	13%
Construction in Progress	92,244	174,440	(82,196)	-47%
Accumulated Depreciation	<u>(8,072,407)</u>	<u>(7,811,921)</u>	<u>(260,486)</u>	<u>3%</u>
Net Capital Assets	<u>\$ 4,127,307</u>	<u>\$ 4,910,100</u>	<u>\$ (782,793)</u>	<u>-16%</u>

**TABLE 5
CHANGE IN CAPITAL ASSETS**

The following reconciliation summarizes the change in Capital Assets.

Beginning Balance, July 1, 2017	\$ 4,910,100
Additions:	
Buildings & Improvements	26,130
Equipment	18,916
Dispositions	(567,353)
Depreciation Expense	<u>(260,486)</u>
Ending Balance, June 30, 2018	<u>\$ 4,127,307</u>

DEBT

Debt obligations as of fiscal year ends 2017 and 2018 were as follows:

	<u>2018</u>	<u>2017</u>
Capital Lease Obligation	\$ -	\$ 417,353

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- Federal funding provided by Congress to the Department of Housing and Urban Development
- Local labor supply and demand, which can affect salary and wage rates
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income
- Inflationary pressure on supplies and other costs

FINANCIAL CONTACT

This financial report is designed to provide our residents, the citizens of Kenner, and federal and state regulatory bodies with a general overview of the Housing Authority of the City of Kenner's finances as of June 30, 2018. The individual to be contacted regarding this report is Mr. Barry Bordelon, Executive Director, Housing Authority of the City of Kenner, at 1003 31th Street, Kenner, Louisiana 70065.

**HOUSING AUTHORITY OF THE CITY OF KENNER
STATEMENT OF NET POSITION
JUNE 30, 2018**

**ASSETS AND DEFERRED
OUTFLOWS OF RESOURCES**

	Enterprise Fund
<u>Current Assets</u>	
Cash and Cash Equivalents	\$ 656,421
Accounts Receivable	88,055
Prepaid Costs	114,227
Total Current Assets	<u>858,703</u>
 <u>Restricted Assets</u>	
Cash and Cash Equivalents	<u>177,575</u>
Total Restricted Assets	<u>177,575</u>
 <u>Capital Assets</u>	
Land	2,486,487
Buildings and Improvements	9,457,679
Furniture & Equipment	163,304
Construction in Progress	92,244
	<u>12,199,714</u>
(Less): Accumulated Depreciation	<u>(8,072,407)</u>
Net Capital Assets	<u>4,127,307</u>
 Total Assets	 <u>5,163,585</u>
 Deferred Outflows of Resources	 <u>-</u>
 Total Assets and Deferred Outflows of Resources	 <u>\$ 5,163,585</u>

See the accompanying notes to financial statements.

**HOUSING AUTHORITY OF THE CITY OF KENNER
STATEMENT OF NET POSITION
JUNE 30, 2018**

**LIABILITIES, DEFERRED INFLOWS OF
RESOURCES AND NET POSITION**

	Enterprise Fund
<u>Current Liabilities</u>	
Accounts Payable	\$ 70,037
Accrued Wages and Payroll Taxes	31,409
Accrued Compensated Absences	19,010
Tenant Security Deposits	44,350
Unearned Revenue	1,319
Other Current Liabilities	34,314
Total Current Liabilities	<u>200,439</u>
<u>Long Term Liabilities</u>	
Accrued Compensated Absences	23,204
Non-current Liabilities - Other	78,266
Total Long Term Liabilities	<u>101,470</u>
Total Liabilities	<u>301,909</u>
Deferred Inflows of Resources	<u>-</u>
Total Liabilities and Deferred Inflows of Resources	<u>301,909</u>
<u>Net Position</u>	
Net Investment in Capital Assets	4,127,307
Restricted Net Position	177,575
Unrestricted Net Position	556,794
Total Net Position	<u>4,861,676</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 5,163,585</u>

See the accompanying notes to financial statements.

**HOUSING AUTHORITY OF THE CITY OF KENNER
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018**

	Enterprise Fund
<u>Operating Revenues</u>	
Dwelling Rent	\$ 377,192
Operating Grants	9,770,002
Other Revenue	269,616
Total Operating Revenues	<u>10,416,810</u>
<u>Operating Expenses</u>	
Administrative	1,114,967
Tenant Services	6,971
Utilities	98,110
Maintenance and Operations	367,220
General Expense	295,087
Housing Assistance Payments	9,146,210
Depreciation	260,486
Total Operating Expenses	<u>11,289,051</u>
Operating Income (Loss)	<u>(872,241)</u>
<u>Non-Operating Revenues (Expenses)</u>	
Investment Income	461
Loss on the Disposition of Capital Assets	(56,166)
Total Non-Operating Rev/(Exp)	<u>(55,705)</u>
Increase (decrease) before Capital Contributions	<u>(927,946)</u>
Capital Contributions	<u>45,046</u>
Increase (Decrease) in Net Position	(882,900)
Net Position, Beginning	<u>5,744,576</u>
Net Position, Ending	<u>\$ 4,861,676</u>

See the accompanying notes to financial statements.

**HOUSING AUTHORITY OF THE CITY OF KENNER
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018**

	Enterprise Fund
<u>Cash flows from operating activities:</u>	
Cash Received from Dwelling Rent	\$ 317,790
Cash Received from Operating Grants	9,564,675
Cash Received from Other Sources	305,750
Cash Payments for Salaries and Benefits	(759,517)
Cash Payments to Vendors and Landlords	(10,236,467)
Reimbursements to HUD	(1,098,159)
Net cash provided (used) by operating activities	<u>(1,905,928)</u>
<u>Cash flows from capital and related financing activities:</u>	
Capital Grants Received	57,999
Capital Outlay	(72,452)
Proceeds Received on Dispositions	93,834
Insurance Prepayment Reimbursements Received	48,000
Net cash provided (used) by capital & related financing activities	<u>127,381</u>
<u>Cash flows from investing activities:</u>	
Interest earned from cash and cash equivalents	461
Net cash provided (used) by investing activities	<u>461</u>
Net decrease in cash and cash equivalents	(1,778,086)
Total cash and cash equivalents, beginning of year	<u>2,612,082</u>
Total cash and cash equivalents, end of year	<u>\$ 833,996</u>
 <u>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</u>	
Operating Income (Loss)	\$ (872,241)
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	260,486
Bad Debt Expense (Tenants)	54,483
Change in Accounts Receivable	(77,069)
Change in Prepaid Costs	26,479
Change in Accounts Payable - Operating	(47,924)
Change in DHAP Funds Payable to HUD	(1,098,159)
Change in Accrued Expenses	33,857
Change in Unearned Revenue - Grants	(151,307)
Change in Unearned Revenue - Tenant	(4,847)
Change in Security Deposits Held	4,628
Change in Law Suit Liability	(34,314)
Net cash provided (used) by operating activities	<u>\$ (1,905,928)</u>

See the accompanying notes to financial statements.

HOUSING AUTHORITY OF THE CITY OF KENNER

KENNER, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Housing Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority is a Special Purpose Government engaged only in business-type activities and therefore, presents only the financial statements required for the enterprise fund, in accordance with GASB Statement 34 paragraph 138 and GASB Statement 63.

The Authority has multiple programs which are accounted for in one enterprise fund, which is presented as the "Enterprise Fund" in the basic financial statements as follows:

Enterprise Fund – In accordance with the Enterprise Fund Method, activity is recorded using the accrual basis of accounting and the measurement focus is on the flow of economic resources. Under the accrual basis of accounting revenues are recorded when earned and expenses are recorded when they are incurred. This required the Housing Authority to account for operations in a manner similar to private business or where the Board has decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability.

Governmental Accounting Standards – The Housing Authority has applied all applicable Governmental Accounting Standards Board pronouncements as well as applicable pronouncements issued by the Financial Accounting Standards Board.

Cash and Cash Equivalents

The Housing Authority considers bank deposits in checking accounts to be cash and cash equivalents.

Accounts Receivable

Receivables are reported at the amount considered by management to be collectible and consist of amounts due from HUD, tenants and former tenants.

Prepaid Items

Prepaid Items consist of payments made to vendors for services that will benefit future periods.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE A - SIGNIFICANT ACCOUNTING POLICIES- CONTINUED

Revenue Accounting Policies

Dwelling rent income, HUD Grants received for operations, other operating fund grants and operating miscellaneous income are shown as operating income. HUD grants received for capital assets and all other revenue is shown as non-operating revenue.

These financial statements do not contain material inter-program revenues and expenses for internal activity. The policy is to eliminate any material inter-program revenues and expenses for these financial statements.

Capital Assets

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The costs of maintenance and repairs are expensed, while significant renewals and betterments are capitalized. Small dollar value minor equipment items are expensed. Depreciation on assets has been expensed in the statement of income and expenses. Estimated useful lives are as follows:

Buildings and Improvements	15 - 33 years
Furniture, Fixtures and Equipment	3 - 7 years

Authority management has assessed the carrying values of capital asset balances as of June 30, 2018, and as of November 26, 2018. No significant capital asset value impairments exist as of the noted dates.

Unearned Revenue

The Authority recognizes revenues as earned. Funds received before the Authority is eligible to apply them are recorded as a liability under unearned revenue and consist of tenant prepaid rents.

Other Current and Non-Current Liabilities

Other current and non-current liabilities consist of estimated outlays due to a former employee under a law suit settlement in the amount of \$112,580, \$34,314 of which is current.

Deferred Outflows and Inflows of Resources

A Deferred Outflow of Resources is a consumption of assets by the Authority that is applicable to a future reporting period. Conversely, a Deferred Inflow of Resources is an acquisition of assets by the Authority that is applicable to a future reporting period.

Cost Allocation Plan

The Authority utilizes a Cost Allocation Plan. The Authority allocates indirect costs to programs on the basis of one of the following methods: direct salaries and wages, percentage of office square footage, number of vouchers and/or units, estimated/actual time spent, number of checks processed, or the allotment stipulated in contractual agreements.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE B - REPORTING ENTITY DEFINITION

The Housing Authority is a separate municipal corporation with a Board of Commissioners. The applicable jurisdictions appoint the Board of Commissioners. However, the Housing Authority has complete legislative and administrative authority and it recruits and employs personnel. The Authority adopts a budget that is approved by the Board of Commissioners. Subsidies for operations are received primarily from HUD. The Authority has substantial legal authority to control its affairs without local government approval; therefore, all operations of the Authority are a separate reporting entity as reflected in this report. The Authority is responsible for its debts and is entitled to surpluses. There are no component units.

NOTE C - CASH DEPOSITS

Custodial Credit Risk – The Housing Authority policy is to limit credit risk by adherence to the list of HUD-permitted investments, which are backed by the full faith and credit of or a guarantee of principal and interest by the U.S. Government.

Interest Rate Risk – The Housing Authority’s formal investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from interest rate volatility.

The U.S. Department of HUD requires housing authorities to invest excess funds in obligations of the U.S., certificates of deposit or any other federally-insured investments.

The Authority’s cash and cash equivalents consist of cash held in interest bearing checking accounts, with varying rates, totaling \$833,996.

Deposits with financial institutions are secured as follows:

	<u>Reconciled Book Balance</u>	<u>Deposits in Bank</u>
Insured by FDIC	\$ 250,000	\$ 250,000
Collateralized with specific securities in the Authority name which are held by the financial institution	583,996	586,785
Uncollateralized	-	-
	<u>\$ 833,996</u>	<u>\$ 836,785</u>

All investments are carried at cost plus accrued interest, which approximates market. The Authority had no realized gains or losses on the sale of investments. The calculation of realized gains or losses is independent of a calculation of the net change in the fair value of investments.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE D - CONTRACTUAL COMMITMENTS

The Authority had Outstanding Contractual Commitments as of the Statement of Net Position Date as follows:

None of Significance

NOTE E – SIGNIFICANT ESTIMATES

These financial statements are prepared in accordance with generally accepted accounting principles. The financial statements include some amounts that are based on management's best estimates and judgments. The most significant estimates relate to depreciation and useful lives, accounts receivable valuations and estimated outlays due to a former employee under a law suit settlement. These estimates may be adjusted as more current information becomes available, and any adjustment could be significant.

NOTE F – RISK MANAGEMENT

The Housing Authority is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Housing Authority carries commercial insurance for all risks of loss, including workman's compensation and employee health and accident insurance. The Housing Authority has not had any significant reductions in insurance coverage or any claims not reimbursed.

NOTE G – CONCENTRATION OF RISK

The Housing Authority receives most of its funding from HUD. These funds and grants are subject to modification by HUD depending on the availability of funding.

NOTE H - RETIREMENT PLAN

The Authority provides retirement benefits for all of its eligible full-time employees through the Housing Renewal and Local Agency Retirement Plan. The plan is a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Authority contributes 6.8% of the eligible employees' base salaries. Employees are required to contribute 5% of their annual covered salary to the plan. Contributions and allocated investment earnings are fully vested after 5 years of continuous service. During 2018, the Authority made the required contributions in the amount of \$31,950, while employees contributed \$9,864.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE I – ACCOUNTS RECEIVABLE

As of June 30, 2018, account receivable consisted of the following balances:

	<u>Receivable</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Receivable</u>
Grants Receivable due from HUD	\$ 79,478	\$ -	\$ 79,478
Tenant Rent Receivables	7,824	(6,572)	1,252
Tenant Fraud Recovery	28,241	(20,916)	7,325
Total Receivables, Net of Allowances	<u>\$ 115,543</u>	<u>\$ (27,488)</u>	<u>\$ 88,055</u>

NOTE J – LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2018, was as follows:

	<u>Balance at July 1, 2017</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance at June 30, 2018</u>	<u>Current Portion</u>
Accrued Compensated Absences	\$ 38,105	\$ 38,746	\$ 34,637	\$ 42,214	\$ 19,010
Capital Lease Obligation	417,353	-	417,353	-	-
Legal Suit Settlement Liability	146,894	-	34,314	112,580	34,314
Less: Current portion	(43,967)			(53,324)	
Long-Term Liabilities	<u>\$ 558,385</u>			<u>\$ 101,470</u>	<u>\$ 53,324</u>

During fiscal year 2018, the Authority terminated its capital lease on an office building. Upon termination, future minimum lease obligation payments amounted to \$417,353.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE K – CAPITAL ASSETS

Summaries of capital assets as of June 30, 2018, and activity for the fiscal year then ended are as follows:

	PUBLIC HOUSING and CFP	HOUSING CHOICE VOUCHER PROGRAM	TOTAL
Land	\$ 2,475,572	\$ 10,915	\$ 2,486,487
Building and Improvements	9,310,489	147,190	9,457,679
Furniture and Equipment	124,780	38,524	163,304
Construction in Progress	92,244	-	92,244
Less: Accumulated Depreciation	<u>(7,960,849)</u>	<u>(111,558)</u>	<u>(8,072,407)</u>
Total Capital Assets	<u>\$ 4,042,236</u>	<u>\$ 85,071</u>	<u>\$ 4,127,307</u>

	July 1, 2017 Balance	Additions	Transfers & Deletions	June 30, 2018 Balance
Land	\$ 2,681,967	\$ -	\$ (195,480)	\$ 2,486,487
Construction in Process	<u>174,440</u>	<u>-</u>	<u>(82,196)</u>	<u>92,244</u>
Total Assets not being Depreciated	2,856,407	-	(277,676)	2,578,731
Buildings and Improvements	9,721,226	26,130	(289,677)	9,457,679
Furniture and Equipment	<u>144,388</u>	<u>18,916</u>	<u>-</u>	<u>163,304</u>
Total Capital Assets	12,722,021	45,046	(567,353)	12,199,714
Less: Accumulated Depreciation				
Buildings and Improvements	(7,753,272)	(234,096)	-	(7,987,368)
Furniture and Equipment	<u>(58,649)</u>	<u>(26,390)</u>	<u>-</u>	<u>(85,039)</u>
Total Accumulated Depreciation	<u>(7,811,921)</u>	<u>(260,486)</u>	<u>-</u>	<u>(8,072,407)</u>
Net Book Value	<u>\$ 4,910,100</u>	<u>\$ (215,440)</u>	<u>\$ (567,353)</u>	<u>\$ 4,127,307</u>

During fiscal year 2018, the Authority terminated a capital lease-purchase agreement for the lease of an office building in Kenner. Land in the amount of \$195,480 and a building in the amount of \$371,873 were disposed of under the lease termination. Upon termination, \$417,353 of related debt was retired and an additional \$93,834 of cash was received, resulting in recognition of a loss of \$56,166. Additionally, \$48,000 of prepaid costs associated with the lease were reimbursed.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE L – RESTRICTED CASH AND NET POSITION

The Authority's restricted cash and net position consisted of the following as of the end of the fiscal year:

Held for Housing Assistance Payments	<u>\$ 177,575</u>
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NOTE M – ACCOUNTS PAYABLE – HUD

During fiscal year 2018, the Authority reimbursed HUD \$1,098,159 of unexpended Disaster Housing Assistance Program grant funds. As of June 30, 2018, the Authority's liability to HUD was \$0.

NOTE N – OTHER COMMITMENTS AND CONTINGENCIES

Amounts received or receivable from HUD are subject to audit and adjustment by grantor agencies. If expenses are disallowed as a result of these potential audits, the claims for reimbursement to the grantor agency would become a liability of the Authority. In the opinion of management, any such adjustments would not be significant.

NOTE O – SUBSEQUENT EVENTS

In preparing the financial statements, management evaluated subsequent events through November 26, 2018, the date the financial statements were available to be issued. Management has determined that no significant subsequent events have occurred which require disclosure in the financial statements.

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2018

EXPENDITURES

Public Housing Expenditures	
Total CFDA Number 14.850a	<u>\$ 518,075</u>
Section 8 Housing Choice Vouchers	
Total CFDA Number 14.871	<u>9,221,040</u>
Public Housing Capital Fund Program	
Total CFDA Number 14.872	<u>75,933</u>
Total HUD Expenditures	<u>9,815,048</u>
TOTAL FEDERAL EXPENDITURES	<u><u>\$ 9,815,048</u></u>

NOTE 1 – BASIS OF PRESENTATION

The above Schedule of Expenditures of Federal Awards includes the federal award activity of the Authority under programs of the federal government for the year ended June 30, 2018. The information on this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the Schedule presents only a selected portion of operations of the Authority, it is not intended to and does not present the financial net position, changes in net position, or cash flows of the Authority.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

NOTE 3 – INDIRECT COST RATE

The Authority has elected not to use the 10% *De Minimus Indirect Cost Rate* allowed under the Uniform Guidance.

Housing Authority of the City of Kenner (LA012)

KENNER, LA

Entity Wide Balance Sheet Summary

Fiscal Year

End: 06/30/2018

	Project Total	14.871 Housing Choice Vouchers	ELIM	Total Enterprise Fund
111 Cash - Unrestricted	\$ 211,786	\$ 400,285	\$ -	\$ 612,071
112 Cash - Restricted - Modernization and Development	-	-	-	-
113 Cash - Other Restricted	-	177,575	-	177,575
114 Cash - Tenant Security Deposits	44,350	-	-	44,350
115 Cash - Restricted for Payment of Current Liabilities	-	-	-	-
100 Total Cash	\$ 256,136	\$ 577,860	\$ -	\$ 833,996
121 Accounts Receivable - PHA Projects	-	-	-	-
122 Accounts Receivable - HUD Other Projects	79,478	-	-	79,478
124 Accounts Receivable - Other Government	-	-	-	-
125 Accounts Receivable - Miscellaneous	28,650	-	-	28,650
126 Accounts Receivable - Tenants	7,824	-	-	7,824
126.1 Allowance for Doubtful Accounts -Tenants	(6,572)	-	-	(6,572)
126.2 Allowance for Doubtful Accounts - Other	(28,650)	-	-	(28,650)
127 Notes, Loans, & Mortgages Receivable - Current	-	-	-	-
128 Fraud Recovery	7,325	20,916	-	28,241
128.1 Allowance for Doubtful Accounts - Fraud	-	(20,916)	-	(20,916)
129 Accrued Interest Receivable	-	-	-	-
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$ 88,055	\$ -	\$ -	\$ 88,055
131 Investments - Unrestricted	-	-	-	-
132 Investments - Restricted	-	-	-	-
135 Investments - Restricted for Payment of Current Liability	-	-	-	-
142 Prepaid Expenses and Other Assets	114,227	-	-	114,227
143 Inventories	-	-	-	-
143.1 Allowance for Obsolete Inventories	-	-	-	-
144 Inter Program Due From	135,166	-	(135,166)	-
145 Assets Held for Sale	-	-	-	-
150 Total Current Assets	\$ 593,584	\$ 577,860	\$ (135,166)	\$ 1,036,278
161 Land	2,475,572	10,915	-	2,486,487
162 Buildings	8,532,020	147,190	-	8,679,210
163 Furniture, Equipment & Machinery - Dwellings	-	-	-	-
164 Furniture, Equipment & Machinery - Administration	124,780	38,524	-	163,304
165 Leasehold Improvements	778,469	-	-	778,469
166 Accumulated Depreciation	(7,960,849)	(111,558)	-	(8,072,407)
167 Construction in Progress	92,244	-	-	92,244
168 Infrastructure	-	-	-	-
160 Total Capital Assets, Net of Accumulated Depreciation	\$ 4,042,236	\$ 85,071	\$ -	\$ 4,127,307
171 Notes, Loans and Mortgages Receivable - Non-Current	-	-	-	-
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due	-	-	-	-
173 Grants Receivable - Non Current	-	-	-	-
174 Other Assets	-	-	-	-

Housing Authority of the City of Kenner (LA012)

KENNER, LA

Entity Wide Balance Sheet Summary

Fiscal Year

End: 06/30/2018

	Project Total	14.871 Housing Choice Vouchers	ELIM	Total Enterprise Fund
176 Investments in Joint Ventures	-	-	-	-
180 Total Non-Current Assets	\$ 4,042,236	\$ 85,071	\$ -	\$ 4,127,307
200 Deferred Outflow of Resources	\$ -	\$ -	\$ -	\$ -
290 Total Assets and Deferred Outflow of Resources	\$ 4,635,820	\$ 662,931	\$ (135,166)	\$ 5,163,585
311 Bank Overdraft	-	-	-	-
312 Accounts Payable <= 90 Days	26,322	19,312	-	45,634
313 Accounts Payable >90 Days Past Due	-	-	-	-
321 Accrued Wage/Payroll Taxes Payable	16,032	15,377	-	31,409
322 Accrued Compensated Absences - Current Portion	6,483	12,527	-	19,010
324 Accrued Contingency Liability	-	-	-	-
325 Accrued Interest Payable	-	-	-	-
331 Accounts Payable - HUD PHA Programs	-	-	-	-
332 Account Payable - PHA Projects	-	19,253	-	19,253
333 Accounts Payable - Other Government	-	-	-	-
341 Tenant Security Deposits	44,350	-	-	44,350
342 Unearned Revenue	1,319	-	-	1,319
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	-	-	-	-
344 Current Portion of Long-term Debt - Operating Borrowings	-	-	-	-
345 Other Current Liabilities	34,314	-	-	34,314
346 Accrued Liabilities - Other	5,150	-	-	5,150
347 Inter Program - Due To	-	135,166	(135,166)	-
348 Loan Liability - Current	-	-	-	-
310 Total Current Liabilities	\$ 133,970	\$ 201,635	\$ (135,166)	\$ 200,439
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	-	-	-	-
352 Long-term Debt, Net of Current - Operating Borrowings	-	-	-	-
353 Non-current Liabilities - Other	78,266	-	-	78,266
354 Accrued Compensated Absences - Non Current	7,294	15,910	-	23,204
357 Accrued Pension and OPEB Liabilities	-	-	-	-
350 Total Non-Current Liabilities	\$ 85,560	\$ 15,910	\$ -	\$ 101,470
300 Total Liabilities	\$ 219,530	\$ 217,545	\$ (135,166)	\$ 301,909
400 Deferred Inflow of Resources	\$ -	\$ -	\$ -	\$ -
508.4 Net Investment in Capital Assets	4,042,236	85,071	-	4,127,307
511.4 Restricted Net Position	-	177,575	-	177,575
512.4 Unrestricted Net Position	374,054	182,740	-	556,794
513 Total Equity - Net Assets / Position	\$ 4,416,290	\$ 445,386	\$ -	\$ 4,861,676
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$ 4,635,820	\$ 662,931	\$ (135,166)	\$ 5,163,585

Housing Authority of the City of Kenner (LA012)

KENNER, LA

Entity Wide Revenue and Expense Summary

Fiscal Year

End: 06/30/2018

	Project Total	14.871 Housing Choice Vouchers	ELIM	Total Enterprise Fund
70300 Net Tenant Rental Revenue	\$ 359,699	\$ -	\$ -	\$ 359,699
70400 Tenant Revenue - Other	17,493	-	-	17,493
70500 Total Tenant Revenue	\$ 377,192	\$ -	\$ -	\$ 377,192
70600 HUD PHA Operating Grants	548,962	9,221,040	-	9,770,002
70610 Capital Grants	45,046	-	-	45,046
70710 Management Fee	-	-	-	-
70720 Asset Management Fee	-	-	-	-
70730 Book Keeping Fee	-	-	-	-
70740 Front Line Service Fee	-	-	-	-
70750 Other Fees	-	-	-	-
70700 Total Fee Revenue	\$ 594,008	\$ 9,221,040	\$ -	\$ 9,815,048
70800 Other Government Grants	-	-	-	-
71100 Investment Income - Unrestricted	3	458	-	461
71200 Mortgage Interest Income	-	-	-	-
71300 Proceeds from Disposition of Assets Held for Sale	-	-	-	-
71310 Cost of Sale of Assets	-	-	-	-
71400 Fraud Recovery	-	-	-	-
71500 Other Revenue	60,749	208,867	-	269,616
71600 Gain or Loss on Sale of Capital Assets	-	(56,166)	-	(56,166)
72000 Investment Income - Restricted	-	-	-	-
70000 Total Revenue	\$ 1,031,952	\$ 9,374,199	\$ -	\$ 10,406,151
91100 Administrative Salaries	136,575	291,921	-	428,496
91200 Auditing Fees	55,848	18,620	-	74,468
91300 Management Fee	-	-	-	-
91310 Book-keeping Fee	-	-	-	-
91400 Advertising and Marketing	1,657	2,570	-	4,227
91500 Employee Benefit contributions - Administrative	34,010	109,047	-	143,057
91600 Office Expenses	23,214	37,072	-	60,286
91700 Legal Expense	14,891	28,026	-	42,917
91800 Travel	2,565	687	-	3,252
91810 Allocated Overhead	-	-	-	-
91900 Other	116,214	242,050	-	358,264
91000 Total Operating - Administrative	\$ 384,974	\$ 729,993	\$ -	\$ 1,114,967
92000 Asset Management Fee	\$ -	\$ -	\$ -	\$ -
92100 Tenant Services - Salaries	-	-	-	-
92200 Relocation Costs	-	-	-	-
92300 Employee Benefit Contributions - Tenant Services	-	-	-	-
92400 Tenant Services - Other	6,971	-	-	6,971
92500 Total Tenant Services	\$ 6,971	\$ -	\$ -	\$ 6,971
93100 Water	23,245	-	-	23,245

Housing Authority of the City of Kenner (LA012)
 KENNER, LA

Entity Wide Revenue and Expense Summary

Fiscal Year

End: 06/30/2018

	Project Total	14.871 Housing Choice Vouchers	ELIM	Total Enterprise Fund
93200 Electricity	27,880		-	27,880
93300 Gas	18,228		-	18,228
93400 Fuel	-		-	-
93500 Labor	-		-	-
93600 Sewer	28,757		-	28,757
93700 Employee Benefit Contributions - Utilities	-		-	-
93800 Other Utilities Expense	-		-	-
93000 Total Utilities	\$ 98,110	\$ -	\$ -	\$ 98,110
94100 Ordinary Maintenance and Operations - Labor	141,904		-	141,904
94200 Ordinary Maintenance and Operations - Materials and Other	67,159		-	67,159
94300 Ordinary Maintenance and Operations Contracts	116,986		-	116,986
94500 Employee Benefit Contributions - Ordinary Maintenance	41,171		-	41,171
94000 Total Maintenance	\$ 367,220	\$ -	\$ -	\$ 367,220
95100 Protective Services - Labor	-		-	-
95200 Protective Services - Other Contract Costs	-		-	-
95300 Protective Services - Other	-		-	-
95500 Employee Benefit Contributions - Protective Services	-		-	-
95000 Total Protective Services	\$ -	\$ -	\$ -	\$ -
96110 Property Insurance	55,905		-	55,905
96120 Liability Insurance	10,487		-	10,487
96130 Workmen's Compensation	7,018	14,613	-	21,631
96140 All Other Insurance	82,303	7,498	-	89,801
96100 Total insurance Premiums	\$ 155,713	\$ 22,111	\$ -	\$ 177,824
96200 Other General Expenses	-	17,588	-	17,588
96210 Compensated Absences	21,856	16,890	-	38,746
96300 Payments in Lieu of Taxes	-		-	-
96400 Bad debt - Tenant Rents	54,483		-	54,483
96500 Bad debt - Mortgages	-		-	-
96600 Bad debt - Other	-	6,446	-	6,446
96800 Severance Expense	-		-	-
96000 Total Other General Expenses	\$ 76,339	\$ 40,924	\$ -	\$ 117,263
96710 Interest of Mortgage (or Bonds) Payable	-		-	-
96720 Interest on Notes Payable (Short and Long Term)	-		-	-
96730 Amortization of Bond Issue Costs	-		-	-
96700 Total Interest Expense and Amortization Cost	\$ -	\$ -	\$ -	\$ -
96900 Total Operating Expenses	\$ 1,089,327	\$ 793,028	\$ -	\$ 1,882,355
97000 Excess of Operating Revenue over Operating Expenses	\$ (57,375)	\$ 8,581,171	\$ -	\$ 8,523,796

Housing Authority of the City of Kenner (LA012)

KENNER, LA

Entity Wide Revenue and Expense Summary

Fiscal Year

End: 06/30/2018

	Project Total	14.871 Housing Choice Vouchers	ELIM	Total Enterprise Fund
97100 Extraordinary Maintenance	-	-	-	-
97200 Casualty Losses - Non-capitalized	-	-	-	-
97300 Housing Assistance Payments	-	9,031,081	-	9,031,081
97350 HAP Portability-In	-	115,129	-	115,129
97400 Depreciation Expense	242,968	17,518	-	260,486
97500 Fraud Losses	-	-	-	-
97600 Capital Outlays - Governmental Funds	-	-	-	-
97700 Debt Principal Payment - Governmental Funds	-	-	-	-
97800 Dwelling Units Rent Expense	-	-	-	-
90000 Total Expenses	\$ 1,332,295	\$ 9,956,756	\$ -	\$ 11,289,051
10010 Operating Transfer In	-	-	-	-
10020 Operating transfer Out	-	-	-	-
10030 Operating Transfers from/to Primary Government	-	-	-	-
10040 Operating Transfers from/to Component Unit	-	-	-	-
10050 Proceeds from Notes, Loans and Bonds	-	-	-	-
10060 Proceeds from Property Sales	-	-	-	-
10070 Extraordinary Items, Net Gain/Loss	-	-	-	-
10080 Special Items (Net Gain/Loss)	-	-	-	-
10091 Inter Project Excess Cash Transfer In	-	-	-	-
10092 Inter Project Excess Cash Transfer Out	-	-	-	-
10093 Transfers between Program and Project - In	-	-	-	-
10094 Transfers between Project and Program - Out	-	-	-	-
10100 Total Other financing Sources (Uses)	\$ -	\$ -	\$ -	\$ -
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$ (300,343)	\$ (582,557)	\$ -	\$ (882,900)
11020 Required Annual Debt Principal Payments	\$ -	\$ -	\$ -	\$ -
11030 Beginning Equity	\$ 4,716,633	\$ 1,027,943	\$ -	\$ 5,744,576
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-	-	-	-
11170 Administrative Fee Equity	\$ -	\$ 267,811	-	\$ 267,811
11180 Housing Assistance Payments Equity	\$ -	\$ 177,575	-	\$ 177,575
11190 Unit Months Available	1,632	15,912	-	17,544
11210 Number of Unit Months Leased	1,459	13,467	-	14,926
11610 Land Purchases	\$ -	-	-	\$ -
11620 Building Purchases	35,588	-	-	35,588
11630 Furniture & Equipment - Dwelling Purchases	-	-	-	-
11640 Furniture & Equipment - Administrative Purchases	9,458	-	-	9,458
11650 Leasehold Improvements Purchases	-	-	-	-
11660 Infrastructure Purchases	-	-	-	-
13510 CFFP Debt Service Payments	-	-	-	-
13901 Replacement Housing Factor Funds	-	-	-	-

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2018

Section II: Financial Statement Findings:

Prior Year Findings:

None

Current Year Finding:

None

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2018

Section III: Federal Awards Findings & Questioned Costs:

Prior Year Findings:

Finding 2017-001 – Failure to Comply with Procurement Policy (One)

Section 8 Housing Choice Voucher Program – CFDA No. 14.871, Grant Period: Fiscal Year Ended June 30, 2017

Condition, Cause and Questioned Costs (Material Weakness and Material Non-Compliance)

The Authority entered into a lease-purchase agreement for the lease and anticipated purchase of an office building. Minimum lease payment obligations from fiscal years 2017 through 2022 amount to \$630,000. No appraisal was obtained on the property prior to entering into the lease-purchase agreement. Further, no evidence was made available that any form of cost or price analysis was performed on the property.

Current Year Status

No Procurement Policy violations were noted during the fiscal year 2018 independent audit. Additionally, during fiscal year 2018, the Authority was able to terminate the leases-purchase agreement which led to this Finding. This Finding is not restated.

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2018

Section III: Federal Awards Findings & Questioned Costs - Continued:

Prior Year Findings - Continued:

Finding 2017-002 – Failure to Comply with Procurement Policy (Two)

Public Housing Program – CFDA No. 14.850a, Section 8 Housing Choice Voucher Program – CFDA No. 14.871; Grant Period: Fiscal Year Ended June 30, 2017

Condition, Cause and Questioned Costs (Material Weakness and Non-Compliance)

During the Authority's fiscal year under audit, the Authority paid its attorney \$102,588 prior to executing a contract with the attorney in May of 2017. The contract was for legal services not to exceed \$100,000 annually, with an option to renew for one year. Federal 'Small Purchase Procedures' applied to this contract. However, the Authority did not obtain price or rate quotations from any other qualified sources prior to executing the contract. The contract was signed by a Board member. However, the applicable Board member appeared to be executing the contract independently, instead of on behalf of the Board. Upon request, there was no evidence provided of a Board vote, resolution, or that the other Board members were aware of the Contract execution. In June of 2017, the Authority paid its attorney an additional \$31,056, for a total of \$133,644 during the fiscal year. \$102,588 of these payments were issued with no contract in place. \$31,056 of these payments were issued without a Board-approved contract, a contract that was executed in violation of federal procurement requirements and the Authority's Procurement Policy.

Perspective Information – Legal expenditures were \$4,141 for the year ended June 30, 2016; and \$5,687 for the fiscal year ended June 30, 2015. The Board-approved budget for fiscal year 2017 allowed for legal costs of \$3,000. No approval for a budget revision was requested or obtained.

Current Year Status

No Procurement Policy violations were noted during the fiscal year 2018 independent audit. During fiscal year 2018, the Authority was able to terminate the legal contract which was entered into, in violation of its Procurement Policy. Additionally, the Authority executed a separate legal contract during 2018 in accordance with its Procurement Policy. This Finding is not restated.

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2018

Section III: Federal Awards Findings & Questioned Costs - Continued:

Prior Year Findings - Continued:

Finding 2017-003 – Unallowable Cost Charges to Public Housing Federal Program

Public Housing Program – CFDA No. 14.850a, Grant Period: Fiscal Year Ended June 30, 2017

Condition, Cause and Questioned Costs (Other Matter)

In May of 2017 the Authority settled a law suit filed by a former employee for wrongful termination. As part of the settlement, the Authority agreed to pay certain benefits to the plaintiff through fiscal year 2022. Management has estimated the present value of future settlement payments to amount to \$146,894. During fiscal year 2017, the Authority paid \$16,000 and accrued a liability in the amount of \$146,894 for future settlement payments, thereby charging \$162,894 of law suit settlement costs to the Public Housing federal program.

Current Year Status

No Unallowable Cost Charges to the Public Housing Federal Program were noted during the fiscal year 2018 independent audit. This Finding is not restated.

Finding 2017-004 – Section 8 Management Assessment Program (SEMAP) Report

Section 8 Housing Choice Voucher Program – CFDA No. 14.871, Grant Period: Fiscal Year Ended June 30, 2017

Condition, Cause and Questioned Costs (Material Weakness and Scope Limitation)

During audit fieldwork, auditors requested the SEMAP Report submission and supporting documentation in order to review the Report to ensure accurate self-reporting. The Authority was unable to provide the records and samples utilized to support the answers and scores reported. There are no questioned costs associated with this Finding.

Current Year Status

The Authority was able to adequately support its self-reported answers and scores applicable to the fiscal year 2018 SEMAP Report. This Finding is not restated.

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2018

Section III: Federal Awards Findings & Questioned Costs - Continued:

Current Year Findings:

Finding 2018-001 – Housing Quality Standards Inspections

Section 8 Housing Choice Voucher Program – CFDA No. 14.871, Grant Period: Fiscal Year Ended June 30, 2018

Criteria

The Housing Choice Voucher Program Guidebook, Chapter 10 provides the Housing Quality Standards (HQS) requirements for the Section 8 Housing Choice Voucher Program, including the requirements of the PHA to conduct HQS inspections at least annually and to verify the sufficiency of required repairs by way of reinspection within 30 days of the initial inspection.

Condition, Cause and Questioned Costs (Material Weakness, Non-Compliance)

During audit fieldwork, auditors reviewed forty Section 8 Housing Choice Voucher Program tenant files. Of the forty files sampled, it was noted that one of the applicable units lacked evidence that an HQS inspection was performed. Six units within the remaining thirty-nine sampled failed the initial inspection, and none of the six were re-inspected within 30 days of the initial inspection. There were no questioned costs associated with this Finding.

Recommendation

We recommend the Authority implement and execute strengthened controls over HQS inspection and enforcement procedures.

Management's Response

The Commission will implement and execute strengthened controls over HQS procedures. The Commission's Executive Director has assumed the responsibility of ensuring the implementation and execution of strengthened controls and expects the deficiencies which led to this Finding to be resolved by December 31, 2018.

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA

CORRECTIVE ACTION PLAN

JUNE 30, 2018

Finding 2018-001 – Housing Quality Standards Inspections

Section 8 Housing Choice Voucher Program – CFDA No. 14.871, Grant Period: Fiscal Year Ended June 30, 2018

Corrective Action Plan

The Commission will implement and execute strengthened controls over HQS procedures. The Commission's Executive Director has assumed the responsibility of ensuring the implementation and execution of strengthened controls and expects the deficiencies which led to this Finding to be resolved by December 31, 2018.

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO THE EXECUTIVE
DIRECTOR

YEAR ENDED JUNE 30, 2018

EXPENDITURE PURPOSE

Salary	<u>\$ 75,145</u>
Benefits - Insurance	<u>10,831</u>
Benefits - Other	<u>500</u>
Training	<u>290</u>
Total Compensation, Benefits and Other Payments	<u><u>\$ 86,766</u></u>

Agency Head:

Marc Starling, Executive Director (December 2016 - August 2017)

Brenda Richard-Montgomery, Interim Executive Director (September 2017 - June 2018)

Basis of Presentation:

The above Schedule of Compensation, Benefits and Other Payments to the Executive Director is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of the *Louisiana Revised Statute (R.S.) 24:513A.(3)*, as amended by *Act 706 of the 2014 Legislative Session*.

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Commissioners of the Housing Authority of the City of Kenner, Louisiana and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by the Housing Authority of the City of Kenner and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2017 through June 30, 2018. The Authority's management is responsible for those C/C areas identified in the SAUPs.

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

See Addendum A following this Report for a description of the SAUPs.

The associated results and conclusions are as follows:

Written Policies and Procedures

The Authority did have policies which sufficiently addressed each of the Written Policy and Procedure categories itemized in the SAUP's (see Addendum A).

Board

Board meetings were held monthly. Financial reports were reviewed during the meetings including actual-to-budget financial activity.

Credit Cards

Statements contained appropriate approvals and charges on statements complied with the disbursement policies. Interest charges of \$4 were noted.

Contracts

Sampled contracts were bid in accordance with State law. Applicable contracts contained board approvals. Payments were properly supported, and no amendments were noted.

Ethics

Compliance documentation was provided for each of the five employees sampled. No ethics violations have been reported to Management. No violations were discovered during the independent audit.

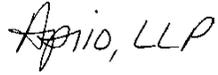
Other

No misappropriations of public funds were disclosed by management. No misappropriations were noted as a result of other audit procedures. The notice required by R.S. 24:523.1 was appropriately posted on the premises.

See Addendum B following this Report for the Authority's Corrective Action Plan.

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

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

Handwritten signature of Aprio, LLP in cursive script.

Birmingham, Alabama
November 26, 2018

ADDENDUM A

Louisiana Legislative Auditor – Statewide Agreed-Upon Procedures

Year 2 – Fiscal Years Ending 6/30/2018 through 5/31/2019

Introduction and General Comments

The Louisiana Legislative Auditor (LLA) has prescribed statewide agreed-upon procedures (AUPs) below, which are intended to represent a minimum level of additional work to be performed at those local entities (local governments and quasi-public organizations, including nonprofits) that meet the legal requirement to have an audit under the Audit Law (i.e., public funds totaling \$500,000 or more in revenues and other sources). **This Year 2 update to the AUPs will be effective for those entities that have fiscal years ending June 30, 2018 through May 31, 2019. Any entity with a fiscal year ending prior to June 30, 2018, has the option of using these updated procedures rather than the Year 1 procedures.**

The AUPs are not intended to address all areas of risk within an entity. Instead, they are designed to address those areas that have resulted in the most frequent incidents of fraud, waste, or abuse of public funds. For Year 2, the LLA has incorporated relevant Frequently Asked Questions and made changes to testing methodologies based on feedback from practitioners. The LLA has also modified procedures and criteria for clarity and efficiency.

The AUPs are to be performed under the AICPA attest standards (Statements on Standards for Attestation Engagements) and *Government Auditing Standards*, and the AUP report must be attached with the audit report that is submitted to the Legislative Auditor’s office (i.e. one Adobe pdf file submitted to the LLA rather than two). The AUPs are required to be performed by the same firm that performs the annual audit; accordingly, a separate “engagement approval form” for the statewide AUP engagement is not required.

All exceptions are to be included in the AUP report with management’s responses/corrective actions. Management may either prepare a single overall response to the AUP report, may respond after each AUP category, or may respond after each procedure. If management chooses not to respond to the AUP exceptions at all, the practitioner must include a statement that “management declined to respond to the exceptions or provide a plan of corrective action.”

Please note that the results of the AUPs do not change the practitioner’s separate responsibility to report significant deficiencies, material weaknesses, material noncompliance, etc., as part of the regular audit engagement. However, the practitioner should not include the AUP exceptions or internal auditor’s exceptions (or a reference to the exceptions) in the audit report’s schedule of findings, unless an AUP or internal audit exception rises to the level of a significant deficiency or material weakness and is included as a finding for purposes of the audit. Similarly, AUP exceptions should not be copied and pasted as findings in the LLA report submission portal unless they are addressed as findings in the audit report.

Louisiana Legislative Auditor – Statewide Agreed-Upon Procedures Year 2 – Fiscal Years Ending 6/30/2018 through 5/31/2019

Under the attest standards, practitioners are also allowed to report “knowledge of matters outside agreed-upon procedures” within the AUP report if they discover a control deficiency or noncompliance that does not meet the definition of an exception under the AUPs. While the reporting of these matters with the AUP report is at the practitioner’s discretion, the practitioner still has an obligation to consider the associated risk/noncompliance as part of his or her audit.

If the practitioner has gained “knowledge of matters outside agreed-upon procedures” related to fraud, theft, or the pledge/loan/donation of public funds (LA Const. Art. 7, Section 14¹), and the practitioner does not include these matters in either the AUP report or in the audit report, the practitioner **MUST** contact the LLA to discuss before submitting the reports.

Applicability of AUPs

Those local entities that do not meet the legal requirement to have an audit under the Audit Law (i.e., public funds totaling less than \$500,000 in revenues and other sources) are exempt from performing these AUPs. If an entity elects to have an audit but is not required to have an audit under the Audit Law, the entity would be exempt from performing these AUPs.

For purposes of the Audit Law, public funds are generally defined as follows:

- For governmental entities, including non-profits created by a governmental entity to perform the same activities as the governmental entity, **all** revenues and other sources are considered to be public funds.
- For non-profit entities, any funds received from state or local governments, including grants, loans, transfers of property, awards, direct appropriations, and pass-through federal funds are considered to be public funds. Public funds also include direct federal funds unless the non-profit receives **only** federal direct funds (i.e. even \$1 of other public funds requires the non-profit to treat federal direct funds as public funds for purposes of the Audit Law). Please note that Medicare and Medicaid funds are considered to be contract/vendor payments and are not considered public funds for non-profits.

If either a governmental or non-profit entity has met the Audit Law threshold, and all or part of the entity’s public funds are federal major program funds (either direct or pass-through) tested under the entity’s Single Audit during the fiscal period, the entity may exclude those AUP categories that are covered under federal program testing, regardless of whether the federal program testing includes the same procedures or sample sizes.

¹ Article 7, Section 14 of the Louisiana Constitution prohibits the loan, pledge, or donation of funds, credit, property, or things of value (e.g. cash advances or non-business purchases, regardless of whether they were reimbursed)

Louisiana Legislative Auditor – Statewide Agreed-Upon Procedures Year 2 – Fiscal Years Ending 6/30/2018 through 5/31/2019

For example, a non-profit entity that has one federal program subject to Single Audit testing may exclude credit cards, travel expenditures, non-payroll disbursements, contracts, and payroll and personnel if these areas are subject to testing under Allowable Costs and Procurement in the OMB Compliance Supplement; however, the entity would still be subject to other AUP areas that are not addressed in the OMB Compliance Supplement (e.g. board or finance committee, bank reconciliations).

State entities whose financial information is included in the Comprehensive Annual Financial Report of the State of Louisiana, or local entities subject to Act 774 of 2014 (i.e., St. Tammany Parish), are exempt from the AUPs below. Private and parochial schools, as well university foundations, facility corporations, and booster associations, are specifically excluded by law from having to provide audit reports to the LLA and are exempt from the AUPs. Real estate for-profit limited partnership entities have been exempted from the AUPs based on the nature of their operations.

The scope of the AUPs applies to the primary reporting entity and is not required to be extended to discretely presented component units of the entity; however, entities that are discrete component units of a larger government, and separately report to the LLA, are individually subject to the AUPs. Discrete component units that separately report to the LLA but have portions of their operations performed by the primary government (e.g. payroll processing) are exempt from those portions of the AUPs relating to the operations performed by the primary government; instead, AUPs performed at the primary government should address those areas (e.g. payroll processing) because the controls exist at the primary government.

Fiduciary funds should be included within the scope of the AUPs, including agency funds administered by sheriffs or other tax collectors.

For quasi-public organizations, including non-profits, only those AUP areas applicable to public funds administered by the quasi-public organization are required to be included within the scope of the AUP engagement.

School student activity fund accounts may be excluded from testing under the AUPs if they are otherwise addressed in a separately contracted audit or agreed-upon procedures engagement (does not have to include the same procedures as in the statewide agreed-upon procedures). In this situation, the audit or agreed-upon procedures report is already required to be submitted to the LLA as separate engagement and does not need to be attached in the pdf file with the practitioner's audit/AUP report.

Louisiana Legislative Auditor – Statewide Agreed-Upon Procedures Year 2 – Fiscal Years Ending 6/30/2018 through 5/31/2019

Rotation of Procedures

Entities that did not have exceptions in one or more of the twelve AUP categories tested during Year 1 may exclude those categories from testing in Year 2.

The attestation standards for agreed-upon procedures engagements require that the practitioner report exceptions to procedures even when there are compensating controls; however, the LLA does not want to penalize entities for exceptions that do not directly correspond to control risks. Accordingly, if the entity had exceptions within an AUP category in Year 1, based strictly on the wording of the procedure, but the practitioner believes that compensating controls **fully** mitigated the underlying control risk, the entity may exclude that AUP category from testing in Year 2 (the practitioner should maintain documentation of compensating controls in the engagement workpapers). Also, exceptions for Year 1 procedure #30 may be excluded when determining whether the “debt service” AUP category should be rotated off in Year 2 (this procedure was removed in Year 2).

If the practitioner’s removal of an AUP category impacts another AUP category that is linked to it, the practitioner may modify the procedure(s)/scope to address the discrepancy. For example, if a payroll sample is used for ethics testing and payroll has been rotated off in Year 2, the payroll sample selection procedure must be included under the ethics category.

Options and Alternatives

The practitioner may avoid duplication of existing audit procedures by using the same transactions for both audit and AUP purposes. For example, if the AUPs indicate that 10 random transactions should be selected and the practitioner would otherwise plan to test 25 random transactions as part of the entity’s audit, the practitioner may use the same 10 transactions for both the audit and the AUP engagement.

If the entity employs one or more internal auditors; the practitioner documents reliance upon the internal audit function as part of the entity’s audit; and the internal auditor performs one or more of the specific procedures identified for the same fiscal period (internal auditor is not required to perform procedures under the attest standards); the practitioner does not have to include those specific procedures as part of the scope of the AUP engagement or include in the AUP report. In that situation, the practitioner should perform the remaining AUPs under the attest standards and document in the AUP report, but should not include or reference the internal auditor’s report(s) in the practitioner’s AUP report.

Louisiana Legislative Auditor – Statewide Agreed-Upon Procedures Year 2 – Fiscal Years Ending 6/30/2018 through 5/31/2019

The practitioner must include a copy (or copies if the internal auditor has multiple reports that address AUP procedures) of the internal auditor's procedures performed and exceptions noted when submitting the audit report and AUP report to the LLA. In this situation, all three reports should be submitted to the LLA as one Adobe pdf file, and all three reports will be issued by the LLA as public documents.

To avoid creating an undue burden on practitioners, the AUPs may be performed for a 12-month "fiscal period" that does not coincide with the entity's "fiscal year", as long as the 12-month fiscal period is no more than 3 months prior to the end of the entity's fiscal year. For example, the practitioner may perform AUPs for the fiscal period April 1, 2017 through March 31, 2018 for an entity with a fiscal year ending June 30, 2018. All AUPs will reference "fiscal period" to mean the 12-months covered by the AUPs. If the entity elects to change its "fiscal period," after the first year of AUP implementation, the subsequent year of AUP testing must not leave a gap between fiscal periods. For example, a change from a March 31 fiscal period end to a June 30 fiscal period end would require a 15-month AUP engagement in the year of change.

For nonprofit entities, only those AUPs relevant to public monies are required to be included in the scope of the AUP engagement. For example, if a nonprofit receives \$10 million in non-public funds and also receives \$500,000 in public funds, only the \$500,000 would be subject to the AUPs if the funds are not otherwise commingled. In this example, if the nonprofit did not use any of the \$500,000 in public funds for payroll or travel expenses, the portions of the AUPs relating to these areas are not required to be included in the scope of the AUP engagement or report.

If the practitioner believes that the AUPs collectively can not be performed based on the nature of the entity's operations, please contact the LLA to request an exemption to the AUPs. If a specific procedure can not be performed based on the nature of the entity's operations, an equivalent procedure may be substituted (e.g., alternate sampling population, alternate method of compiling documentation) at the practitioner's discretion. Please note that the substitute procedure would need to be included in the AUP report in place of the original procedure, and this change in procedures may require the practitioner to update his or her client engagement agreement accordingly.

For school boards only, the practitioner should consider the deposit site and collection location to be the same if there is a central person (secretary or bookkeeper) through which collections are deposited.

***Louisiana Legislative Auditor – Statewide Agreed-Upon Procedures
Year 2 – Fiscal Years Ending 6/30/2018 through 5/31/2019***

The practitioner is only required to test documentation at the secretary/bookkeeper level and is not required to test for completeness of revenues relative to classroom collections by teachers.²

² This exclusion would also apply to procedure #7a below.

Louisiana Legislative Auditor – Statewide Agreed-Upon Procedures

Year 2 – Fiscal Years Ending 6/30/2018 through 5/31/2019

Procedures

Report all exceptions to the following procedures, either after each procedure or after all procedures within each of the twelve AUP categories. “Random” selections may be made using Microsoft Excel’s random number generator or an alternate method selected by the practitioner that results in an equivalent sample (e.g., those methods allowed under the AICPA Audit Guide - *Audit Sampling*).

Written Policies and Procedures

1. Obtain and inspect the entity’s written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity’s operations):³
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget
 - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) ***Disbursements***, including processing, reviewing, and approving
 - d) ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management’s actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
 - e) ***Payroll/Personnel***, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
 - f) ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process

³ For governmental organization, the practitioner may eliminate those categories and subcategories that do not apply to the organization’s operations. For quasi-public organizations, including non-profits, the practitioner may eliminate those categories and subcategories that do not apply to public funds administered by the quasi-public.

***Louisiana Legislative Auditor – Statewide Agreed-Upon Procedures
Year 2 – Fiscal Years Ending 6/30/2018 through 5/31/2019***

- g) ***Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)***, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)
- h) ***Travel and expense reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
- i) ***Ethics***⁴, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
- j) ***Debt Service***, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Board or Finance Committee⁵

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds.⁶ *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

⁴ The Louisiana Code of Ethics is generally not applicable to non-profit entities but may be applicable in certain situations, such as councils on aging. If ethics is applicable to a non-profit, the non-profit should have written policies and procedures relating to ethics.

⁵ These procedures are not applicable to entities managed by a single elected official, such as sheriff or assessor.

⁶ Major funds are defined under GASB standards. The related procedure addresses major funds as a way to verify that boards are provided with financial information necessary to make informed decisions about significant entity operations, including proprietary operations that are not required to be budgeted under the LGBA.

Louisiana Legislative Auditor – Statewide Agreed-Upon Procedures
Year 2 – Fiscal Years Ending 6/30/2018 through 5/31/2019

- c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

Bank Reconciliations

- 3. Obtain a listing of client bank accounts for the fiscal period from management and management’s representation that the listing is complete. Ask management to identify the entity’s main operating account. Select the entity’s main operating account and randomly select 4 additional accounts⁷ (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
 - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Collections

- 4. Obtain a listing of deposit sites⁸ for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management’s representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
- 5. For each deposit site selected, obtain a listing of collection locations⁹ and management’s representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - a) Employees that are responsible for cash collections do not share cash drawers/registers.

⁷ Accounts selected may exclude savings and investment accounts that are not part of the entity’s daily business operations.

⁸ A deposit site is a physical location where a deposit is prepared and reconciled.

⁹ A collection location is a physical location where cash is collected. An entity may have one or more collection locations whose collections are brought to a deposit site for deposit.

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- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
 - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
 - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.
6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.
7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under “Bank Reconciliations” above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day)¹⁰. *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
- a) Observe that receipts are sequentially pre-numbered.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c) Trace the deposit slip total to the actual deposit per the bank statement.
 - d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
 - e) Trace the actual deposit per the bank statement to the general ledger.

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

8. Obtain a listing of locations that process payments for the fiscal period and management’s representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

¹⁰ If “bank reconciliations” have been rotated off for Year 2, the practitioner should insert a procedure with the same selection methodology that would have been used for bank reconciliations.

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9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
 - a) Observe that the disbursement matched the related original invoice/billing statement.
 - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

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

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
 - a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]]
 - b) Observe that finance charges and late fees were not assessed on the selected statements.

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13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

Travel and Travel-Related Expense Reimbursements¹¹ (excluding card transactions)

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management’s representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
 - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
 - d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

¹¹ Non-travel reimbursements are not required to be tested under this category.

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Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management’s representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner’s contract, and:
- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law¹² (e.g., solicited quotes or bids, advertised), if required by law.
 - b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
 - c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.
 - d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Payroll and Personnel

16. Obtain a listing of employees/elected officials employed during the fiscal period and management’s representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
 - b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
 - c) Observe that any leave accrued or taken during the pay period is reflected in the entity’s cumulative leave records.

¹² If the entity has adopted the state Procurement Code, replace “Louisiana Public Bid Law” with “Louisiana Procurement Code.”

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18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management’s representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management’s termination payment calculations, agree the hours to the employee/officials’ cumulate leave records, and agree the pay rates to the employee/officials’ authorized pay rates in the employee/officials’ personnel files.
19. Obtain management’s representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers’ compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Ethics¹³

20. Using the 5 randomly selected employees/officials from procedure #16 under “Payroll and Personnel” above¹⁴, obtain ethics documentation from management, and:
 - a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity’s ethics policy during the fiscal period.

Debt Service¹⁵

21. Obtain a listing of bonds/notes issued during the fiscal period and management’s representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.
22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management’s representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

¹³ The Louisiana Code of Ethics is generally not applicable to non-profit entities but may be applicable in certain situations, such as councils on aging. If ethics is applicable to a non-profit, the procedures should be performed.

¹⁴ If “payroll and personnel” have been rotated off for Year 2, the practitioner should insert a procedure with the same selection methodology that would have been used for payroll and personnel.

¹⁵ This AUP category is generally not applicable to non-profit entities; however, if applicable, the procedures should be performed.

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Other

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management’s representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
24. Observe that the entity has posted on its premises¹⁶ and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.¹⁷

¹⁶ Observation may be limited to those premises that are visited during the performance of other procedures under the AUPs.

¹⁷ This notice is available for download or print at www.la.gov/hotline.

ADDENDUM B

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA

LOUISIANA LEGISLATIVE AUDITOR, STATE-WIDE AGREED-UPON PROCEDURES

CORRECTIVE ACTION PLAN

JUNE 30, 2018

Credit Cards

The Authority will attempt to eliminate interest charges.