

**TALLULAH HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF TALLULAH
TALLULAH, LOUISIANA**

Annual Financial Statements

December 31, 2019



Contents

Independent Auditor's Report	1 - 3
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Basic Financial Statements

Statement of Net Position	4
Statement of Revenues, Expenses, and Changes in Fund Net Position	5
Statement of Cash Flows	6 - 7
Notes to Financial Statements	8 - 17

Other Supplementary Information

Schedule of Compensation, Benefits, and Other Payments to Agency Head	19
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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	20 - 21
--	---------

Schedule of Findings and Responses	22 - 23
---	---------

Schedule of Prior Year Findings	24
--	----

Independent Auditor's Report

To the City Council
Tallulah Housing Authority,
a Component Unit of the City of Tallulah
Tallulah, Louisiana

Report on Financial Statements

We have audited the accompanying financial statements of Tallulah Housing Authority (the Housing Authority), a component unit of the City of Tallulah, Louisiana, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Martin Luther King Apartments which represents 94%, 108%, and 100%, respectively, of the assets, net position, and revenues of the business-type activities. Those statements were audited by another auditor whose report thereon were furnished to us, and our opinion, insofar as it relates to the amounts included for the Martin Luther King Apartments is based solely on the report of that auditor.

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

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

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

Summary of Opinions

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

Basis for Adverse Opinion on Discretely Presented Component Units

The financial statements referred to above do not include financial data for the Housing Authority's discretely presented component units. Accounting principles generally accepted in the United States of America require financial data for those component units to be reported with the financial data of the Housing Authority's primary government unless the Housing Authority also issues financial statements for the financial reporting entity that include the financial data for its component units. The Housing Authority has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, liabilities, net position, revenues, and expenses of the aggregate discretely presented component units are not reasonably obtainable.

Adverse Opinion on Aggregate Discretely Presented Component Units

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of Tallulah Housing Authority, as of December 31, 2019, or the changes in financial position thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Opinions

In our opinion, based on our audit and the report of another auditor, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Housing Authority as of December 31, 2019 and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Management has omitted the management's discussion and analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority's basic financial statements. The schedule of compensation, benefits, and other payments to agency head is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The schedule of compensation, benefits, and other payments to agency head is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of compensation, benefits, and other payments to agency head is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2023, on our consideration of Tallulah Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely 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 effectiveness of the Housing Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority's internal control over financial reporting and compliance.



A Professional Accounting Corporation

Baton Rouge, LA
March 30, 2023

**TALLULAH HOUSING AUTHORITY
TALLULAH, LOUISIANA
Enterprise Funds
Statement of Net Position
December 31, 2019**

	Primary Government		
	Martin Luther King	Madison Pointe GP	Total
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 7,704	\$ 34,074	\$ 41,778
Accounts Receivable, Net	20,316	-	20,316
Prepaid Expenses	22,123	-	22,123
Total Current Assets	50,143	34,074	84,217
Restricted Assets			
Restricted Cash and Cash Equivalents	193,460	-	193,460
Capital Assets			
Depreciable Capital Assets, Net of Accumulated Depreciation	289,905	-	289,905
Total Capital Assets, Net	289,905	-	289,905
Total Assets	533,508	34,074	567,582
Liabilities			
Current Liabilities			
Accounts Payable	15,513	-	15,513
Current Liabilities (Payable from Restricted Assets)			
Security Deposits	15,013	-	15,013
Current Portion of Long-Term Debt	26,265	-	26,265
Interest Payable	1,544	-	1,544
Total Current Liabilities (Payable from Restricted Assets)	42,822	-	42,822
Long-Term Liabilities			
Note and Loan Payable	1,063,245	-	1,063,245
Total Liabilities	1,121,580	-	1,121,580
Net Position			
Net Investment in Capital Assets	(773,340)	-	(773,340)
Restricted	150,638	-	150,638
Unrestricted	34,630	34,074	68,704
Total Net Position	\$ (588,072)	\$ 34,074	\$ (553,998)

The accompanying notes are an integral part of these financial statements.

TALLULAH HOUSING AUTHORITY
TALLULAH, LOUISIANA
Enterprise Funds
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended December 31, 2019

	Primary Government		
	Martin Luther King	Madison Pointe GP	Total
Operating Revenues			
Rental Income	\$ 51,261	\$ -	\$ 51,261
Other Operating Revenues	7,730	-	7,730
Total Operating Revenues	58,991	-	58,991
Operating Expenses			
Operating and Maintenance	115,114	-	115,114
Administration	67,009	9,000	76,009
Depreciation and Amortization	46,568	-	46,568
Utilities	26,482	-	26,482
Taxes and Insurance	27,365	-	27,365
Total Operating Expenses	282,538	9,000	291,538
Operating Loss	(223,547)	(9,000)	(232,547)
Non-Operating Revenues (Expenses)			
Federal Grants - FHA			
Rental Assistance	234,530	-	234,530
Interest Earned on Deposits	2,222	-	2,222
Interest Expense	(19,591)	-	(19,591)
Total Non-Operating Revenues (Expenses)	217,161	-	217,161
Change in Net Position	(6,386)	(9,000)	(15,386)
Net Position, Beginning of Year	(581,686)	43,074	(538,612)
Net Position, End of Year	\$ (588,072)	\$ 34,074	\$ (553,998)

The accompanying notes are an integral part of these financial statements.

**TALLULAH HOUSING AUTHORITY
TALLULAH, LOUISIANA
Enterprise Funds
Statement of Cash Flows
For the Year Ended December 31, 2019**

	Primary Government		
	Martin Luther King	Madison Pointe GP	Total
Cash Flows from Operating Activities			
Rental Receipts	\$ 51,261	\$ -	\$ 51,261
Other Receipts/Payments	6,238	-	6,238
Payments to Employees and Vendors	(239,483)	(9,000)	(248,483)
Net Cash Used in Operating Activities	<u>(181,984)</u>	<u>(9,000)</u>	<u>(190,984)</u>
Cash Flows from Non-Capital Financing Activities			
Increase in Restricted Cash	(8,149)	-	(8,149)
Federal Grants	235,080	-	235,080
Net Cash Provided by Non-Capital Financing Activities	<u>226,931</u>	<u>-</u>	<u>226,931</u>
Cash Flows from Capital and Related Financing Activities			
Principal Payments	(23,874)	-	(23,874)
Interest Paid on Debt	(19,780)	-	(19,780)
Net Cash Used in Capital and Related Financing Activities	<u>(43,654)</u>	<u>-</u>	<u>(43,654)</u>
Cash Flows from Investing Activities			
Interest and Dividends	2,222	-	2,222
Net Cash Provided by Investing Activities	<u>2,222</u>	<u>-</u>	<u>2,222</u>
Net Decrease in Cash and Cash Equivalents	3,515	(9,000)	(5,485)
Cash and Cash Equivalents, Beginning of Year	<u>4,189</u>	<u>43,074</u>	<u>47,263</u>
Cash and Cash Equivalents, End of Year	<u>\$ 7,704</u>	<u>\$ 34,074</u>	<u>\$ 41,778</u>

The accompanying notes are an integral part of these financial statements.

**TALLULAH HOUSING AUTHORITY
TALLULAH, LOUISIANA
Enterprise Funds
Statement of Cash Flows (Continued)
For the Year Ended December 31, 2019**

	Primary Government		
	Martin Luther King	Madison Pointe GP	Total
Reconciliation of Operating Loss to Net Cash Used in Operating Activities			
Operating Loss	\$ (223,547)	\$ (9,000)	\$ (232,547)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities			
Depreciation and Amortization	46,568	-	46,568
Changes in Assets and Liabilities			
Accounts Receivable	(1,492)	-	(1,492)
Prepaid Expense	(10,623)	-	(10,623)
Accounts Payable	7,116	-	7,116
Accrued Interest	(189)	-	(189)
Security Deposits	183	-	183
Net Cash Used in Operating Activities	\$ (181,984)	\$ (9,000)	\$ (190,984)

The accompanying notes are an integral part of these financial statements.

**TALLULAH HOUSING AUTHORITY
TALLULAH, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

The Tallulah Housing Authority (the Housing Authority) was created by ordinance of the City of Tallulah, Louisiana (the City) on March 11, 1976, as authorized by Louisiana Revised Statute 40:391. The Housing Authority no longer has its own board and governance is provided by the City Council.

Reporting Entity

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

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

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

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

**TALLULAH HOUSING AUTHORITY
TALLULAH, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

In August 2008, Tallulah Madison Housing Partners Limited Partnership I (Partnership I) (also referred to as Tallulah Madison Partnership I) was created as a legally separate entity. One of the General Partners of the partnership was Tallulah Housing Authority, which had 0.05% interest. The Board of Commissioners of the Housing Authority had given the Mayor of the City of Tallulah the authority to oversee the Partnership I, and act in behalf of the Housing Authority. However, in December 2009, the Housing Authority withdrew its direct interest as the General Partner. At this time, Tallulah Madison, LLC became the General Partner of Partnership I. The Housing Authority has 49% ownership in Tallulah Madison, LLC. The Housing Authority does not have voting majority. For the year ended December 31, 2019, there is no potential for Partnership I to impose financial burden on the Housing Authority and the Housing Authority is not a guarantor of the tax-credit property. Based on the above, Partnership I is considered to be immaterial to the Housing Authority. Since the Housing Authority is neither authorized to appoint a voting majority of the entity or impose its will on Tallulah Madison, LLC, Tallulah Madison, LLC is not considered a component unit of the Housing Authority.

In December 2008, Tallulah Madison Housing Partners Limited Partnership II (Partnership II) was created as a legally separate entity. One of the General Partners of the partnership was Tallulah Housing Authority, which had 0.05% interest. The Board of Commissioners of the Housing Authority had given the Mayor of the City of Tallulah the authority to oversee the Partnership II and act on behalf of the Housing Authority. In addition, there is the potential for Partnership II to impose financial burden on the Housing Authority. Based on the above, Partnership II is considered to be a discretely presented component unit. Partnership II did not have any financial activity during the fiscal year ended December 31, 2019; therefore, no financial statements were issued.

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

Madison Pointe, LLC is required to have an annual audit. As of the date of this report, Madison Pointe, LLC has not issued the required audit reports for the years ended December 31, 2019 and 2018.

**TALLULAH HOUSING AUTHORITY
TALLULAH, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

Fund Accounting

The accounts of the Housing Authority are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purposes and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

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

Martin Luther King (MLK) - enterprise fund that accounts for activity for the transactions associated with the Martin Luther King Apartments which are federally subsidized with United States Department of Agriculture (USDA) monies.

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

Measurement Focus and Basis of Accounting

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

Budgets

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

**TALLULAH HOUSING AUTHORITY
TALLULAH, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

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

Accounts Receivables

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

Capital Assets

Capital assets are recorded at historical cost and depreciated over their estimated useful lives (excluding salvage value). The Housing Authority capitalizes all capital assets. Donated capital assets are recorded at their estimated fair value at date of donation. Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight-line depreciation is used based on the following estimated useful lives:

Buildings	35 Years
Building Improvements	5 - 20 Years
Furniture and Equipment	5 - 10 Years
Software	5 - 10 Years

Restricted Net Position

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

Income Taxes

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

**TALLULAH HOUSING AUTHORITY
TALLULAH, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Use of Estimates

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

Prepaid Items

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

New Accounting Pronouncements

The GASB issued statement No. 87 (GASB 87), *Leases*, in June 2017. The objective of GASB 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. Under this Statement, a lessee is required to recognize a lease liability and a tangible right-of-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. This Statement will be effective for the Housing Authority for the fiscal year ending December 31, 2022.

Note 2. Cash and Cash Equivalents

The Housing Authority carried only deposits and did not report any investments at December 31, 2019.

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

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

Custodial Credit Risk : In the case of deposits, this is the risk that in the event of bank failure, the Housing Authority's deposits may not be recovered. As of December 31, 2019, the Housing Authority's bank balance of \$34,074 was not exposed to custodial credit risk as it was fully insured by FDIC insurance. The book balance for deposits as of December 31, 2019, was \$235,238 (restricted cash of \$193,460 and unrestricted of \$41,778).

Under state law, deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities, plus the federal deposit insurance, must at all times equal the amount on deposit with the fiscal agent. The custodial bank must advertise and sell the pledged securities within 10 days of being notified that the fiscal agent has failed to pay deposited funds upon demand.

**TALLULAH HOUSING AUTHORITY
TALLULAH, LOUISIANA**

Notes to Financial Statements

Note 3. Accounts Receivable

Accounts receivable for the primary government at December 31, 2019, amounted to \$20,316 and were related to USDA rental assistance. All receivables are expected to be received in full; therefore, the Housing Authority does not have an allowance for doubtful accounts recorded.

Note 4. Capital Assets

Capital asset activity for the year ended December 31, 2019, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated				
Land	\$ 38,008	\$ -	\$ -	\$ 38,008
Total Capital Assets Not Being Depreciated	<u>38,008</u>	<u>-</u>	<u>-</u>	<u>38,008</u>
Capital Assets Being Depreciated				
Building and Building Improvements	2,109,436	-	-	2,109,436
Furniture and Equipment	107,140	-	-	107,140
Total Capital Assets Being Depreciated	<u>2,216,576</u>	<u>-</u>	<u>-</u>	<u>2,216,576</u>
Less: Accumulated Depreciation	<u>(1,918,111)</u>	<u>(46,568)</u>	<u>-</u>	<u>(1,964,679)</u>
Total Capital Assets Being Depreciated, Net	<u>298,465</u>	<u>(46,568)</u>	<u>-</u>	<u>251,897</u>
Total Capital Assets, Net	<u>\$ 336,473</u>	<u>\$ (46,568)</u>	<u>\$ -</u>	<u>\$ 289,905</u>

**TALLULAH HOUSING AUTHORITY
TALLULAH, LOUISIANA**

Notes to Financial Statements

Note 5. Long-Term Debt

Martin Luther King

The long-term liability at December 31, 2019, represents a housing revenue note payable to the United States Department of Agriculture (USDA), Rural Development Administration, under the Rural Rental Housing Loan Program (CFDA 10.415). The note is due in annual installments of principal and interest with an annual interest rate of 11.50%. The original note payable was re-amortized in May 2004, with a principal amount of \$540,000.

The following is a summary of notes payable for the year ended December 31, 2019:

Beginning Balance	Increases	Decreases	Ending Balance	Amount Due Within One Year
\$ 435,584	\$ -	\$ (15,601)	\$ 419,983	\$ 17,493

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

The following is a summary of loans payable for the year ended December 31, 2019:

Beginning Balance	Increases	Decreases	Ending Balance	Amount Due Within One Year
\$ 677,799	\$ -	\$ (8,272)	\$ 669,527	\$ 8,772

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

**TALLULAH HOUSING AUTHORITY
TALLULAH, LOUISIANA**

Notes to Financial Statements

Note 5. Long-Term Debt (Continued)

Martin Luther King (Continued)

The annual requirements to amortize long-term debt outstanding at December 31, 2019, including interest payments, are as follows:

Year Ending December 31,	Principal	Interest	Total
2020	\$ 26,265	\$ 17,389	\$ 43,654
2021	28,915	14,738	43,653
2022	31,855	11,921	43,776
2023	35,117	10,727	45,844
2024	38,738	10,096	48,834
2025 - 2029	263,774	39,594	303,368
2030 - 2034	200,050	17,010	217,060
2035 - 2039	119,191	183	119,374
2040 - 2044	159,775	-	159,775
2045 - 2049	185,831	-	185,831
Total	\$ 1,089,511	\$ 121,658	\$ 1,211,169

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

Note 6. Restricted Cash and Cash Equivalents

The restricted deposits consist of tenant security deposits, reserves, and tax and insurance accounts. As of December 31, 2019, the tenant security deposits account is equal to the total security deposit liability of \$15,013, and the tax and insurance accounts amounted to \$26,582.

**TALLULAH HOUSING AUTHORITY
TALLULAH, LOUISIANA**

Notes to Financial Statements

Note 6. Restricted Cash and Cash Equivalents (Continued)

As discussed in Note 5, during 1981 the Housing Authority received a \$1,286,000 loan from Farmers Home Administration (CFDA #10.415) for the construction of housing accommodations for persons of low income. The loan agreement requires the establishment of a reserve fund. Under the original loan requirements, the Housing Authority was to transfer into this fund an amount not less than \$11,255 annually, until there has been accumulated an amount of \$112,554.

During 2005, the USDA granted the Housing Authority permission to use reserve funds due for construction costs incurred during the rehabilitation of apartments. The USDA stated that the Housing Authority does not have to repay funds used and extended the period in which the reserve account must reach the maximum required amount. As of the amortization effective date of the new loan, July 1, 2005, the Housing Authority was required to transfer \$12,935 to the reserve fund until reaching the fully funded amount of \$129,350. At December 31, 2019, the Housing Authority had a balance of \$151,865 in the reserve account.

Note 7. Rental Assistance Agreement

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

Note 8. Economic Dependency

The USDA provided \$234,530 or 82% of the revenues in rental assistance to the Housing Authority's primary government for year ended December 31, 2019.

**TALLULAH HOUSING AUTHORITY
TALLULAH, LOUISIANA**

Notes to Financial Statements

Note 9. Risk Management

The Housing Authority is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; and injuries to employees. The fund with exposure to these risks is Martin Luther King Apartments. To handle such risk of loss, Martin Luther King Apartments maintains commercial insurance policies covering property, employee liability, and public officials' liability. No claims were paid on any of the policies during the past three years which exceeded the policies' coverage amounts. There were no significant reductions in insurance coverage during the year ended December 31, 2019.

Note 10. Management of the Housing Authority

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

SUPPLEMENTARY INFORMATION

**TALLULAH HOUSING AUTHORITY
TALLULAH, LOUISIANA
Schedule of Compensation, Benefits, and Other Payments
to Agency Head
For the Year Ended December 31, 2019**

Agency Head

Charles Finlayson, Mayor of the City of Tallulah (December 2, 2019 to December 31, 2019)
Gloria Hayden, Interim Mayor of the City of Tallulah (January 1, 2019 to December 1, 2019)

During the year ended December 31, 2019, neither Mayor Finlayson or interim Mayor Hayden received compensation from the Tallulah Housing Authority.

	Charles Finlayson	Gloria Hayden
Purpose	Amount	Amount
Salary	\$0	\$0
Benefits - Insurance	\$0	\$0
Benefits - Retirement	\$0	\$0
Benefits - Other	\$0	\$0
Car Allowance	\$0	\$0
Vehicle Provided by Government	\$0	\$0
Per Diem	\$0	\$0
Reimbursements	\$0	\$0
Travel	\$0	\$0
Registration Fees	\$0	\$0
Conference Travel	\$0	\$0
Continuing Professional Education Fees	\$0	\$0
Housing	\$0	\$0
Unvouchered Expenses	\$0	\$0
Special Meals	\$0	\$0

See independent auditor's report.

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

Independent Auditor's Report

To the City Council
Tallulah Housing Authority,
a Component Unit of the City of Tallulah
Tallulah, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of Tallulah Housing Authority (the Housing Authority), a component unit of the City of Tallulah, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements as listed in the table of contents, and have issued our report thereon dated March 30, 2023. Our report includes a reference to another auditor who audited the financial statements of the Martin Luther King Apartments as described in our report on the Housing Authority's financial statements.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Housing 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Housing 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting 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 identified a certain deficiency in internal control that we consider to be material weaknesses which is described in the accompanying schedule of findings and responses as item 2019-001.

Compliance and Other Matters

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

Tallulah Housing Authority's Response to Finding

The Housing Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Housing Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Housing 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 Housing Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



A Professional Accounting Corporation

Baton Rouge, LA
March 30, 2023

**TALLULAH HOUSING AUTHORITY
TALLULAH, LOUISIANA
Schedule of Findings and Responses
For the Year Ended December 31, 2019**

Part I - Summary of Auditor's Results

Financial Statements

- | | | |
|----|---|------------|
| 1. | Type of auditor's report issued: | Unmodified |
| 2. | Internal control over financial reporting and compliance and other matters: | |
| | a. Material weaknesses identified? | Yes |
| | b. Significant deficiencies identified? | No |
| | c. Noncompliance material to the financial statements? | Yes |
| 3. | Management letter comment provided? | None |

Federal Awards

Not applicable.

Part II - Findings Related to the Financial Statements

2019-001 Insufficient Governance and Monitoring Activities

Criteria: Effective internal control requires proper monitoring by a governing board.

Condition: The Housing Authority's board was disbanded in previous years. As a result, the entity has not been properly governed and monitored by a governing body during the year ended December 31, 2019.

Cause: Unknown

Effect: Ineffective internal controls over the operations of the Housing Authority.

Recommendation: We recommend that the City Council appoint board members to the Housing Authority's board or perform monitoring of the Housing Authority's operations.

Management's Response: The City Council will enact policies and procedures to ensure that operations of the Housing Authority are adequately monitored.

**TALLULAH HOUSING AUTHORITY
TALLULAH, LOUISIANA
Schedule of Findings and Responses (Continued)
For the Year Ended December 31, 2019**

2019-002 Late Submission of Audit Report to Legislative Auditor

Criteria: The audit report is required by Louisiana Revised Statutes 24:513A (5) (a)(i) to be submitted within six months of year end.

Condition: The report was not filed within six months as required by state law.

Cause: Additional time was necessary to provide needed information.

Effect: Noncompliance with requirements of Louisiana Revised Statutes 24:513A (5) (a)(i).

Recommendation: We recommend that management ensure that the time requirement is met for next year's audit.

Management's Response: Management provided needed information and the audit report was submitted on March 30, 2023.

**TALLULAH HOUSING AUTHORITY
TALLULAH, LOUISIANA
Schedule of Prior Year Findings
For the Year Ended December 31, 2019**

2018.001 Late Submission of Audit Report to Legislative Auditor.

This finding has not been resolved.