

**HOUSING AUTHORITY OF THE CITY OF MARKSVILLE
MARKSVILLE, LOUISIANA**

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

FOR THE YEAR ENDED JUNE 30, 2018

HOUSING AUTHORITY OF THE CITY OF MARKSVILLE
Marksville, Louisiana

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Audit Solutions, LLC.

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of the business-type activities of the Housing Authority of the City of Marksville (Authority), Louisiana, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Housing Authority of the City of Marksville, Louisiana, as of June 30, 2018, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i-vii be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

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

Other Reporting Required by Government Auditing Standard

In accordance with *Government Auditing Standards*, I have also issued my report dated December 6, 2018 on my consideration of the Authority's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Audit Solutions, LLC.

Chesterfield, Missouri

December 6, 2018

HOUSING AUTHORITY OF THE CITY OF MARKSVILLE
Marksville, Louisiana

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

Introduction

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

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

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

The Low Rent Program consists of 168 dwelling units. Funding is provided based on dwelling rents paid by the tenants and operating fund payments received by the Department of Housing & Urban Development based on a formula.

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

Overview of the Financial Statements

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

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

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

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

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

HOUSING AUTHORITY OF THE CITY OF MARKSVILLE
Marksville, Louisiana

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

Overview of the Financial Statements – (Continued)

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

Financial Highlights

- The Marksville Housing Authority's net position increased from \$2,831,451 to \$2,945,027, an increase of \$113,576 or 4%. The total assets also increased by \$128,235 or 4%.
- Total revenues decreased from \$1,217,679 to \$1,113,112, a decrease of \$104,567 or 9%.
- Total expenses increased by \$73,236, from \$920,346 to \$993,582 for the current year. This represents an increase of 8%.

Housing Authority Activities & Highlights

The Housing Authority's overall financial position for the past two years is summarized below based on the information in the current and prior financial statements. The table below provides the asset, liability, and net position (equity) comparisons for the year ended June 30, 2018, and June 30, 2017.

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

Category	6/30/2018	6/30/2017	Change \$	Change %
Current Assets	\$ 1,040,403	\$ 981,647	\$ 58,756	6%
Non-Current Assets	\$ 2,024,256	\$ 1,954,777	\$ 69,479	4%
Total Assets	\$ 3,064,659	\$ 2,936,424	\$ 128,235	4%
Current Liabilities	\$ 89,861	\$ 78,575	\$ 11,286	14%
Non-Current Liabilities	\$ 29,771	\$ 26,398	\$ 3,373	13%
Total Liabilities	\$ 119,632	\$ 104,973	\$ 14,659	14%
Unrestricted	\$ 920,771	\$ 876,674	\$ 44,097	5%
Restricted	\$ -	\$ -		
Net Investment in Capital Assets	\$ 2,024,256	\$ 1,954,777	\$ 69,479	4%
Total Net Position	\$ 2,945,027	\$ 2,831,451	\$ 113,576	4%

Current Assets

Current assets increased by \$58,756. The increase resulted from operating revenues exceeding operating expenses in the current fiscal year. Unrestricted cash and investments increased from \$913,967 to \$947,113, an increase of \$33,146 from June 30, 2017 to June 30, 2018.

Non-Current Assets

Noncurrent assets increased by \$69,479 due primarily to capital projects incurred in the current year. More details are provided in the Capital Assets section in a subsequent paragraph.

HOUSING AUTHORITY OF THE CITY OF MARKSVILLE
Marksville, Louisiana

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

Housing Authority Activities & Highlights – (Continued)

Current Liabilities

Current liabilities increased by \$11,286 or 14% from the previous year. This was due primarily to an increase in accounts payable of \$4,614 and an increase in tenant security deposits of \$3,700.

Non-Current Liabilities

Noncurrent liabilities increased by \$3,373, or 13% due to an increase in accrued compensated absences (non-current portion).

Net Position

The net position of the Authority increased by \$113,576 from the previous fiscal year.

The Authority's unrestricted component of net position increased from \$876,674 to \$920,771, an increase of \$44,097, or 5% for the current year. The principal reasons for the increase is due to operating revenues exceeding operating expenses in the current fiscal year. The unrestricted component of net position is the amount available for future appropriations. This balance is subject to program specific guidelines.

The table below summarizes the overall operations for the past two years for the years ending June 30, 2018, and June 30, 2017.

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

Category	6/30/2018	6/30/2017	Change \$	Change %
Program Revenues:				
Tenant Revenue	\$ 441,482	\$ 476,992	\$ (35,510)	-7%
Government Operating Grants	\$ 427,485	\$ 441,492	\$ (14,007)	-3%
Capital Grants	\$ 209,870	\$ 171,725	\$ 38,145	22%
Other Revenue	\$ 31,742	\$ 125,639	\$ (93,897)	-75%
Interest Income	\$ 2,533	\$ 1,831	\$ 702	38%
Total Revenue	\$ 1,113,112	\$ 1,217,679	\$ (104,567)	-9%
Expenses:				
Administration	\$ 222,841	\$ 214,621	\$ 8,220	4%
Tenant Services	\$ 6,595	\$ 370	\$ 6,225	1682%
Utilities	\$ 14,186	\$ 13,336	\$ 850	6%
Ordinary Maintenance	\$ 415,456	\$ 353,526	\$ 61,930	18%
Protective Services	\$ 1,310	\$ -	\$ 1,310	
General/Insurance Expense	\$ 170,136	\$ 149,114	\$ 21,022	14%
Nonroutine Maintenance	\$ 8,400	\$ -	\$ 8,400	
Depreciation	\$ 154,658	\$ 189,379	\$ (34,721)	-18%
Total Expenses	\$ 993,582	\$ 920,346	\$ 73,236	8%
Excess (Deficiency) Before Special Items	\$ 119,530	\$ 297,333	\$ (177,803)	-60%
Special Item/Casualty Losses	\$ (5,954)	\$ (136,287)	\$ 130,333	-96%
Change in Net Position	\$ 113,576	\$ 161,046	\$ (47,470)	-29%
Net Position, Beginning of Year	\$ 2,831,451	\$ 2,670,405	\$ 161,046	6%
Net Position, End of Year	\$ 2,945,027	\$ 2,831,451	\$ 113,576	4%

HOUSING AUTHORITY OF THE CITY OF MARKSVILLE
Marksville, Louisiana

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

Housing Authority Activities & Highlights – (Continued)

Results of Operations

Revenues of the Authority are generated principally from dwelling rents and HUD grants. The Authority's revenue decreased by \$104,567 during the current fiscal year. Significant changes noted between the prior and current fiscal years include:

- Tenant revenue decreased by \$35,510. The average rent per unit decreased from a previous year average of \$233 to a current year average of \$212.
- HUD Operating Subsidy decreased by \$14,007 or 3% from the previous fiscal year total of \$441,492 to the June 30, 2018 total of \$427,485.
- Capital grants increased by \$38,145 due to an increase in capital activity funded by the Capital Fund Program.
- Other revenue decreased from \$125,639 to \$31,742 in the current year. This was primarily due to the casualty loss insurance proceeds received in the previous year of \$122,682.

Total expenses increased by \$73,236 from the previous fiscal year. Significant differences between the years include:

- Tenant services expenses increased by \$6,225. This was primarily due to relocation costs of \$6,595 incurred during the current year.
- Ordinary maintenance increased by \$61,930. This was due primarily to maintenance materials increasing by \$18,323, maintenance contracts – landscaping increasing by \$22,150, plumbing contracts increasing by \$5,169 and maintenance contracts –misc. contracts increasing by \$4,140.
- General/insurance increased from \$149,114 to \$170,136 in the current year, a difference of \$21,022 or 14%. This was primarily due to an increase in property insurance of \$3,278, an increase in other insurance of \$7,109 and an increase in bad debt-tenant rents of \$11,240.
- Nonroutine maintenance of \$8,400 in the current year was due to asbestos testing.

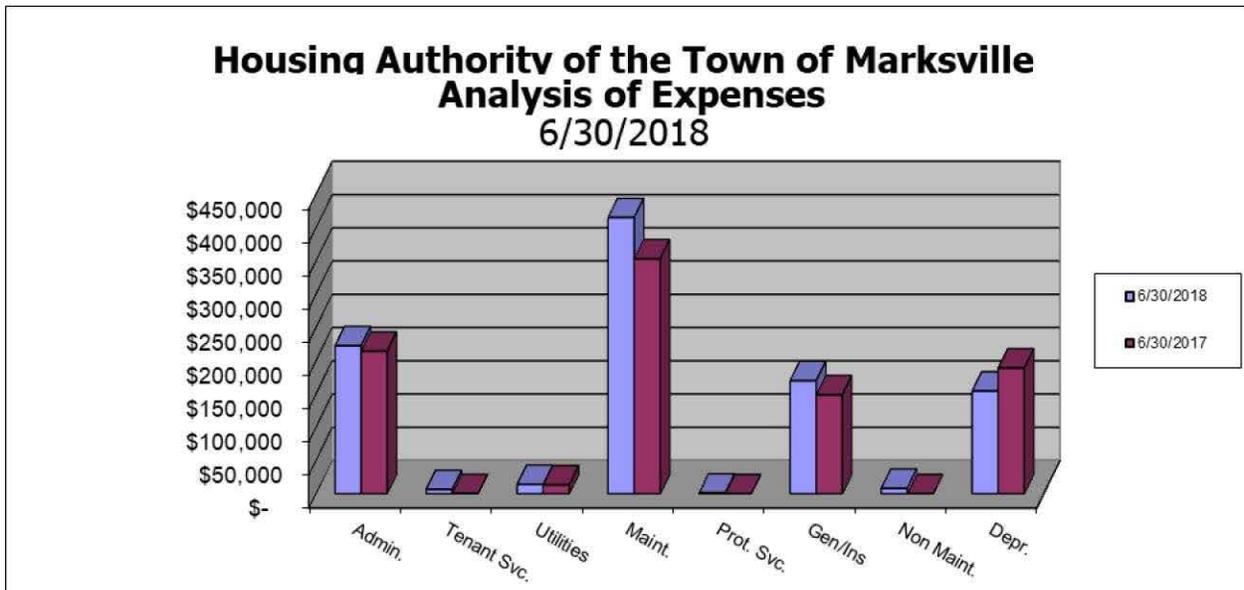
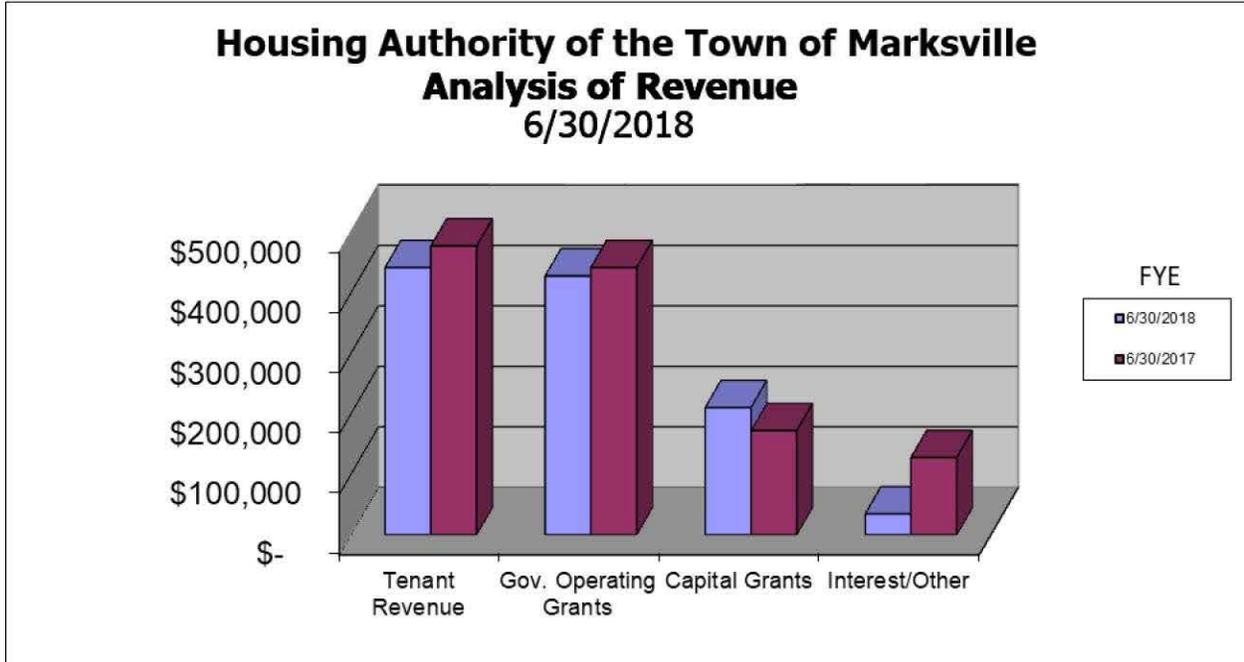
HOUSING AUTHORITY OF THE CITY OF MARKSVILLE
 Marksville, Louisiana

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

Housing Authority Activities & Highlights – (Continued)

Results of Operations – (Continued)

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



HOUSING AUTHORITY OF THE CITY OF MARKSVILLE
Marksville, Louisiana

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

Housing Authority Activities & Highlights – (Continued)

Capital Assets

As of June 30, 2018, the Marksville Housing Authority's net investment in capital assets was \$2,024,256. This investment includes land, building, equipment, and construction in progress net of accumulated depreciation.

***Summary Statement of Capital Assets
June 30, 2018 and 2017***

Category	6/30/2018	6/30/2017	Change \$	Change %
Land	\$ 183,808	\$ 183,808	\$ -	0%
Buildings	\$ 11,056,171	\$ 10,833,797	\$ 222,374	2%
Equipment	\$ 168,294	\$ 168,294	\$ -	0%
Construction in Progress	\$ 183,214	\$ 181,451	\$ 1,763	1%
Accumulated Depreciation	\$ (9,567,231)	\$ (9,412,573)	\$ (154,658)	2%
Total Net Fixed Assets	\$ 2,024,256	\$ 1,954,777	\$ 69,479	4%

The addition to the building account is from an office renovation project that was funded with the 2015 Capital Fund Program Grant. Construction in progress is a unit renovation project that is still ongoing as of June 30, 2018 to be completed in the next year.

Long Term Debt Liability

The Authority classifies a portion of the employee's leave as long-term debt. This is because the Authority does not anticipate paying out the total amount accrued in the upcoming fiscal year. The amount estimated as long term was \$29,771, a net increase of \$3,373 from the previous year.

Subsequent Event

As of the time of this analysis, HUD has not finalized the funding levels for the 2018 calendar year. The operating subsidy for the Low Rent Housing Program will be funded at an estimated 93.39%.

As of the date of this report CFP 501-16 is still on-going. CFP 501-17 will be advertised in area/local newspapers and websites. CFP 501-15 close-out has been submitted, but not yet finalized.

Also, effective January 1, 2019 The Marksville Housing Authority will have one employee that will be moving from full time to part time status. In terms of Operating Funds and budgeting this employee will no longer be eligible to receive health insurance or retirement paid, as well as salary decreased as per amount of hours worked.

There are no lawsuits or grievances pending as of the date of this report.

HOUSING AUTHORITY OF THE CITY OF MARKSVILLE
Marksville, Louisiana

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

Request for Information

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

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

Marksville Housing Authority
Victoria Burise, Executive Director
110 N. Hillside Dr.
Marksville, LA 71351

HOUSING AUTHORITY OF THE CITY OF MARKSVILLE
Marksville, Louisiana

STATEMENT OF NET POSITION
June 30, 2018

ASSETS

Current Assets:

Cash and cash equivalents	\$	915,738
Cash - restricted		31,375
Receivables - net of allowances		6,669
Inventory - net of allowances		4,856
Prepaid expenses		<u>81,765</u>

Total Current Assets 1,040,403

Non-current Assets:

Capital assets:

Land and construction in progress		367,022
Other capital assets, net of depreciation		<u>1,657,234</u>

Total capital assets - net 2,024,256

Total Non-current Assets 2,024,256

Total Assets and Deferred Outflow of Resources \$ 3,064,659

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF MARKSVILLE
Marksville, Louisiana

STATEMENT OF NET POSITION - (Continued)

June 30, 2018

LIABILITIES

Current Liabilities:

Accounts payable	\$	25,843
Accrued salaries and benefits		10,382
Tenant security deposit liability		31,375
Accrued compensated absences		17,331
Unearned revenues		<u>4,930</u>

Total Current Liabilities 89,861

Non-current Liabilities:

Compensated absences		<u>29,771</u>
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Total Non-current Liabilities 29,771

Total Liabilities 119,632

NET POSITION

Net investment in capital assets		2,024,256
Unrestricted		<u>920,771</u>

Total Net Position 2,945,027

Total Liabilities, Deferred Inflows of Resources and Net Position \$ 3,064,659

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF MARKSVILLE
Marksville, Louisiana

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2018

OPERATING REVENUES	
Tenant revenue	\$ 441,482
Governmental grants and subsidy	427,485
Miscellaneous	<u>31,742</u>
Total operating revenue	<u>900,709</u>
OPERATING EXPENSES	
Administrative	222,841
Tenant services	6,595
Utilities	14,186
Ordinary maintenance and operations	415,456
Protective services	1,310
Insurance	99,621
General	70,515
Non routine maintenance	14,354
Depreciation expense	<u>154,658</u>
Total operating expenses	<u>999,536</u>
Operating income (loss)	<u>(98,827)</u>
NON-OPERATING REVENUES (EXPENSES)	
Investment income	<u>2,533</u>
Net non-operating revenues (expenses)	<u>2,533</u>
Income (loss) before contributions and transfers	<u>(96,294)</u>
Capital contributions	<u>209,870</u>
Change in net position	113,576
Total net position - beginning of year	<u>2,831,451</u>
Total net position - end of year	<u>\$ 2,945,027</u>

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF MARKSVILLE
Marksville, Louisiana

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

CASH FLOWS FROM OPERATING ACTIVITIES	
Received from tenants	\$ 438,553
Received from governmental grants and subsidy	427,485
Received from other operating activities	15,892
Payments for goods and services	(350,124)
Payments to employees	(467,653)
Payment in lieu of taxes	<u>(19,273)</u>
Net cash provided by (used in) operating activities	<u>44,880</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from capital contributions	209,870
Purchases of capital assets	<u>(224,137)</u>
Net cash provided by (used in) capital and related financing activities	<u>(14,267)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Receipts of interest and dividends	<u>2,533</u>
Net cash provided by (used in) investing activities	<u>2,533</u>
Net increase (decrease) in cash and cash equivalents	33,146
Cash and cash equivalents at beginning of year	<u>913,967</u>
Cash and cash equivalents at end of year	\$ <u><u>947,113</u></u>

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF MARKSVILLE
Marksville, Louisiana

STATEMENT OF CASH FLOWS - (Continued)
For the Year Ended June 30, 2018

Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ (98,827)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	154,658
Change in assets and liabilities:	
Receivables, net	(4,237)
Inventories, net	(3,565)
Prepaid expenses	(17,808)
Accounts and other payables	4,614
Tenant security deposit	3,700
Unearned revenues	662
Compensated absences	4,673
Accrued expenses	<u>1,010</u>
Net cash provided by (used) by operating activities	\$ <u><u>44,880</u></u>

See accompanying notes to the basic financial statements

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

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

1B. Basis of Presentation – (Continued)

The Authority operates the following programs in the enterprise fund:

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

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

1C. Measurement Focus and Basis of Accounting

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

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

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

1D. Budgets

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

1E. Estimates and assumptions

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

1F. Assets, Liabilities, and Equity

Cash and Investments

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

HOUSING AUTHORITY OF THE CITY OF MARKSVILLE
Marksville, Louisiana

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

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

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

Cash and Investments - (Continued)

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

Receivables

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

Inventories

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

Fixed Assets

Fixed assets in the proprietary fund types are stated at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. It is the policy of the Authority to capitalize all assets with a cost of \$5,000 or greater. The cost of maintenance and repairs are charged to operations as incurred. Costs of major additions, improvements, and betterments are capitalized.

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

Building	10-40 years
Furniture, equipment and machinery - dwelling	5 years
Furniture, equipment and machinery - administrative	3-5 years

Restricted Assets

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

Compensated Absences

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

HOUSING AUTHORITY OF THE CITY OF MARKSVILLE
Marksville, Louisiana

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

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

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

Equity Classifications

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

- 1) Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.
- 2) Unrestricted net position - All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

1G. Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

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

Inter-fund Transfers

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

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

2A. Program Accounting Requirements

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

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

2B. Deposits and Investments Laws and Regulations

It is the Authority’s policy for deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation (FDIC) insurance. The Authority must maintain a written collateral agreement from all financial institutions pledging collateral to the Authority.

HOUSING AUTHORITY OF THE CITY OF MARKSVILLE
Marksville, Louisiana

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

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - (Continued)

2B. Deposits and Investments Laws and Regulations - (Continued)

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

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

2C. Revenue Restrictions

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

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

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

NOTE 3 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

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

3A. Cash Deposits and Investments

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

Cash deposits	\$ 946,913
Petty cash	<u>200</u>
Total	<u>\$ 947,113</u>

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

Cash and cash equivalents	\$ 915,738
Restricted assets	<u>31,375</u>
Total	<u>\$ 947,113</u>

HOUSING AUTHORITY OF THE CITY OF MARKSVILLE
Marksville, Louisiana

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

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

3A. Cash Deposits and Investments - (Continued)

Deposits

Custodial Credit Risk - Deposits

The custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, the Authority will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. At June 30, 2018, the Authority's bank balances of \$1,039,593 were not entirely covered by FDIC insurance or by pledged collateral held by the Authority's agent bank in the Authority's name.

Investments

Custodial Credit Risk - Investments

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. At June 30, 2018, the Authority had no investments.

Interest Rate Risk

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

Credit Risk

State law limits investment in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organization. The Authority had no investments at June 30, 2018. As such, credit risk is not applicable to the Housing Authority.

3B. Restricted Assets

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

<u>Type of Restricted Assets</u>	<u>Cash Including Time Deposits</u>	<u>Investments</u>	<u>Accrued Interest</u>	<u>Total</u>
Security deposit	\$ <u>31,375</u>	\$ <u>----</u>	\$ <u>----</u>	\$ <u>31,375</u>

3C. Accounts Receivable

Receivables at June 30, 2018 consist of the following:

Tenants	\$ 2,727	
Less: Allowance for doubtful account - tenants	(847)	
Fraud recovery	5,882	
Less: Allowance for doubtful account - fraud	<u>(1,374)</u>	
Tenants - net of allowance		\$ 6,388
Other – Miscellaneous		<u>281</u>
Total Accounts Receivable		<u>\$ 6,669</u>

HOUSING AUTHORITY OF THE CITY OF MARKSVILLE
Marksville, Louisiana

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

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

3D. Inventory

Inventory at June 30, 2018 comprised of the following:

Inventory	\$	5,396
Less: Allowance for obsolete inventory		<u>(540)</u>
Inventory - net of allowance	\$	<u>4,856</u>

3E. Capital Assets

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

	Balance July 1, 2017	Additions	(Retirement)	Reclass/ Transfers in (out)	Balance June 30, 2018
Non-depreciable assets:					
Land	\$ 183,808	\$ -	\$ -	\$ -	\$ 183,808
Construction in progress	<u>181,451</u>	<u>2,032</u>	<u>-</u>	<u>(269)</u>	<u>183,214</u>
Total non-depreciable assets	<u>365,259</u>	<u>2,032</u>	<u>-</u>	<u>(269)</u>	<u>367,022</u>
Depreciable assets:					
Building	10,833,797	222,105	-	269	11,056,171
Equipment - dwelling	78,871	-	-	-	78,871
Equipment - administration	<u>89,423</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>89,423</u>
Total depreciable assets	11,002,091	222,105	-	269	11,224,465
Accumulated depreciation	<u>(9,412,573)</u>	<u>(154,658)</u>	<u>-</u>	<u>-</u>	<u>(9,567,231)</u>
Total depreciable assets, net	<u>1,589,518</u>	<u>67,447</u>	<u>-</u>	<u>269</u>	<u>1,657,234</u>
Capital assets, net	<u>\$ 1,954,777</u>	<u>\$ 69,479</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,024,256</u>

Depreciation expense is charged to programs as follows:

	Business-type Activities
Low Rent	\$ 152,349
CFP	<u>2,309</u>
Total depreciation expense	<u>\$ 154,658</u>

HOUSING AUTHORITY OF THE CITY OF MARKSVILLE
Marksville, Louisiana

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

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

3F. Accounts Payable

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

Vendors & contractors	\$	6,469
Accrued utilities		101
PILOT		<u>19,273</u>
Total Accounts Payable	\$	<u>25,843</u>

3G. Non-current liabilities

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

Accrued compensated absences	\$	<u>29,771</u>
------------------------------	----	---------------

Changes in non-current liabilities

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

<u>Description</u>	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2018</u>	<u>Amounts Due within One Year</u>
Accrued compensated absences	\$ <u>26,398</u>	\$ <u>3,373</u>	\$ <u>---</u>	\$ <u>29,771</u>	\$ <u>17,331</u>

NOTE 4 – OTHER NOTES

4A. Employee Pension Plan

The Authority provides pension benefits for all of its full-time employees through a Simplified Employee Pension (SEP). A SEP is a written arrangement (a plan) that allows an employer to make deductible contributions for the benefit of participating employees. The contributions are made to individual retirement arrangements (IRAs) set up for participants in the Plan administered by Edward Jones Inc.

An eligible employee is an individual who meets the following requirements:

- * Has attained age 21
- * Perform services during at least three of the immediately preceding five years
- * Has received at least \$600 in compensation in the year

The Housing Authority Board can decide from year to year if a SEP contribution and the amount that will be made to the SEP Plan. The plan requires the Authority to contribute 13% of covered wages.

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

Total payroll	\$	331,122
Total payroll for eligible participants	\$	314,600
Employer contributions	\$	40,898

HOUSING AUTHORITY OF THE CITY OF MARKSVILLE
Marksville, Louisiana

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

NOTE 4 – OTHER NOTES - (Continued)

4B. Risk Management

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

<u>Type of Loss</u>	<u>Method Managed</u>
a. Torts, errors and omissions	Purchased insurance with Arthur J. Gallagher Risk Management Services, Inc.
b. Injuries to employees (workers' compensation)	Purchased insurance with Arthur J. Gallagher Risk Management Services, Inc. Claims are administered by the same company.
c. Physical property loss and natural disasters	Purchased commercial insurance with \$5,000 deductibles.
d. Health and life	Purchased health insurance with Blue Cross Blue Shield; life insurance is provided by Standard Insurance Co.

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

4C. Contingencies

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

4D. Commitments - Construction

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

	<u>Funds Approved</u>	<u>Funds Expended - Project to Date</u>
CFP 501-16	\$ 214,538	\$ 183,214

4E. Financial Data Schedule

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

HOUSING AUTHORITY OF THE CITY OF MARKSVILLE
Marksville, Louisiana

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

NOTE 4 – OTHER NOTES - (Continued)

4F. Subsequent Events

Events that occur after the balance sheet date but before the financial statements were issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events, which provide evidence about conditions that existed after the balance sheet date, require disclosure in the accompanying notes. Management evaluated the activity of the Authority through December 6, 2018 and concluded that no subsequent events have occurred that would require adjustment to or disclosures within these financial statements.

4G. Economic Dependency

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

HOUSING AUTHORITY OF THE CITY OF MARKSVILLE
Marksville, Louisiana

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

1. Actual Capital Fund Program costs are as follows:

	<u>CFP 501-15</u>
Funds approved	\$ 208,485
Funds expended	<u>208,485</u>
Excess of Funds Approved	<u>\$ ---</u>
Funds advanced	\$ 208,485
Funds expended	<u>208,485</u>
Excess (deficiency) of Funds Advanced	<u>\$ ---</u>

2. The costs as shown on the Actual Cost Certificate dated August 20, 2018 submitted to HUD for approval is in agreement with the Authority's records as of June 30, 2018.
3. All costs have been paid and all related liabilities have been discharged through payments.

HOUSING AUTHORITY OF THE CITY OF MARKSVILLE
Marksville, Louisiana

FINANCIAL DATA SCHEDULE
Year Ended June 30, 2018

	Project Total	Subtotal	Total
111 Cash - Unrestricted	\$915,738	\$915,738	\$915,738
114 Cash - Tenant Security Deposits	\$31,375	\$31,375	\$31,375
100 Total Cash	\$947,113	\$947,113	\$947,113
125 Accounts Receivable - Miscellaneous	\$281	\$281	\$281
126 Accounts Receivable - Tenants	\$2,727	\$2,727	\$2,727
126.1 Allowance for Doubtful Accounts -Tenants	-\$847	-\$847	-\$847
128 Fraud Recovery	\$5,882	\$5,882	\$5,882
128.1 Allowance for Doubtful Accounts - Fraud	-\$1,374	-\$1,374	-\$1,374
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$6,669	\$6,669	\$6,669
142 Prepaid Expenses and Other Assets	\$81,765	\$81,765	\$81,765
143 Inventories	\$5,396	\$5,396	\$5,396
143.1 Allowance for Obsolete Inventories	-\$540	-\$540	-\$540
150 Total Current Assets	\$1,040,403	\$1,040,403	\$1,040,403
161 Land	\$183,808	\$183,808	\$183,808
162 Buildings	\$11,056,171	\$11,056,171	\$11,056,171
163 Furniture, Equipment & Machinery - Dwellings	\$78,871	\$78,871	\$78,871
164 Furniture, Equipment & Machinery - Administration	\$89,423	\$89,423	\$89,423
166 Accumulated Depreciation	-\$9,567,231	-\$9,567,231	-\$9,567,231
167 Construction in Progress	\$183,214	\$183,214	\$183,214
160 Total Capital Assets, Net of Accumulated Depreciation	\$2,024,256	\$2,024,256	\$2,024,256
180 Total Non-Current Assets	\$2,024,256	\$2,024,256	\$2,024,256
290 Total Assets and Deferred Outflow of Resources	\$3,064,659	\$3,064,659	\$3,064,659
312 Accounts Payable <= 90 Days	\$6,469	\$6,469	\$6,469
321 Accrued Wage/Payroll Taxes Payable	\$10,382	\$10,382	\$10,382
322 Accrued Compensated Absences - Current Portion	\$17,331	\$17,331	\$17,331
333 Accounts Payable - Other Government	\$19,273	\$19,273	\$19,273
341 Tenant Security Deposits	\$31,375	\$31,375	\$31,375
342 Unearned Revenue	\$4,930	\$4,930	\$4,930
346 Accrued Liabilities - Other	\$101	\$101	\$101
310 Total Current Liabilities	\$89,861	\$89,861	\$89,861
354 Accrued Compensated Absences - Non Current	\$29,771	\$29,771	\$29,771
350 Total Non-Current Liabilities	\$29,771	\$29,771	\$29,771
300 Total Liabilities	\$119,632	\$119,632	\$119,632
508.4 Net Investment in Capital Assets	\$2,024,256	\$2,024,256	\$2,024,256
512.4 Unrestricted Net Position	\$920,771	\$920,771	\$920,771
513 Total Equity - Net Assets / Position	\$2,945,027	\$2,945,027	\$2,945,027
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$3,064,659	\$3,064,659	\$3,064,659

HOUSING AUTHORITY OF THE CITY OF MARKSVILLE
Marksville, Louisiana

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

	Project Total	Subtotal	Total
70300 Net Tenant Rental Revenue	\$413,908	\$413,908	\$413,908
70400 Tenant Revenue - Other	\$27,574	\$27,574	\$27,574
70500 Total Tenant Revenue	\$441,482	\$441,482	\$441,482
70600 HUD PHA Operating Grants	\$427,485	\$427,485	\$427,485
70610 Capital Grants	\$209,870	\$209,870	\$209,870
71100 Investment Income - Unrestricted	\$2,533	\$2,533	\$2,533
71400 Fraud Recovery	\$11,342	\$11,342	\$11,342
71500 Other Revenue	\$20,400	\$20,400	\$20,400
70000 Total Revenue	\$1,113,112	\$1,113,112	\$1,113,112
91100 Administrative Salaries	\$106,560	\$106,560	\$106,560
91200 Auditing Fees	\$9,500	\$9,500	\$9,500
91400 Advertising and Marketing	\$594	\$594	\$594
91500 Employee Benefit contributions - Administrative	\$45,712	\$45,712	\$45,712
91600 Office Expenses	\$19,455	\$19,455	\$19,455
91700 Legal Expense	\$3,600	\$3,600	\$3,600
91800 Travel	\$3,475	\$3,475	\$3,475
91900 Other	\$33,945	\$33,945	\$33,945
91000 Total Operating - Administrative	\$222,841	\$222,841	\$222,841
92200 Relocation Costs	\$6,595	\$6,595	\$6,595
92500 Total Tenant Services	\$6,595	\$6,595	\$6,595
93100 Water	\$386	\$386	\$386
93200 Electricity	\$11,503	\$11,503	\$11,503
93300 Gas	\$1,782	\$1,782	\$1,782
93600 Sewer	\$515	\$515	\$515
93000 Total Utilities	\$14,186	\$14,186	\$14,186
94100 Ordinary Maintenance and Operations - Labor	\$201,834	\$201,834	\$201,834
94200 Ordinary Maintenance and Operations - Materials and Other	\$53,213	\$53,213	\$53,213
94300 Ordinary Maintenance and Operations Contracts	\$73,272	\$73,272	\$73,272
94500 Employee Benefit Contributions - Ordinary Maintenance	\$87,137	\$87,137	\$87,137
94000 Total Maintenance	\$415,456	\$415,456	\$415,456
95300 Protective Services - Other	\$1,310	\$1,310	\$1,310
95000 Total Protective Services	\$1,310	\$1,310	\$1,310
96110 Property Insurance	\$48,652	\$48,652	\$48,652
96120 Liability Insurance	\$11,292	\$11,292	\$11,292
96130 Workmen's Compensation	\$15,078	\$15,078	\$15,078
96140 All Other Insurance	\$24,599	\$24,599	\$24,599
96100 Total insurance Premiums	\$99,621	\$99,621	\$99,621

HOUSING AUTHORITY OF THE CITY OF MARKSVILLE
Marksville, Louisiana

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

	Project Total	Subtotal	Total
96200 Other General Expenses	\$244	\$244	\$244
96210 Compensated Absences	\$32,094	\$32,094	\$32,094
96300 Payments in Lieu of Taxes	\$19,273	\$19,273	\$19,273
96400 Bad debt - Tenant Rents	\$18,904	\$18,904	\$18,904
96000 Total Other General Expenses	\$70,515	\$70,515	\$70,515
96900 Total Operating Expenses	\$830,524	\$830,524	\$830,524
97000 Excess of Operating Revenue over Operating Expenses	\$282,588	\$282,588	\$282,588
97100 Extraordinary Maintenance	\$8,400	\$8,400	\$8,400
97200 Casualty Losses - Non-capitalized	\$5,954	\$5,954	\$5,954
97400 Depreciation Expense	\$154,658	\$154,658	\$154,658
90000 Total Expenses	\$999,536	\$999,536	\$999,536
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$113,576	\$113,576	\$113,576
11030 Beginning Equity	\$2,831,451	\$2,831,451	\$2,831,451
11190 Unit Months Available	2013	2013	2013
11210 Number of Unit Months Leased	1958	1958	1958
11270 Excess Cash	\$794,711	\$794,711	\$794,711
11620 Building Purchases	\$224,137	\$224,137	\$224,137

HOUSING AUTHORITY OF THE CITY OF MARKSVILLE
Marksville, Louisiana

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

Year Ended June 30, 2018

Agency Head Name: Victoria Burise

EXPENDITURE PURPOSE

Salary	\$	64,979
Benefits – Insurance		9,302
Benefits – Retirement		7,788
Benefits (List any other here)		---
Car allowance		---
Vehicle provided by government		---
Per diem		382
Reimbursements		---
Travel		735
Registration fees		575
Conference Travel		---
Continuing professional education fees		---
Housing		---
Unvouchered expenses*		---
Special meals		10
TOTAL	\$	83,771

* An example of unvouchered expense would be a travel advance

HOUSING AUTHORITY OF THE CITY OF MARKSVILLE
Marksville, Louisiana

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

Board members serve without compensation.



Audit Solutions, LLC.

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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

I have performed the procedures enumerated below, which were agreed to by the Housing Authority of the City of Marksville (Authority) 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 performed 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, I 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.

The procedures and associated findings are as follows:

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):
 - 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.
 - 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*, 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.

Result of Procedures Performed:

The Authority was unable to provide written policies which specifically addressed receipts/collections. Debt service is not applicable since the Authority has no debt. All other written policies were addressed.

Corrective Action Plan:

The Executive Director will draft a Receipts/Collections policy to bring before the Board of Commissioners on December 13, 2018 for approval and resolution. The policy will detail and specifically address all areas noted by the Louisiana Agreed Upon Procedures, as well as best practices for Collections.

Board or Finance Committee

- 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.
 - 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.

Results of Procedures Performed:

- a) The board of commissioners met on a monthly basis.
- b) The minutes included monthly budget-to-actual comparisons.
- c) There was no negative ending unrestricted balance based on the review of prior year audit report.

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 accounts (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.

Results of Procedures Performed:

- a) Bank reconciliations are prepared on a monthly basis.
- b) Management reviewed each bank reconciliation.
- c) There were no outstanding checks over twelve months old.

Collections

- 4. Obtain a listing of deposit sites 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).

Results of Procedures Performed:

Obtained listing of collections and management representation that the listing is complete.

- 5. For each deposit site selected, obtain a listing of collection locations 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.
 - 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.

Results of Procedures Performed:

The Authority does not accept cash and accepts non-cash payment at one centralized location. The Authority's current procedures in place do include adequate segregation of duties for all collection functions.

- 6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

Results of Procedures Performed:

All employees are bonded.

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). 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.

Results of Procedures Performed:

Based on my selection of 10 receipts, they were sequentially pre-numbered. All receipts selected, agreed to the deposit slip which were traced to the bank statement. The deposits were made on the day of collection and agreed 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).

Results of Procedures Performed:

Management represented that the listing is complete.

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.

Results of Procedures Performed:

- a) For all 25 transactions selected, purchase orders are approved by a person not initiating the purchase.
- b) All payments to vendors are approved by more than one employee.
- c) There was no documentation in writing whether the person responsible for processing payments is prohibited from adding vendors to the entity’s purchasing/disbursement system.
- d) No exceptions noted.

Corrective Action Plan:

The Executive Director will put in writing the procedures that are followed to add/modify vendors for Board approval on December 13, 2018.

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.

Results of Procedures Performed:

- a) For all 25 transactions selected, the disbursement matched the related invoice.
- b) No exceptions noted.

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.
 - b) Observe that finance charges and late fees were not assessed on the selected statements.
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).

Results of Procedures Performed:

This category was not tested in FY 2018 since no exceptions were noted in prior year.

Travel and Travel-Related Expense Reimbursements (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.

Results of Procedures Performed:

This category was not tested in FY 2018 since no exceptions were noted in prior year.

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. 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 Law (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.

Results of Procedures Performed:

This category was not tested in FY 2018 since no exceptions were noted in prior year.

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.

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' cumulative 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.

Results of Procedures Performed:

This category was not tested in FY 2018 since no exceptions were noted in prior year.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, 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.

Results of Procedures Performed:

This category was not tested in FY 2018 since no exceptions were noted in prior year.

Debt Service

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.

Results of Procedures Performed:

This category is not applicable to the Authority.

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.

Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Results of Procedures Performed:

This category was not tested in FY 2018 since no exceptions were noted in prior year.

I was 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, I do not express such an opinion or conclusion. Had I performed additional procedures, other matters might have come to my 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.

Audit Solutions, LLC

Chesterfield, Missouri

December 6, 2018



Audit Solutions, LLC.

Certified Public Accountant

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

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

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Housing Authority of the City of Marksville (Authority), Louisiana, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued my report thereon dated December 6, 2018.

Internal Control Over Financial Reporting

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

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify certain deficiency in internal control, described in the accompanying schedule of current findings, recommendations and replies that I consider to be significant deficiency as finding #2018-001.

Compliance and Other Matters

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

Authority's Response to Finding

The Authority's response to the finding identified in my audit is described in the accompanying schedule of current findings, recommendations and replies. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. This report is distributed by the Louisiana Legislative Auditor's Office as a public document and its distribution is not limited.

Audit Solutions, LLC

Chesterfield, Missouri

December 6, 2018

HOUSING AUTHORITY OF THE CITY OF MARKSVILLE
Marksville, Louisiana

SIGNIFICANT DEFICIENCIES COMMUNICATED IN PRIOR YEAR
June 30, 2018

The prior audit report for the year ended June 30, 2017 contained the following audit finding:

2017-001.	Finding:	Deposits in Excess of FDIC & Pledged Securities Coverage.
	Status:	Not implemented - see current finding # 2018-001.

HOUSING AUTHORITY OF THE CITY OF MARKSVILLE
Marksville, Louisiana

CURRENT FINDINGS, RECOMMENDATIONS AND REPLIES
June 30, 2018

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

2018-001. Deposits in Excess of FDIC & Pledged Securities Coverage.

Criteria:

All public funds on deposit at a financial institution should be safeguarded by either FDIC insurance or collateral pledged by the financial institution.

Condition:

I noted the following deficiency in bank collateral for funds on deposit as of June 30, 2018:

	<u>Deposit</u>	<u>Insured</u>	<u>Deficient</u>
Union Bank	\$ 1,039,593	\$ 1,036,434	\$ (3,159)

Questioned Costs:

None noted.

Effect:

PHA funds in excess of the insured amount are vulnerable.

Cause:

PHA did not monitor the balances of its accounts closely enough to ensure adequate protection of all funds.

Recommendation:

I recommend that PHA periodically contact bank to ensure all funds are fully secured.

Management's Response:

The Executive Director requested an additional \$125,000 of coverage on the funds to ensure adequate protection of the funds. To date this request has been put into place-and paperwork on file. Before year end of 2019 the Executive Director will request an additional \$125,000-as this will further secure any future funding.