

**HOUSING AUTHORITY OF THE
CITY OF LAKE CHARLES
Lake Charles, Louisiana
Financial Statements
And Supplementary Information
For the Year Ended September 30, 2017**

Trimm Consulting, APAC
1901 Sampson Street
Westlake, La. 70669

HOUSING AUTHORITY OF THE CITY OF LAKE CHARLES
LAKE CHARLES, LOUISIANA

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1901 Sampson Street
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Independent Auditor's Report

Board of Commissioners
Housing Authority of The City
of Lake Charles
Lake Charles, Louisiana 70601

Regional Inspector General for Audit
Department of Housing and Urban
Development
221 W. Lancaster Street, P.O. Box 2905
Fort Worth, Texas 76113

I have audited the accompanying basic financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Housing Authority of The City of Lake Charles as of and for the year ended September 30, 2017, 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 an opinion on these financial statements based upon 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 of 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, each major fund, and the aggregate remaining fund information of the Housing Authority of The City of Lake Charles as of September 30, 2017, and the changes in financial position and cash flows for the year ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Other Matters

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have issued my report dated March 1, 2018 on my consideration of the Housing Authority of The City of Lake Charles' 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards in considering the Housing Authority of Lake Charles' internal control over financial reporting and compliance*.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pages 5-10, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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.

Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying *Statement & Certification of Actual Modernization Cost*, page 32, *Financial Data Schedule*, pages 33-36 and the *Schedule of Compensation, Benefits and Other Payments to the CEO*, page 37, are presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

William V. Trimm, CPA Trimm Consulting, APAC March 1, 2018

Housing Authority of the City of Lake Charles, Louisiana

Management's Discussion and Analysis (MD&A)

September 30, 2017

(Unaudited)

We the management of the Housing Authority of the City of Lake Charles (Housing Authority) present the following discussion and analysis of the Housing Authority's financial activities for the fiscal year ended September 30, 2017. This represents an overview of financial information. Please read this discussion and analysis in conjunction with the Housing Authority's audited financial statements, which follows.

FINANCIAL HIGHLIGHTS

- The assets of the Housing Authority exceeded its liabilities at September 30, 2017 by \$32,761,235.
- Of this amount, \$15,230,529 of unrestricted net position may be used to meet the Housing Authority's ongoing obligations to citizens and creditors.
- The remainder of \$17,530,706 represents the net amount invested in land, building, furnishings, leasehold improvements, and equipment of \$17,428,573 and restricted cash and investments of \$102,133.
- The Housing Authority's total net position decreased by \$ 1,702,026, a 4.94% decrease from fiscal year 2016.

USING THIS ANNUAL REPORT

This discussion and analysis is intended to serve as an introduction to the Housing Authority's financial statements. The Housing Authority's basic financial statements are comprised of two components. 1) fund financial statements, and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. The Housing Authority is a special purpose government engaged only in business-type activities. Accordingly, only fund financial statements are presented as the basic financial statements.

The financial statements are designed to provide readers with a broad overview of the Housing Authority's finances in a manner similar to a private sector business.

The statement of net position presents information on all of the Housing Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Housing Authority is improving or deteriorating, or otherwise changing in a dramatic manner.

Housing Authority of The City of Lake Charles, Louisiana
Management's Discussion and Analysis (MD&A)
September 30, 2017

(Unaudited)

The statement of revenue, expenses and changes in net position presents information detailing how the Housing Authority's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that are the result of cash flows in prior years or will result in cash flows in future years (e.g., depreciation and earned but unused vacation leave.).

The statement of cash flows provides information about the Housing Authority's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities.

These financial statements report on the functions of the Housing Authority that are principally supported by intergovernmental revenues. The Housing Authority's function is to provide decent safe, and sanitary housing to low-income and special needs populations, which is primarily funded with grant revenue received from the U. S. Department of Housing and Urban Development (HUD) and dwelling rentals.

FINANCIAL ANALYSIS
Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Housing Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Housing Authority of The City of Lake Charles, Louisiana
Management's Discussion and Analysis (MD&A)
September 30, 2017
(Unaudited)

The Housing Authority utilizes only one fund type, namely the enterprise fund type. An enterprise fund is a proprietary fund type. A proprietary fund utilizes the full accrual method of accounting in which all assets and all liabilities associated with the operation of this fund is included on the statement of net position. The focus of the proprietary fund is on income measurement, which, together with the maintenance of equity, is an important financial indication. The financial statements can be found on pages 11 through 15 of this report.

Notes to the Financial Statements

Notes provide additional information essential to a full understanding of the data provided in the financial statements. Notes to the financial statements can be found on pages 16 through 30 of this report.

Statement of Net Position

The following table represents a condensed Balance Sheet as of September 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Current Assets	\$ 10,253,254	\$ 10,244,698
Restricted Assets	2,575,233	3,863,418
Long-Term Assets	7,270,812	6,863,804
Other Assets	0	1,063
Fixed Assets	<u>17,428,573</u>	<u>18,603,665</u>
Total Assets	<u>\$ 37,527,872</u>	<u>\$ 39,576,648</u>
Current Liabilities	\$ 578,523	\$ 665,406
Current liabilities payable for restricted assets	244,542	241,383
Non-current Liabilities	<u>3,943,572</u>	<u>4,206,598</u>
Total Liabilities	<u>4,766,637</u>	<u>5,113,387</u>
Net Position:		
Invested in capital assets	17,428,573	18,603,665
Restricted net position	102,133	1,448,457
Unrestricted net position	<u>15,230,529</u>	<u>14,411,139</u>
Total Net Position	<u>32,761,235</u>	<u>34,463,261</u>
Total Liabilities and Net Position	<u>\$ 37,527,872</u>	<u>\$ 39,576,648</u>

continued

**Housing Authority of The City of Lake Charles, Louisiana
Management's Discussion and Analysis (MD&A)
September 30, 2017
(Unaudited)**

Statement of Net Position (Continued)

As noted earlier, net position may serve over time as a useful indicator of the improvement or deterioration of a government's financial position. In the case of the Housing Authority, assets exceeded liabilities by approximately \$32,761,235 at September 30, 2017 and \$34,463,261 at September 30, 2016.

By far the largest portion of the Housing Authority's net position (53.20%) is its investments in capital assets (e.g., buildings, machinery, and equipment). The Housing Authority uses these capital assets to provide housing services to residents; consequently, these assets are not available for future spending. The unrestricted net position of the Housing Authority are available for future use to provide program services.

Statement of Revenues, Expenses, Capital Contributions, and Changes in Net Position

The following table represents a condensed Statement of Revenues, Expenses, and Changes in Net Position for the year ended September 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Operating Revenues		
Dwelling rental and other	\$ 4,386,281	\$ 2,646,524
Interest Earnings	153,299	144,635
Federal grant	<u>9,311,100</u>	<u>11,712,664</u>
Total Operating Revenues	13,850,680	14,503,823
Operating Expenses		
Administration	2,673,438	2,231,057
Tenant service	157,224	7,063
Utilities	496,123	437,594
Ordinary maintenance and operations	1,856,403	1,880,459
Extraordinary maintenance	0	900,000
Protective services	44,705	36,485
Casualty Loss	11,644	(34,226)
Gain(loss) on Disposition of Capital Assets	1,095	395
General expenses	715,040	267,021
Interest expense	155,748	161,096
Insurance	977,555	906,927
Housing assistance payments	7,065,199	7,651,081
Depreciation	<u>1,665,467</u>	<u>1,703,770</u>
Total Operating Expenses	<u>15,819,641</u>	<u>16,148,722</u>

continued

Housing Authority of The City of Lake Charles, Louisiana

**Management's Discussion and Analysis (MD&A)(Un-audited)
September 30, 2017**

Statement of Revenues, Expenses, Capital Contributions, and Changes in Net Position-Cont'd

	<u>2017</u>	<u>2016</u>
Net Income (Loss) before Capital Contributions and Transfers	(1,968,961)	(1,644,899)
Capital Contributions and Transfers	<u>266,935</u>	<u>(75,788)</u>
Net increase (decrease) in net position	<u>\$ (1,702,026)</u>	<u>\$ (1,720,687)</u>

The net position of the Housing Authority decreased by \$ 1,702,026 and decreased by \$ 1,720,687 during the years ended September 30, 2017 and 2016 respectively. The Housing Authority's revenues are derived primarily from dwelling rental income and various HUD programs.

SIGNIFICANT CHANGES BETWEEN FY 2017 and FY 2016

The Lake Charles Housing Authority (LCHA) had a successful year during the audit period.

The LCHA is no longer rated in the PHAS scoring system because we have our entire portfolio in the Rental Assistance Demonstration (RAD) Program. Our ratios in Financial, Management and Operation are the same or better than they were last year. The reason we are moving to the RAD program is because under the present system of continued cuts to our budget we want to stabilize our income stream with funds we can count on. HUD's present system make that a challenge.

Our operations occupancy is doing well at all of our management properties, Bayou Bluff, Kingsley Court, Rufus Mayfield Homes, Villages of Lake Charles, and Greinwich Village Homes. We will close in the RAD program Bayou Bluff, Kingsley Court, and Rufus Mayfield Homes. We anticipated closing RAD last fiscal year but at HUD's request pushed it back as we did not have LIHTC closing with these properties.

The LCHA Housing Choice Voucher Program (HCV) continued its string of High Performer Ratings with another excellent rating this year. We are still participating in our Moderate Rehab programs within the HCV genre of programs.

The LCHA geographical area is experiencing an acute shortage of affordable housing due to the huge increase in the petro-chemical industry expansion. That expansion amounts to more than 50 billion dollars. In our HCV program we are experiencing lower utilization rates as a result of the rising rents in the conventional market. To combat this we have received permission from HUD to pay 120% of FMR's and we are requesting an increase in that amount.

In resident-related activities the LCHA is working to provide better health care for our clients through the Affordable Care Act. We are partnering with Diversified Consulting Services, LLC and local providers Southwest Louisiana Center for Health Services, Evangeline Health Services and the Calcasieu Council on Aging to expand and improve this vital area. We also provide after-school services at some of our developments as well as adult education, commodity distribution and Neighborhood Watch programs in partnership with the local Lake Charles City Police and the Calcasieu Parish Sheriff's Department. We also have ongoing efforts with Servicepoint, a social service referral agency for our clients.

Housing Authority of the City of Lake Charles, Louisiana Management's Discussion and Analysis (MD&A)

September 30, 2017

(Unaudited)

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2017, the Housing Authority's investment in capital assets for its business-type activities was approximately \$ 17,428,573 (net of accumulated depreciation) compared to \$ 18,603,665 as of September 30, 2016, a decrease of \$ 1,175,092 or 6.32%.

	<u>2017</u>	<u>2016</u>
Land	\$ 2,307,886	\$ 2,307,886
Buildings and Improvements	51,174,889	50,716,304
Furniture, equipment and machinery	1,307,245	1,486,099
Accumulated Depreciation	<u>(37,361,447)</u>	<u>(35,906,624)</u>
Total	<u>\$ 17,428,573</u>	<u>\$ 18,603,665</u>

Debt

Non-current liabilities include accrued annual vacation and sick leave to employees. Additional debt is explained in Note L of the Notes to the Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Housing Authority is primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by the Federal budget than by local economic conditions. HUD has already approved the Budgets for 2018/2017.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Housing Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, Housing Authority of the City of Lake Charles, P.O. Box 1206, Lake Charles, LA 70602 or call (337) 439-4189.

Housing Authority of the City of Lake Charles
Lake Charles, Louisiana

ENTERPRISE FUNDS
Statement of Net Position

September 30, 2017

ASSETS	General	Section 8	Management	Elimination	Totals Primary Government
Current assets					
Cash	\$ 4,010,727	\$ 1,124,742	\$ 1,437,235	\$ -	\$ 6,572,704
Investments	646,328	522,922	117,862	-	1,287,112
Accrued interest receivable	263	344	6	-	613
Accounts receivable, net	154,847	-	1,748,877	-	1,903,724
Inter-fund receivable	48,334	36,200	28,949	(113,483)	-
Inventory	37,125	-	5,488	-	42,613
Prepaid items and other assets	372,699	10,673	63,116	-	446,488
Total current assets	5,270,323	1,694,881	3,401,533	(113,483)	10,253,254
Restricted assets					
Cash-restricted	-	1,811,364	-	-	1,811,364
Security deposits	210,550	-	33,992	-	244,542
Investments - restricted	-	519,327	-	-	519,327
Total restricted assets	210,550	2,330,691	33,992	-	2,575,233
Capital assets, net					
Land	1,547,059	-	760,827	-	2,307,886
Buildings and equipment, net	10,508,625	2,245	4,609,817	-	15,120,687
Total capital assets, net	12,055,684	2,245	5,370,644	-	17,428,573
Notes, Loans & Mtgs. Receivable	5,115,491	-	2,155,321	-	7,270,812
Total Notes, Loans & Mtgs. Receivable	5,115,491	-	2,155,321	-	7,270,812
Total non-current assets	17,381,725	2,332,936	7,559,957	-	27,274,618
TOTAL ASSETS	\$ 22,652,048	\$ 4,027,817	\$ 10,961,490	\$(113,483)	\$ 37,527,872

The notes to the financial statements are an integral part of this statement.

Housing Authority of the City of Lake Charles
Lake Charles, Louisiana

ENTERPRISE FUNDS
Statement of Net Position

September 30, 2017

LIABILITIES AND NET POSITION	General	Section 8	Management	Elimination	Totals Primary Government
LIABILITIES					
Current Liabilities					
Accounts payable	\$ 617	\$ 790	\$ 1,857	\$ -	\$ 3,264
Inter-fund payable	78,609	34,874	-	(113,483)	-
Other current liabilities	-	8,344	-	-	8,344
Unearned Revenue	-	53,703	-	-	53,703
Accts. Payable-HUD/Other Government	114,620	87,099	61,331	-	263,050
Current portion of L/T Debt	-	-	215,761	-	215,761
Current portion of compensated absences	31,615	2,485	301	-	34,401
Total current liabilities	225,461	187,295	279,250	(113,483)	578,523
Current liabilities payable from current restricted assets					
Deposits due others	210,550	-	33,992	-	244,542
Noncurrent liabilities					
L/T Debt-Net of Current	-	-	3,631,494	-	3,631,494
Non-current Liabilities-Other	-	-	2,461	-	2,461
Compensated absences payable	284,535	22,371	2,711	-	309,617
Total liabilities	720,546	209,666	3,949,908	(113,483)	4,766,637
NET POSITION					
Investment in capital assets	12,055,684	2,245	5,370,644	-	17,428,573
Restricted	-	102,133	-	-	102,133
Unrestricted	9,875,818	3,713,773	1,640,938	-	15,230,529
Net Position	21,931,502	3,818,151	7,011,582	-	32,761,235
TOTAL LIABILITIES and NET POSITION	\$ 22,652,048	\$ 4,027,817	\$ 10,961,490	\$(113,483)	\$ 37,527,872

The notes to the financial statement are an integral part of this statement.

Housing Authority of the City of Lake Charles
ENTERPRISE FUNDS
Statement of Revenues, Expenses, and Changes in Net Position

September 30, 2017

	<u>General</u>	<u>Section 8</u>	<u>Management</u>	<u>Total Primary Government</u>
OPERATING REVENUES				
Net Tenant Rental Revenue	\$ 1,611,957	\$ -	\$ 944,564	\$ 2,556,521
Other Revenue and Fees	940,948	112,085	776,727	1,829,760
Total operating revenues	<u>2,552,905</u>	<u>112,085</u>	<u>1,721,291</u>	<u>4,386,281</u>
OPERATING EXPENSES				
Administration	1,840,955	704,369	128,114	2,673,438
Tenant services	5,043	130,653	21,528	157,224
Utilities	437,427	-	58,696	496,123
Ordinary maintenance and operations	1,515,855	118,564	221,984	1,856,403
Insurance	813,737	31,534	132,284	977,555
Interest	-	-	155,748	155,748
Protective services	-	-	44,705	44,705
General expenses	626,936	6,282	81,822	715,040
Housing assistance payments	-	7,065,199	-	7,065,199
Depreciation	1,524,067	809	140,591	1,665,467
Total operating expenses	<u>6,764,020</u>	<u>8,057,410</u>	<u>985,472</u>	<u>15,806,902</u>
	<u>(4,211,115)</u>	<u>(7,945,325)</u>	<u>735,819</u>	<u>(11,420,621)</u>
Nonoperating revenues (expenses)				
Interest earnings	2,188	6,221	44,586	52,995
Mortgage interest income	100,304	-	-	100,304
Casualty Losses	(10,000)	(1,778)	134	(11,644)
Gain (loss) on disposition of capital assets	(1,063)	-	(32)	(1,095)
Federal grants	2,856,725	6,454,375	-	9,311,100
Total nonoperating revenues (expenses)	<u>2,948,154</u>	<u>6,458,818</u>	<u>44,688</u>	<u>9,451,660</u>
Net income (loss) before transfers and contributions	(1,262,961)	(1,486,507)	780,507	(1,968,961)
Transfers Out	(386,165)	-	172,296	(213,869)
Capital contributions	480,804	-	-	480,804
Change in net position	(1,168,322)	(1,486,507)	952,803	(1,702,026)
	-	-	-	-
NET POSITION AT BEGINNING OF YEAR	<u>23,099,824</u>	<u>5,304,658</u>	<u>6,058,779</u>	<u>34,463,261</u>
NET POSITION AT END OF YEAR	<u>\$ 21,931,502</u>	<u>\$ 3,818,151</u>	<u>\$ 7,011,582</u>	<u>\$ 32,761,235</u>

The notes to the financial statements are an integral part of this statement

Housing Authority of The City of Lake Charles
Lake Charles, Louisiana

ENTERPRISE FUNDS
Statement of Cash Flows

For the Year Ended September 30, 2017

	General	Section 8	Management	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Rental receipts	\$ 1,611,957	\$ -	\$ 915,615	\$ 2,527,572
Payments to vendors	(4,431,076)	(808,762)	(1,513,854)	(6,753,692)
Payments to employees	(830,365)	(206,736)	(61,001)	(1,098,102)
Other receipts (payments)	940,948	112,085	300,952	1,353,985
Payments to private landlords	-	(7,065,199)	-	(7,065,199)
Net cash provided by (used in) operating activities	(2,708,536)	(7,968,612)	(358,288)	(11,035,436)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Federal Grants	2,927,686	6,503,583	-	9,431,269
Net cash provided by (used in) noncapital financing activities	2,927,686	6,503,583	-	9,431,269
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital contributions	480,804	-	-	480,804
Transfers in/out	(386,165)	-	172,296	(213,869)
Purchase of capital assets	(489,914)	(493)	-	(490,407)
Net cash provided by (used in) capital and related financing activities	(395,275)	(493)	172,296	(223,472)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales of investments	-	2,040	-	2,040
Casualty Losses/Gain(loss) on dispositions	(11,063)	(1,778)	102	(12,739)
Interest and dividends received	102,492	6,221	44,586	153,299
Net cash provided by (used in) investing activities	91,429	6,483	44,688	142,600
Net increase (decrease) in cash and cash equivalents	(84,696)	(1,459,039)	(141,304)	(1,685,039)
Cash and cash equivalents at beginning of year	4,305,973	4,395,145	1,612,531	10,313,649
Cash and cash equivalents at end of year	<u>\$ 4,221,277</u>	<u>\$ 2,936,106</u>	<u>\$ 1,471,227</u>	<u>\$ 8,628,610</u>

The notes to the financial statements are an integral part of this statement

Housing Authority of The City of Lake Charles
Lake Charles, Louisiana

ENTERPRISE FUNDS
Statement of Cash Flows

For the Year Ended September 30, 2017

	<u>General</u>	<u>Section 8</u>	<u>Management</u>	<u>Total Primary Government</u>
RECONCILIATION OF OPERATING INCOME				
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES				
Operating income (loss)	\$ (4,211,115)	\$ (7,945,325)	\$ 735,819	\$ (11,420,621)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			-	
Depreciation	1,524,067	809	140,591	1,665,467
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(76,995)	(235)	(862,268)	(939,498)
(Increase) decrease in interfund receivables	51,006	(11,927)	(28,949)	10,130
(Increase) decrease in inventory	13,688	-	-	13,688
(Increase) decrease in prepaid items	37,522	317	6,690	44,529
(Increase) decrease in accounts payable	(12,972)	(10,546)	759	(22,759)
Increase (decrease) in other liabilities	(116,677)	(14,778)	(248,138)	(379,593)
Increase (decrease) in interfund payables	78,609	13,309	(102,048)	(10,130)
Increase (decrease) in compensated absences	4,331	(236)	(744)	3,351
Net cash provided by (used in) operating activities	<u>\$ (2,708,536)</u>	<u>\$ (7,968,612)</u>	<u>\$ (358,288)</u>	<u>\$ (11,035,436)</u>
Reconciliation of cash and equivalents at end of year to Balance Sheet presentation:				
Cash	\$ 4,010,727	\$ 2,936,106	\$ 1,437,235	\$ 8,384,068
Security deposits	210,550	-	33,992	244,542
Cash and cash equivalents at end of year	<u>\$ 4,221,277</u>	<u>\$ 2,936,106</u>	<u>\$ 1,471,227</u>	<u>\$ 8,628,610</u>

The notes to the financial statements are an integral part of this statement.

Housing Authority of The City of Lake Charles
Lake Charles, Louisiana

Notes to Basic Financial Statements

September 30, 2017

Note 1 - Organization and Summary of Significant Accounting Policies

The Housing Authority of The City of Lake Charles (the Authority) was incorporated April 25, 1940 under the authority of the Constitution and statutes (LSA:R.S. 40:381) of the state of Louisiana for the purpose of providing safe and sanitary dwellings accommodations in Lake Charles, Louisiana.

A. Financial Reporting Entity

GASB Statement 14, *The Financial Reporting Entity*, establishes criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under the provisions of this Statement, the Authority is considered a primary government, since it is a special purpose government that has a separate governing body, is legally separate, and is fiscally independent of other state or local governments.

The Authority is a related organization of the City of Lake Charles since the Honorable Mayor of the City of Lake Charles appoints the Authority's governing board. The Authority's governing board is composed of five members appointed for staggered five-year terms. The City of Lake Charles is not financially accountable for the Authority as it is not able to impose its will on the Authority and there is no potential for the Authority to provide financial benefit to, or impose financial burdens on, the City of Lake Charles. Accordingly, the Authority is not a component unit of the financial reporting entity of the City of Lake Charles or any other governmental unit.

In determining how to define the reporting entity, management has considered all potential component units. Governmental Accounting Standards Board (GASB) Codification Section 2100 establishes criteria for determining which, if any, component units should be considered part of the Authority for financial reporting purposes. The criterion include manifestation of oversight responsibility; including financial accountability, appointment of a voting majority, imposition of will, financial benefit to or burden on a primary organization, financial accountability as a result of fiscal dependency, potential dual inclusion, and organizations included in the reporting entity although the primary organization is not financially accountable.

Based on the previous criteria, the Authority has determined that there are no component units that should be considered as part of the Authority's reporting entity.

continued

Housing Authority of The City of Lake Charles
Lake Charles, Louisiana

Notes to Basic Financial Statements

September 30, 2017

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

A. Financial Reporting Entity (Continued)

Programs within the general and Section 8 funds operated by the Authority receive federal financial assistance from the U.S. Department of Housing and Urban Development (HUD), and are subject to applicable laws and regulations. The operations of each fund are accounted for through a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Federal contributions are received and accounted for in the individual programs based upon the purposes for which they are to be spent. The Authority is not subject to income taxes.

A brief description of the various programs is as follows:

- Housing Authority Owned Rental Housing (FW-1132) - Approximately 766 units of low-income public housing is owned by the Housing Authority of The City of Lake Charles. Low Income is defined by published entry in the Federal Register per Standard Metropolitan Statistical Areas (SMSA). Tenants pay the highest of 30% of their adjusted income or 10% of monthly income for such housing.
- Section 8 Public Owned Rental Housing - Section 8 Public Housing is a program designed to allow private homeowners to lease their houses to low-income families. The rents are set by the Federal Government and published in the Federal Register and cannot be increased without HUD approval. Tenants pay the highest of 30% of their adjusted income or 10% of monthly income for such housing. The Housing Authority of The City of Lake Charles makes up the difference between the tenants portion of the rent and the Fair Market Rent as subsidy to the homeowner. Section 8 has evolved into two programs:

Housing Choice Vouchers (FW-2228V) – 1984 units
Moderate Rehab (FW-2074) – 70 units

continued

Housing Authority of The City of Lake Charles
Lake Charles, Louisiana

Notes to Basic Financial Statements

September 30, 2017

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

A. Financial Reporting Entity (Continued)

- PHA Owned Rental Housing - PHA Owned Housing consists of tenant housing units which the Housing Authority of The City of Lake Charles has acquired through the Federal Home Loan Bank Affordable Housing Program. The basic Section 8 rules apply. The qualifications are the same income limits published in the Federal Register for Low Income Public Housing tenants. Tenants pay the highest of 30% of their adjusted income or 10% of monthly income for such housing.
- PHA Owned Rental Housing and Other Properties - This program consists of PHA owned housing units and other properties acquired through management fees and earnings. Fair rental values are established and charged for the housing units but low-income guidelines do not apply.

B. Funds

The accounts of the 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 purpose 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.

All funds of the Authority are classified as proprietary. The general fund accounts for transactions of the public housing low rent program and the capital fund program. The Section 8 fund accounts for transactions of the housing choice voucher program, and the moderate rehab program. The management program accounts for owned housing and other properties and management fees received for which the Authority is the managing agent.

continued

Housing Authority of The City of Lake Charles
Lake Charles, Louisiana

Notes to Basic Financial Statements

September 30, 2017

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. 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 and all liabilities associated with the operation of these funds are included on the statement of net position. The Authority has elected, pursuant to Governmental Accounting Standards Board (GASB) Statement 20, to apply all GASB pronouncements and only FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's funds are rent and maintenance charges to residents and administration fees earned. Operating expenses for proprietary funds include the administrative costs of providing the service and the housing assistance payments to residents. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

continued

Housing Authority of The City of Lake Charles
Lake Charles, Louisiana

Notes to Basic Financial Statements

September 30, 2017

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

D. Budgets

Budgets are prepared on an annual basis for each major operating program and are used as a management tool throughout the accounting cycle. Budgets are not, however, legally adopted nor required for financial statement presentation.

E. Cash and Cash Equivalents

Cash includes amounts in demand deposits and interest-bearing demand deposits. The Authority considers all highly liquid financial instruments purchased with an original maturity of 90 days or less when purchased to be cash equivalents. The Authority had no cash equivalents at September 30, 2017.

F. Investments

Investments are limited by LSA-R.S. 33:2955 and the Authority's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments included certificates of deposits and a money market account totaling \$1,806,439 of which \$ 519,327 is classified as restricted. The CD's are measured at cost which approximates fair value.

continued

Housing Authority of The City of Lake Charles
Lake Charles, Louisiana

Notes to Basic Financial Statements

September 30, 2017

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

G. Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for services rendered. Services provided, deemed to be at market or near market rates, are treated as revenues and expenses. Additionally, transactions occur between individual funds as a result of the use of a common paymaster for shared costs of the Authority. Cash settlements are made periodically. These receivables and payables are classified as inter-fund receivables/payables.

H. Inventory

All purchased inventory items are valued at cost using first-in, first-out method. Acquisition of materials and supplies are accounted for on the consumption method, that is, the expenses are charged when the items are consumed.

I. Prepaid Items

Payments made to vendors that will benefit periods beyond the fiscal year end are recorded as prepaid items.

J. Restricted Assets

Certain assets are classified as restricted assets on the balance sheet because their use is restricted for modernization programs, security deposits held in trust, and for the replacement of property and other project expenditures approved by HUD.

K. Capital Assets

The Authority's purchased capital assets are recorded at historical cost and depreciated over their estimated useful lives. Donated capital assets are recorded at their estimated fair value at the date of donation. The Authority's policy is to capitalize significant items of equipment, major renovations, buildings, and real estate. The Authority capitalizes equipment and/or personal property with an initial cost of \$1,000 or more and an anticipated life or useful value of said equipment or property of more than one year. The capitalization threshold applies to all capital assets with the exception of ranges and refrigerators.

continued

Housing Authority of The City of Lake Charles
Lake Charles, Louisiana

Notes to Basic Financial Statements
September 30, 2017

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

K. Capital Assets (continued)

Straight-line depreciation is calculated in accordance with public housing authority guidelines as follows:

Buildings	40 years
Site improvements	15-40 years
Furniture, equipment, and machinery	5-10 years
Vehicles	5-10 years
Computers	3 years

When capital assets are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

L. Long-Term Debt

The Authority obtained a \$4,000,000 loan from Jeff Davis Bank to finance the purchase of Greinwich Village. The note has an interest rate of 4% and a term of 15 years. Future projected payments are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Balance Due</u>
			3,525,255
2018	217,372	139,103	3,307,883
2019	226,362	130,113	3,081,521
2020	235,723	120,752	2,845,798
2021	245,472	111,003	2,600,326
2022	255,623	100,852	2,344,703
Thereafter	2,344,703		

The current portion of this debt that is due as of 9-30-17 is \$215,761.

An additional loan was obtained from Jeff Davis Bank for \$ 322,000. This loan was made to fund the development of a low-income housing project known as Booker T. Washington Homes in Lake Charles, Louisiana. The loan shall bear interest at 0.25% per annum, compounded annually and shall be due and payable on the forty-first (41st) anniversary of the date of the original loan which will be September 11, 2055.

continued

Housing Authority of The City of Lake Charles
Lake Charles, Louisiana

Notes to Basic Financial Statements
September 30, 2017

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

M. Compensated Absences

The Authority follows Louisiana Civil Service regulations for accumulated annual and sick leave. Annual and sick leave is earned by each full-time and each part-time associate who has a regular tour of duty, except that no associate shall earn annual or sick leave while serving on restricted appointment or while using leave from an agency leave pool as defined in Rule 11.34. The earning of such leave is based on the equivalent of years of full-time State service and shall be creditable at the end of each calendar month or at the end of each regular pay period based on graduated rates per hour. Accrued unused annual and sick leave earned by an associate shall be carried forward to succeeding calendar years. Upon separation from the Authority, an associate is paid the value of his accrued annual leave in a lump sum up to a maximum of 300 hours disregarding any final fraction of an hour; provided the privileges of this rule shall not extend to any associate who is dismissed for theft of Authority funds or property. Upon separation from the Authority, an associate is not compensated for sick leave .

N. Restricted Net Position

The statement of net position reports net position as the difference between all other elements in a statement of net position and is displayed in the three following components:

* 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 borrowings that are attributable to the acquisition, construction, or improvement of those assets.

* Restricted - consists of amounts with constraints placed on the use by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

* Unrestricted - all other amounts that do not meet the definition of "restricted" or "net investment in capital assets".

continued

Housing Authority of The City of Lake Charles
Lake Charles, Louisiana

Notes to Basic Financial Statements

September 30, 2017

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

O. 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, expenses and other financing sources and uses during the reporting period. Actual results could differ from those estimates.

continued

Housing Authority of The City of Lake Charles
 Lake Charles, Louisiana
 Notes to Basic Financial Statements

September 30, 2017

Note 2- Deposits and Investments

The Authority's investments are limited to those allowed by state statute. At September 30, 2017, the Authority's investments consisted of certificates of deposit.

Custodial Credit Risk-Deposits: Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The balances of the deposits with financial institutions on September 30, 2017 was \$10,569,642. Of this amount \$1,250,000 is totally insured by FDIC insurance. The balance of \$9,319,642 was secured by collateral held by the pledging financial institution agent in the name of the pledging financial institutions and pledged to the Housing Authority of The City of Lake Charles.

Although the pledged securities are considered uncollateralized under the provisions of GASB Statement 40, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Authority that the fiscal agent has failed to pay deposited funds upon request.

Under state law, the Authority's demand deposits are required to be fully collateralized at all times. 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.

Custodial Credit Risk – Investments: For an investment, this is the risk that, in the event of the failure of the counter-party, the Authority will not be able to recover the value of its investments or collateral securities are in the possession of an outside party. The Authority does maintain investment accounts at a financial institution. The balances were fully secured by federal deposit insurance and pledged securities held by the custodial bank in joint custody as of September 30, 2017.

Interest Rate Risk/Credit Risk: The Authority's policies do not address interest rate or credit risk.

Money Market Account Balance: \$ 522,922

Certificates of Deposit Balances:

	<u>Maturity</u>	<u>Interest Rate</u>	
Certificate of Deposit	12/28/17	.350%	\$ 126,330
Certificate of Deposit	04/23/18	.150%	\$ 519,998
Certificate of Deposit	10/18/17	.350%	\$ 519,327
Certificate of Deposit	11/23/17	.050%	<u>\$ 117,862</u>
Total Current			<u>\$ 1,283,517</u>

The certificates of deposit are recorded at cost plus accrued interest.

Housing Authority of The City of Lake Charles
Lake Charles, Louisiana

Notes to Basic Financial Statements

September 30, 2017

Note 3 - Accounts Receivable

The accounts receivable at September 30, 2017 are as follows:

<u>Class of Receivable</u>	<u>General</u>	<u>Section 8</u>	<u>Management</u>	<u>Total</u>
Tenants	\$ 34,370	-0-	7,944	\$ 42,314
A/R-Miscellaneous	120,477	-0-	1,740,933	\$ 1,861,410
A/R-HUD/Other Projects	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>\$ 0</u>
Totals	\$ 154,847	\$ -0-	\$1,748,877	\$ 1,903,724

The accounts receivable – other consists of balances due from other entities the Authority manages and consists of balances due from other entities that are commercial property tenants. The Authority expects to collect those balances in full. Included in tenants accounts receivable are repayment agreements for fraudulently reporting incorrect income amounts for past rental calculations.

Note 4 – Prepaid Items

Prepaid items as of September 30, 2017 consisted of prepaid insurance of \$446,488.

Note 5 – Capital Assets Changes in capital assets and accumulated depreciation during the current year are as follows:

	<u>Cost</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Cost</u>
Land	\$ 2,307,886	\$ -	\$ -	\$ 2,307,886
Building and Improvements	50,716,304	490,375	31,790	51,174,889
Furniture, equip., and machinery	1,486,099	-	178,854	1,307,245
	<u>\$ 54,510,289</u>	<u>\$ 490,375</u>	<u>\$ 210,644</u>	<u>54,790,020</u>
Accumulated depreciation:				
Balance 09/30/16				35,906,624
Current year depreciation				1,665,467
Current year dispositions				<u>(210,644)</u>
Balance 09/30/17				<u>37,361,447</u>
Capital assets, net of accumulated depreciation				<u>\$ 17,428,573</u>

Housing Authority of The City of Lake Charles
Lake Charles, Louisiana

Notes to Basic Financial Statements

September 30, 2017

Note 6 – Inter-fund Receivables/Payables

The following schedule reports receivables and payables within the reporting entity at September 30, 2017:

	Receivables	Payables
General		
Housing Choice Vouchers	48,334	78,609
	48,334	78,609
Section 8		
Disaster Housing	-	-
Fed.Act. Sect. 901	-	-
14.IKE	-	-
Housing Choice Vouchers	3,159	-
Moderate Rehab	33,041	34,874
	36,200	34,874
Management		
Housing Choice Vouchers	28,949	-
	28,949	-
Totals	\$ 113,483	\$ 113,483

Note 7 - Accounts Payable

The accounts payable at September 30, 2017 are as follows:

	General	Section 8	Management	Total
Class of Payable				
Vendors	\$ 617	\$ 790	\$ 1,857	\$ 3,264
Accts. Payable-Other Govt.	114,620	87,099	61,331	\$ 263,050
Other Liabilities	-	8,344	-	\$ 8,344
	\$ 115,237	\$ 96,233	\$ 63,188	\$ 274,658

Housing Authority of The City of Lake Charles
 Lake Charles, Louisiana
 Notes to Basic Financial Statements
 September 30, 2017

Note 8 – General Long-Term Obligations

The following is a summary of the long-term obligation transactions for the year ended September 30, 2017, which consisted of, compensated absences:

Balance, beginning	\$ 337,983
Net Changes	<u>6,035</u>
Balance, ending	<u><u>\$ 344,018</u></u>
Amounts due in one year	<u><u>\$ 34,401</u></u>

In the past the liability has been liquidated by the general fund.

Note 9 – Retirement Plan

The Authority participates in the Housing-Renewal and Local Agency Retirement Plan, which is a defined contribution plan. The plan consists of employees of various local and regional housing authorities, urban renewal agencies, and other similar organizations. Through this plan, the Authority provides pension benefits for all of its full-time employees. All regular and full time employees are eligible to participate in the plan on the first day of the month after completing six months of continuous and uninterrupted employment. The Board of Commissioners of the Authority determines plan provisions and changes to plan contributions.

Under a defined contribution plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account and the returns earned on investments of those contributions.

Under the plan, the Authority contributes 8.5% of the employee's basic (excludes overtime) monthly salary to the plan with the provision that the employee is required to contribute a minimum of 6%. The Authority's contribution for each employee and income allocated to the employee's account are fully vested after five years of continuous service. The Authority's contributions and interest forfeited by employees who leave employment before five years of service are used to offset future contributions of the Authority. Normal retirement date shall be the first day of the month following the employee's 65th birthday.

The Authority's total payroll for the year ended September 30, 2017 was \$1,688,285. The Authority's contributions were calculated using the average base salary amount of \$1,620,698. The Authority made the required contributions of \$135,042 for the year ended September 30, 2017.

Housing Authority of The City of Lake Charles
Lake Charles, Louisiana

Notes to Basic Financial Statements

September 30, 2017

Note 10 - Contingencies and Commitments

Litigation At September 30, 2017, the Authority was involved in a variety of litigation. It is the opinion of the legal advisor of the Authority that this litigation would not have a material effect on the financial statements and that any potential liability would be covered by insurance.

Note 11 – Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Authority carries commercial insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 12 - Management Agreement

The Authority entered into a management agreement with Chateau du Lac Limited Partnership on November 24, 1981 whereby the Authority will have the duty of maintaining, servicing, repairing, promoting, publicizing, operating, and managing an apartment complex owned by Chateau du Lac Limited Partnership. The agreement calls for a management fee, from occupancy date, of 4 ½% of gross rental income. Management fee income for the year was \$ 64,595.

In July 2001 the Authority received approval from the United States Department of Housing and Urban Development (HUD) to become the management agent of a second property. The Authority will have the duty of maintaining, servicing, repairing, promoting, publicizing, operating, and managing a housing complex owned by Willow Manor, Inc. The management fee set forth and approved by HUD, is 8.9% of residential income collected. Management fee income for the year was \$ 7,478.

continued

Housing Authority of the City of Lake Charles
 Lake Charles, Louisiana
 Notes to Basic Financial Statements
 September 30, 2017

Note 13 – Economic Dependence and Current Vulnerability Due to Certain Concentrations

The Department of Housing and Urban Development provided \$ 9,578,035 to the Authority, which represents approximately 66.83% of the Authority’s total revenue for the year.

The Authority’s operations are concentrated in the public housing real estate market. In addition, the Authority operates in a heavily regulated environment. The operations of the Authority are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules, and regulations are subject to change by an act of congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay the related cost, including additional administrative burden, to comply with a change.

Note 14 – Financing of Note Receivable/Related Party Transactions

In 2012 HUD approved the advancing of Fungibility Funds to several new tax credit entities. Construction and permanent financing was provided by the Housing Authority of the City of Lake Charles. Non-recourse promissory notes were issued by the Partnerships that were formed in these new tax credit entities.. The Partnerships shall make annual payments to the Housing Authority from available cash flow as set forth in the Partnership Agreements. The loans are collateralized by a second security interest in the Partnership’s property and improvement, and granting a pledge and security interest in all general intangibles, equipment, inventory, accounts receivable, operating accounts, furniture, fixtures, etc. of the Borrower. The detail for the tax credit entities owing the financing to The Housing Authority is as follows:

<u>Entity</u>	<u>Mortgage</u>	<u>Term</u>	<u>Int.Rate</u>	<u>Maturity</u>
Village of Lake Charles	\$ 1,354,321	30 yrs	3.00%	1/30/2042
Booker T Washington	\$ 322,000	40 yrs	.25%	9/11/2055
Booker T. Washington	\$ 160,000	40 yrs	2.00%	1/04/1953
Booker T. Washington	\$ 1,328,138	40 yrs	4.00%	1/04/1953
Kingsley Court	\$ 1,508,404	40 yrs	2.00%	12/31/1952
Bayou Bluff	\$ 1,732,066	40 yrs	2.00%	12/31/1952
High School Park	\$ 319,000	35 yrs	0.00%	12/28/1950
Accrued Interest	\$ 546,883			
Total Notes Rcvble.	<u>\$ 7,270,812</u>			

SUPPLEMENTARY INFORMATION

Statement & Certification of Actual Modernization Cost

Financial Data Schedule

Schedule of Compensation, Benefits & Other Payments to CEO

Housing Authority of The City of Lake Charles
Statement and Certification of Actual Modernization Cost
Annual Contribution Contract

September 30, 2017

1. The Actual Modernization Costs are as follows:

	<u>(2015) Capital Fund</u>	<u>(2016) Capital Fund</u>
Funds approved	\$ 1,081,680	\$ 1,158,301
Funds expended	<u>\$ (1,081,680)</u>	<u>\$ (272,722)</u>
Funds left to spend	<u>\$ -0-</u>	<u>\$ 885,579</u>
	<u>(2017) Capital Fund</u>	
Funds advanced	\$ 1,203,958	
Funds expended	<u>\$ (13,448)</u>	
Funds left to spend	<u>\$ 1,190,510</u>	

2. The distribution of costs by project as shown on the Statements of Modernization Costs accompanying the Actual Modernization Costs Certificates submitted to HUD for approval are in agreement with the PHA's records.
3. All modernization costs have been paid and all related liabilities have been discharged through payment.

Housing Authority of The City of Lake Charles
Lake Charles, Louisiana
FINANCIAL DATA SCHEDULE
For the Year Ended September 30, 2017

Account Description	Low Rent Public Housing	Shelter Plus Care	Housing Choice Vouchers	Elimination	Business Activities
Cash-Unrestricted	\$4,010,727	\$0	\$431,021	\$0	\$1,437,235
Cash-restricted-modernization & develop	\$0	\$0	\$163,150	\$0	\$0
Cash-other restricted	\$0	\$0	\$0	\$0	\$0
Cash-Tenant Security Deposits	<u>\$210,550</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$33,992</u>
Total Cash	\$4,221,277	\$0	\$594,171	\$0	\$1,471,227
Accounts Receivable-PHA/HUD Projects	\$0	\$0	\$0	\$0	\$0
Accounts Receivable-Miscellaneous	\$ 120,477	\$0	\$0	\$0	\$1,740,933
Accounts Receivable-Tenants-Dwell Rents	\$ 46,361	\$0	\$0	\$0	\$ 8,312
Allowance for Doubtful Accounts-Tenants	(\$ 11,991)	\$0	\$0	\$0	(\$ 368)
Accrued Interest Receivable	<u>\$ 263</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$ 6</u>
Total Receivables, net of allowance	\$155,110	\$0	\$0	\$0	\$1,748,883
Investments-Unrestricted	\$646,328	\$0	\$0	\$0	\$117,862
Investments-Restricted	\$0	\$0	\$0	\$0	\$0
Prepaid Expenses and Other Assets	\$372,699	\$0	\$10,435	\$0	\$63,116
Inventories	\$37,1251	\$0	\$0	\$0	\$5,488
Inter-program Due From	<u>\$99,340</u>	<u>\$0</u>	<u>\$ 3,159</u>	<u>\$(113,483)</u>	<u>\$28,949</u>
Total Current Assets	\$5,480,873	\$0	\$607,765	\$(113,483)	\$3,435,525
Land	\$1,547,059	\$0	\$0	\$0	\$760,827
Buildings	\$45,714,490	\$0	\$0	\$0	\$5,014,218
Furniture, Equipment & Machinery-Dwell	\$593,206	\$0	\$0	\$0	\$0
Furniture, Equipment & Machinery-Admin	\$645,394	\$0	\$40,338	\$0	\$28,307
Leasehold Improvements	\$59,605	\$0	\$0	\$0	\$ 386,576
Accumulated Depreciation	<u>(\$36,504,070)</u>	<u>\$0</u>	<u>(\$38,093)</u>	<u>\$0</u>	<u>(\$ 819,284)</u>
Total Fixed Assets, Net of Acc. Deprec.	\$ 12,055,684	\$0	\$ 2,245	\$0	<u>\$ 5,370,644</u>
Notes, Loans & Mortgages Receivable	<u>\$5,115,491</u>	<u>\$0</u>	<u>\$ 0</u>	<u>\$0</u>	<u>\$ 2,155,321</u>
Total Assets	\$22,652,048	\$0	\$610,010	\$(113,483)	\$10,961,490
Accounts Payable>=90 days	\$617	\$0	\$790	\$0	\$1,857
Deferred Revenues	\$0	\$0	\$53,703	\$0	\$0
Accrued Comp. Absences - Current	\$31,615	\$0	\$2,394	\$0	\$301
Current Portion of L/T Debt-Capital	\$0	\$0	\$0	\$0	\$215,761
Accounts Payable-HUD/Other Govt.	\$114,620	\$0	\$3,210	\$0	\$61,331
Tenant Security Deposits	\$210,550	\$0	\$0	\$0	\$33,992
Other Current Liabilities	\$0	\$0	\$7,314	\$0	\$0
Inter-program Due To	<u>\$78,609</u>	<u>\$0</u>	<u>\$0</u>	<u>\$(113,483)</u>	<u>\$0</u>
Total Current Liabilities	\$436,011	\$0	\$67,411	\$(113,483)	\$313,242
Accrued Comp. Absences-Non Current	\$284,535	\$0	\$21,544	\$0	\$2,711
Non-Current Liabilities-Other	\$0	\$0	\$0	\$0	\$2,461
Long-term Debt-Net of Curr.-Cap.Proj/Mtg	<u>\$ 0</u>	<u>\$0</u>	<u>\$ 0</u>	<u>\$0</u>	<u>\$3,636,666</u>
Total Noncurrent Liabilities	\$284,535	\$0	\$ 21,544	\$0	\$3,903,377
Total Liabilities	\$720,546	\$0	\$ 88,955	\$0	\$4,300,053
Invested In Capital Assets	\$12,055,684	\$0	\$ 2,245	\$0	\$0
Restricted Net Position	\$0	\$0	\$ 102,133	\$0	\$0
Unrestricted Net Position	<u>\$ 9,875,818</u>	<u>\$0</u>	<u>\$ 416,677</u>	<u>\$0</u>	<u>\$6,058,779</u>
Total Equity/Net Position	<u>\$ 21,931,502</u>	<u>\$0</u>	<u>\$ 521,055</u>	<u>\$0</u>	<u>\$6,058,779</u>
Total Liabilities and Equity/Net Position	\$ 22,652,048	\$0	\$610,010	\$(113,483)	\$10,961,490

14.DVP Disaster Voucher Program	14.IKE DHAP Ike	14.ESA Section 901 Emerg.Supp	14.856 Lower Income Mod Rehab MR002/MR002	Total
\$0	\$467,944	\$0	\$225,777	\$ 6,572,704
\$1,564,325	\$0	\$0	\$83,889	\$ 1,811,364
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$ 244,542</u>
\$1,564,325	\$467,944	\$0	\$309,666	\$ 8,628,610
\$0	\$0	\$0	\$0	\$ 1,861,410
\$0	\$0	\$0	\$0	\$ 54,673
\$0	\$0	\$0	\$0	(\$ 12,359)
\$0	\$0	\$0	\$ 7,966	\$ 260,124
\$0	\$0	\$0	(\$7,966)	(\$ 260,124)
<u>\$ 344</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 613</u>
\$ 344	\$ 0	\$ 0	\$ 1,529	\$ 1,904,337
\$0	\$522,922	\$0	\$0	\$ 1,287,112
\$519,327	\$0	\$0	\$0	\$ 519,327
\$0	\$0	\$0	\$238	\$ 446,488
\$0	\$0	\$0	\$0	\$ 42,613
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$ 33,041</u>	<u>\$ 0</u>
\$2,083,996	\$990,866	\$0	\$ 342,945	\$12,828,487
\$0	\$0	\$0	\$0	\$ 2,307,886
\$0	\$0	\$0	\$0	\$ 50,728,708
\$0	\$0	\$0	\$0	\$ 593,206
\$0	\$0	\$0	\$0	\$ 714,039
\$0	\$0	\$0	\$0	\$ 446,181
\$0	\$0	\$0	\$0	(\$ 37,361,447)
\$0	\$0	\$0	\$0	\$ 17,428,573
\$0	\$0	\$0	\$0	\$ 7,270,812
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$ 24,699,385</u>
\$2,083,996	\$990,866	\$0	\$342,945	\$ 37,527,872
\$0	\$0	\$0	\$0	\$ 3,264
\$0	\$0	\$0	\$0	\$ 0
\$0	\$0	\$0	\$91	\$ 34,404
\$0	\$0	\$0	\$83,889	\$ 91,055
\$0	\$0	\$0	\$0	\$ 171,995
\$0	\$0	\$0	\$0	\$ 244,542
\$0	\$0	\$0	\$0	\$ 53,703
\$0	\$0	\$0	\$0	\$ 215,761
\$0	\$0	\$0	\$ 1,030	\$ 8,344
\$0	\$0	\$0	\$ 34,874	\$ 0
\$0	\$0	\$0	\$ 119,884	\$ 823,065
\$0	\$0	\$0	\$ 827	\$ 309,617
\$0	\$0	\$0	\$ 0	\$ 3,631,494
\$0	\$0	\$0	\$ 827	\$ 3,943,572
\$0	\$0	\$0	\$ 120,711	\$ 4,766,637
\$0	\$0	\$0	\$0	\$17,428,573
\$0	\$0	\$0	\$0	\$ 102,133
\$2,083,996	<u>\$990,866</u>	<u>\$0</u>	<u>\$ 222,234</u>	<u>\$15,230,529</u>
<u>\$2,083,996</u>	<u>\$990,866</u>	<u>\$0</u>	<u>\$ 222,234</u>	<u>\$32,761,235</u>
<u>\$2,083,996</u>	<u>\$990,866</u>	<u>\$0</u>	<u>\$ 342,945</u>	<u>\$37,527,872</u>

Account Description	Low Rent	Shelter	Housing	Business
	Public Housing	Plus Care	Choice Vouchers	Activities
Net Tenant Rental Revenue	\$1,611,957	\$0	\$0	\$944,564
Other Revenue	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total Operating Revenues	\$1,611,957	\$0	\$0	\$944,564
HUD PHA Operating Grants	\$2,856,725	\$0	\$6,062,831	\$0
Capital Grants	\$480,804	\$0	\$0	\$0
Investment Income-Unrestricted	\$ 2,188	\$0	\$445	\$44,586
Mortgage Interest Income	\$100,304	\$0	\$12,270	\$0
Other Revenue	\$ 7,090	\$0	\$98,395	\$776,727
Asset Mgmt./Bookkeeping/Front Line Svc	\$0	\$0	\$0	\$0
Gain(loss) on Sale of Capital Assets	<u>(\$1,063)</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$32)</u>
Total Revenue	\$5,991,863	\$0	\$6,173,941	\$1,765,845
Administrative Salaries	\$830,365	\$0	\$206,736	\$61,001
Book-keeping and Auditing Fees	\$89,773	\$0	\$146,518	\$4,884
Management Fees	\$475,520	\$0	\$0	\$0
Employee Benefit Contributions-Admin	\$293,355	\$0	\$128,931	\$29,737
Other Operating-Administrative	\$440,596	\$0	\$123,250	\$33,041
Asset Management Fees	\$82,680	\$0	\$185,124	\$0
Legal Expenses	\$40,291	\$0	\$0	\$6,613
Other-Tenant Svcs.	\$5,043	\$0	\$130,653	\$21,528
Employee Benefit Contrib.-Tenant Svcs.	\$0	\$0	\$0	\$0
Travel & Relocation	\$28,971	\$0	\$4,907	\$25,879
Water	\$318,028	\$0	\$0	\$3,902
Electricity	\$88,385	\$0	\$0	\$51,942
Gas	\$31,014	\$0	\$0	\$2,852
Ordinary Maint and Operations-Labor	\$581,144	\$0	\$0	\$0
Ordinary Maint and Operations-Materials	\$369,930	\$0	\$1,699	\$50,534
Ordinary Maint and Operations-C. Costs	\$323,235	\$0	\$83,743	\$132,288
Employee Benefit Contribution-Ord. Maint.	\$283,316	\$0	\$0	\$0
Protective Services-Other Contract Costs	\$0	\$0	\$44,705	\$0
Property Insurance	\$685,431	\$0	\$23,464	\$113,381
Interest on Mtg.Payable/Notes Payable	\$0	\$0	\$0	\$161,096
Liability & Work Comp Insurance	\$71,059	\$0	\$24,810	\$2,783
All Other Insurance	\$128,306	\$0	\$7,448	\$18,903
Other General Expenses	\$462,644	\$0	\$6,282	\$79
Payments in Lieu of Taxes	\$110,664	\$0	\$0	\$64,450
Total Operating Expenses	\$5,239,953	\$0	\$951,895	\$844,881
Excess Operating Rev over Oper Exp	\$ 751,910	\$0	\$5,222,046	\$920,964
Casualty Losses-Non Capitalized	\$10,000	\$0	\$1,778	(\$134)
Housing Assistance Payments	\$0	\$0	\$6,727,535	\$0
Depreciation Expense	<u>\$1,524,067</u>	<u>\$0</u>	<u>\$ 809</u>	<u>\$140,591</u>
Total Expenses	\$6,774,020	\$0	\$7,682,017	\$985,338
Operating Transfers In/Out	<u>(\$ 386,165)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$172,296</u>
Total Other Financing Sources (Uses)	(\$ 386,165)	\$0	\$0	\$172,296
Excess-Defic- Operating Rev Over/Under	(\$ 1,168,322)	\$0	(\$1,508,076)	\$952,803
Beginning Equity	\$23,099,824	\$0	\$2,029,131	\$6,058,779
Prior Period Adjustments, Equity Transfers	\$0	\$0	\$0	\$0
Unit Months Available	9,190		23,808	
Number of Unit Months Leased	8,964		15,427	

14.DVP Disaster Voucher Program	14.IKE DHAP Ike	14.ESA Section 901 Emerg.Supp	14.856 Lower Income Mod Rehab MR002/MR003	Elimination	Total
\$0	\$0	\$0	\$0	\$0	\$ 2,556,521
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$ 0</u>
					<u>\$ 2,556,521</u>
\$0	\$0	\$0	\$391,544	\$0	\$9,311,100
\$0	\$0	\$0	\$0	\$0	\$ 480,804
\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$2,513	\$0	\$72	\$0	\$ 49,804
\$0	\$0	\$0	\$0	\$0	\$ 100,304
\$0	\$0	\$0	\$0	\$0	\$ 13,690
\$0	\$0	\$0	\$1,420	\$0	\$ 882,212
\$0	\$0	\$0	\$0	\$0	(\$ 1,095)
<u>\$3,191</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$ 3,191</u>
\$3,191	\$2,513	\$0	\$393,036	(\$933,858)	\$13,396,531
\$0	\$0	\$0	\$6,108	\$0	\$ 1,104,210
\$0	\$4,870	\$0	\$8,547	\$0	\$ 72,709
\$0	\$597	\$0	\$1,108	\$0	\$ 1,705
\$0	\$0	\$0	\$2,271	\$0	\$ 454,294
\$0	\$0	\$0	\$8,652	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$ 59,757
\$0	\$0	\$0	\$0	\$0	\$ 46,904
\$0	\$0	\$0	\$0	\$0	\$ 157,224
\$0	\$0	\$0	\$0	\$0	\$ 321,930
\$0	\$0	\$0	\$0	\$0	\$ 140,327
\$0	\$0	\$0	\$0	\$0	\$ 33,866
\$0	\$0	\$0	\$0	\$0	\$ 581,144
\$0	\$0	\$0	\$0	\$0	\$ 422,163
\$0	\$0	\$0	\$6,732	\$0	\$ 569,780
\$0	\$0	\$0	\$0	\$0	\$ 283,315
\$0	\$0	\$0	\$0	\$0	\$ 44,705
\$0	\$0	\$0	\$0	\$0	\$ 822,276
\$0	\$0	\$0	1549	\$0	\$ 41,797
\$0	\$0	\$0	\$468	\$0	\$ 113,482
\$0	\$0	\$0	\$1,081	\$0	\$ 469,005
\$0	\$0	\$0	\$0	\$0	\$ 175,114
\$0	\$0	\$0	\$0	\$0	\$ 155,748
\$0	\$0	\$0	\$0	\$0	\$ 70,921
<u>\$ 0</u>	<u>\$ 5,467</u>	<u>\$0</u>	<u>\$ 34,040</u>	<u>(\$933,858)</u>	<u>\$ 6,142,378</u>
\$ 3,191	(\$ 2,954)	\$0	\$358,996	\$0	\$ 6,333,189
\$0	\$0	\$0	\$337,664	\$0	\$ 6,983,949
\$0	\$0	\$0	\$0	\$0	\$ 81,250
\$0	\$0	\$0	\$0	\$0	\$ 1,665,467
\$0	\$5,467	\$0	\$371,704	(\$933,858)	\$ 14,884,688
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$ 213,869)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$ 172,296</u>
<u>\$0</u>	<u>\$ 0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$ 172,296)</u>
\$0	\$0	\$0	\$0	\$0	(\$ 213,869)
\$ 3,191	(\$2,954)	\$0	\$ 21,332	\$0	(\$ 1,702,026)
<u>\$2,080,805</u>	<u>\$993,820</u>	<u>\$0</u>	<u>\$200,902</u>	<u>\$0</u>	<u>\$ 34,463,261</u>
			840		33,838
			721		25,112

Housing Authority of The City of Lake Charles
Lake Charles, Louisiana
Schedule of Compensation, Benefits and Other Payments to the Chief Executive Officer
For the Year Ended September 30, 2017

Expenditure Purpose

Salary	\$ 123,869
Benefits-Health Insurance	7,569
Benefits-Retirement	10,824
Cell Phone	922
Travel (including per diem and advances)	<u>23,378</u>
Total Compensation, Benefits and Other Payments	<u>\$ 166,562</u>

Agency Head: S. Benjamin Taylor, Chief Executive Officer

Trimm Consulting, APAC

1901 Sampson Street
Westlake, La. 70669
(337)478-0993

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 Lake Charles
Lake Charles, 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, each major fund, and the aggregate remaining fund information of the Housing Authority of The City of Lake Charles as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued my report thereon dated March 1, 2018.

Internal Control Over Financial Reporting

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

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. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Authority of The City of Lake Charles' financial statements are free of 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*.

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 intended for the use of the Board, management, the Louisiana Legislative Auditor and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of these reports may be limited, under Louisiana Revised Statute 24:513 this report is distributed by the office of the Louisiana Legislative Auditor as a public document.

William V. Trimm, CPA Trimm Consulting, APAC
March 1, 2018

Trimm Consulting, APAC

1901 Sampson Street
Westlake, La. 70669
(337)478-0993

**Independent Auditor's Report on Compliance for Each Major Federal Program and
on Internal Control over Compliance Required by the
Uniform Guidance**

**Board of Commissioners
Housing Authority of The City of Lake Charles
Lake Charles, Louisiana**

Report on Compliance for Each Major Federal Program

I have audited the Housing Authority of The City of Lake Charles' compliance with the types of compliance requirements described in the *(OMB) Compliance Supplement* that could have a direct and material effect on each of the entity's major federal programs for the year ended September 30, 2017. The Housing Authority of The City of Lake Charles' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination on the Housing Authority of The City of Lake Charles' compliance.

Opinion on Each Major Federal Program

In my opinion, the Housing Authority of The City of Lake Charles, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2017.

Report on Internal Control Over Compliance

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

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

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

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

It is intended for the information and use of the Board, management, the Louisiana Legislative Auditor, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of these reports may be limited, under Louisiana Revised Statute 24:513 this report is distributed by the office of the Louisiana Legislative Auditor as a public document.

William V. Trimm, CPA Trimm Consulting, APAC
March 1, 2018

Housing Authority of The City of Lake Charles
 Lake Charles, Louisiana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2017

Federal Grantor/Pass-thru Grantor/Program Name	CFDA Number	Grant Number	Grants	
			Receipts	Expenses
Department of HUD				
PHA Owned Housing	14.850	FW-1132	\$ 2,374,543	\$ 2,374,543
Capital Grant(s)	14.872		749,117	749,117
ARRA-Capital Grant Recovery	14.885		-0-	-0-
DHAP-IKE	14.1KE		-0-	-0-
Sect 8 Mod. Rehabilitation	14.856	FW-2074	391,544	391,544
Disaster Housing Asst. Grant	97.109		-0-	-0-
Shelter Plus Care Renewal	14.238	A-48C40-100	-	-
Sect 8 Housing Choice Voucher	14.871	FW-2228V	<u>6,062,831</u>	<u>6,062,831</u>
			Total	<u>\$ 9,578,035</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

Housing Authority of The City of Lake Charles
Lake Charles, Louisiana

Notes to the Schedule of Federal Financial Assistance

For the Year Ended September 30, 2017

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of all federal awards programs of the Housing Authority of The City of Lake Charles (the Authority). The Authority's reporting entity is defined in Note 1 of the notes to the basic financial statements. The information in this schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations Part 200, Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance").

Note 2 - Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the Authority's basic financial statements. The entity did not elect to use the 10 percent de-minimus indirect rate.

Note 3 – Relationship to Basic Financial Statements

Federal awards revenues are reported in the Authority's basic financial statements as follows:

<u>Federal Sources</u>	<u>Amount</u>
General	\$ 3,123,660
Section 8	<u>6,454,375</u>
	<u>\$ 9,578,035</u>

Note 4 – Relationship to Federal Financial Reports

Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports except for changes made to reflect amounts in accordance with accounting principles generally accepted in the United States of America.

Note 5 - Sub-recipients

There were no awards passed through to sub-recipients.

Housing Authority of The City of Lake Charles
Lake Charles, Louisiana

SCHEDULE OF FINDINGS & QUESTIONED COSTS

For the Year Ended September 30, 2017

SECTION I- Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: **Unmodified**

Internal Control over financial reporting:

- Material weakness(es) identified? ___ yes x none reported
- Significant deficiency(ies) identified? ___ yes x none reported

Noncompliance material to financial statements noted?

___ yes x no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ___ yes x none reported
- Significant deficiency(ies) identified? ___ yes x none reported

Type of auditor's report issued on compliance for major programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with Section

510(a) of OMB Circular A-133/Uniform Guidance ___ yes x no

Identification of major programs:

- a. CFDA 14.871 Section 8 Housing Choice Voucher Program
- b. CFDA 14.850 PHA Owned – Low Rent Public Housing
- c. CFDA 14.872 Public Housing-Capital Fund Program

Dollar threshold used to distinguish between type A & B programs: **\$ 750,000.**

Auditee qualified as low-risk auditee? x yes ___ no

Housing Authority of The City of Lake Charles
Lake Charles, Louisiana

SCHEDULE OF FINDINGS & QUESTIONED COSTS

For the Year Ended September 30, 2017

Section II-Financial Statement Findings

There were no significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, or abuse related to the financial statements.

Section III-Federal Awards Findings

There were no federal awards findings in the audit of the Housing Authority of Lake Charles for the period ended September 30, 2017.

Section IV-Schedule of Prior Year Findings & Questioned Costs
For the year ended September 30, 2016

None.

Housing Authority of the City of Lake Charles, Louisiana
Independent Accountant's Report on Applying Agreed Upon Procedures
For the Period October 1, 2016 through September 30, 2017

Trimm Consulting, APAC

1901 Sampson Street

Westlake, LA. 70669

(337)478-0993

Independent Accountant's Report on Applying Agreed Upon Procedures

March 1, 2018

The Board of the Housing Authority of the City of Lake Charles, Louisiana

I have performed the procedures enumerated below, which were agreed to by management of the City of Lake Charles, Louisiana and the Legislative Auditor, State of Louisiana (LLA), on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed Upon Procedures (SAUPs) for the fiscal period October 1, 2016 through September 30, 2017. Management of the City of Lake Charles, Louisiana is responsible for those C/C areas identified in the SAUPs.

This agreed upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, I make no representation regarding the sufficiency of these 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:

Louisiana Legislative Auditor-Statewide Agreed-Upon Procedures

Written Policies and Procedures:

1. **Procedure:** Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions: a. Budgeting Policy and Procedures; b. Purchasing Policy and Procedures; c. Disbursement Policy and Procedures; d. Receipt Policy and Procedures; e. Payroll/Personnel Policy and Procedures; f. Contracting Policy and Procedures; g. Credit Card, Debit Card, etc. Policy and Procedures; h. Travel and Expense Policy and Procedures (or report that the entity does not have any written policies and procedures) as applicable:

a. Budgeting Policies and Procedures

Result: The organization did not provide current written Budgeting Policies and Procedures that address adopting, monitoring, and amending the budget. The organization follows unwritten/informal policies.

Client Response: Budgeting Policies and Procedures addressing adopting, monitoring, and amending the budget are currently being prepared and implementation will be complete by 9-30-18.

b. Purchasing Policies and Procedures

Result: The organization did not provide current written Purchasing Policies and Procedures 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 that are in place to ensure compliance with the public bid law; and (5) documentation is required to be maintained for all bids and price quotes. The organization follows unwritten informal policies.

Client Response: Purchasing Policies and Procedures including the requirements notes above are currently being prepared and implementation will be complete by 9-30-18.

c. Disbursement Policies and Procedures

Result: The organization did not provide current written Disbursement Policies and Procedures that address the processing, reviewing, and approving of disbursements. The organization follows unwritten/informal policies.

Client Response: Disbursements Policies and Procedures that address the processing, reviewing, and approving of disbursements are currently being prepared and implementation will be complete by 9-30-18.

Louisiana Legislative Auditor-Statewide Agreed-Upon Procedures (Continued)

a. Receipt Policy and Procedures

Result: The organization did not provide current written Receipt Policies and Procedures that address the receiving, recording, and preparing of deposits. The organization follows unwritten/informal policies.

Client Response: Receipt Policies and Procedures that address the receiving, recording, and preparing of deposits are currently being prepared and implementation will be complete by 9-30-18.

1. **Procedure:** Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions: a. Budgeting Policy and Procedures; b. Purchasing Policy and Procedures; c. Disbursement Policy and Procedures; d. Receipt Policy and Procedures; e. Payroll/Personnel Policy and Procedures; f. Contracting Policy and Procedures; g. Credit Card, Debit Card, etc. Policy and Procedures; h. Travel and Expense Policy and Procedures (or report that the entity does not have any written policies and procedures) as applicable:

b. Payroll/Personnel Policy and Procedures

Result: The organization did not provide current written Payroll/Personnel Policy and Procedures that include (1) payroll processing, and (2) reviewing and approving time and attendance records including leave and overtime worked. The organization follows unwritten/informal policies.

Client Response: Payroll/personnel Policy and Procedures that address the items noted above are currently being prepared and implementation will be complete by 9-30-18.

c. Contracting Policy and Procedures

Result: The organization did not provide current written Contracting Policy and Procedures addressing the following: 1) types of services requiring written contracts, 2) standard terms and conditions, 3) the legal review and approval process, and 4) the contract monitoring process. The organization follows unwritten/informal policies.

Client Response: Contracting Policy and Procedures that address the items above are currently being prepared and implementation will be complete by 9-30-18.

d. Credit Card Policy and Procedures (and debit cards, fuel cards, P-Cards, if applicable)

Result: The organization did not provide current written Credit Card Policy and Procedures including (1) how credit cards, debit cards, etc. are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage. The organization follows unwritten/informal policies.

Client Response: Credit Card/Debit Card Policy and Procedures including the items noted above are currently being prepared and implementation will be complete by 9-30-18.

Louisiana Legislative Auditor-Statewide Agreed-Upon Procedures (Continued)

Written Policies and Procedures: (Continued)

1. **Procedure:** Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions: a. Budgeting Policy and Procedures; b. Purchasing Policy and Procedures; c. Disbursement Policy and Procedures; d. Receipt Policy and Procedures; e. Payroll/Personnel Policy and Procedures; f. Contracting Policy and Procedures; g. Credit Card, Debit Card, etc. Policy and Procedures; h. Travel and Expense Policy and Procedures j. Debt Service(or report that the entity does not have any written policies and procedures) as applicable:

- a. **Travel and Expense Reimbursement Policy and Procedures**

Result: The organization did not provide current written Travel and Expense Reimbursement Policy and Procedures including(1)allowable expenses, (2)dollar thresholds by category of expense, (3)documentation requirements, and (4)required approvers. The organization follows unwritten/informal policies.

Client Response: Travel and Expense Reimbursement Policy and Procedures including the items noted above are currently being prepared and implementation will be complete by 9-30-18.

- j. **Debt Service Policy and Procedures**

Result: The organization did not provide current written Debt Service Policy and Procedures including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements. The organization follows unwritten/informal policies.

Client Response: Debt Service Policy and Procedures including the items noted above is currently being prepared and implementation will be complete by 9-30-18.

2. **Board (or Finance Committee, if applicable)**

Procedure: Obtain and review Board/Finance Committee Minutes for the fiscal period and

- a. **Report whether the Managing Board Met With A Quorum At Least Monthly or in Accordance to Board's Enabling Legislation, Charter, or Other Equivalent Document**

Result: The organization did meet monthly (with a quorum).

- b. **Report whether the Board Minutes referenced or included budget-to-actual comparisons on the General Fund, etc.**

Result: The board minutes indicate that financial statements / budgets (that included all major/non-major programs) were included as part of the BOD meeting subjects for discussion.

Louisiana Legislative Auditor-Statewide Agreed-Upon Procedures (Continued)

1. Obtain and review Board/Finance Committee Minutes for the fiscal period and (Continued)

- a. **Procedure:** Report whether Board Minutes Referenced non-budgetary financial Information (e.g., approval of contracts and disbursements) for at least one meeting during the fiscal period

Result: A review of the BOD minutes would seem to indicate that non-budgetary financial information was discussed during at least one meeting.

3 Bank Reconciliations

Procedure: Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

Result: No exception noted.

Louisiana Legislative Auditor-Statewide Agreed-Upon Procedures (Continued)

4. Bank Reconciliations (Continued)

Procedure: Using the bank account listing provided by management, select one-third of the bank accounts. Obtain bank statements and bank reconciliations for all months in the fiscal period and report the following:

a. **Procedure:** Bank Reconciliations have been prepared.

Result: 1) (5) of the (12) bank reconciliations for the audit period were selected. All (5) of the bank reconciliations were completed for the audit period.

b. **Procedure:** Bank reconciliations include evidence that a member of management or a board member with no involvement in transactions associated with the bank account has reviewed each bank reconciliation.

Result: The bank reconciliations are prepared by an accountant at LCHA and forwarded to the fee-paid accountant for review and approval. The CEO and CFO are authorized check signers but do not review the bank reconciliations.

Client Response: The CFO will review and sign off of all bank reconciliations in the future.

4. Bank Reconciliation (Continued)

c. If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

Result: Of the 5 bank account reconciliations reviewed, 2 were found to have outstanding items that were more than 6 months old. These items need to be processed as unclaimed property before the end of the fiscal period.

Client Response: The CFO will ensure that all items greater than 6 months old are transferred to the unclaimed property list and properly handled in the future.

Louisiana Legislative Auditor-Statewide Agreed-Upon Procedures (Continued)

5. Collections

Procedure: Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

Result: No exception noted.

6. Collections (Continued)

- a. **Procedure:** For cash collection location obtain existing written documentation (e.g. insurance policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

Result: There are 2 people responsible for collections at the main headquarters of the LCHA. All of the parties involved are bonded. A staff accountant deposits cash collected into the bank. That same accountant records the related deposit transaction. A different staff accountant reconciles the related bank account.

6. Collections (Continued)

- b. **Procedure:** Obtain written documentation (e.g., sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

Result: Receipts are given to tenants paying cash. There is not a formal, written process to reconcile cash collections to the general ledger, by revenue source, by a person who is not responsible for cash collections in the cash collection location. The staff accountant (person other than the person collecting cash) is responsible for custody, recordation and authorization of deposits without any compensating controls or mitigating controls.

Client Response: A formal Cash Collection Policy and Procedures will be written to address the items noted above and implementation will be complete by 9-30-18.

Louisiana Legislative Auditor-Statewide Agreed-Upon Procedures (Continued)

6. Collections (Continued)

- a. **Procedure:** Select the highest dollar week of cash collections from the general ledger or other accounting records during the fiscal period and
- Using entity collection documentation, deposit slips, bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposit were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

Result: Several of these transaction were reviewed and it would appear that the deposits were, in fact, made within one day of collection.

- a. **Procedure:** Select the highest dollar week of cash collections from the general ledger or other accounting records during the fiscal period and
- Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

Result: Using sequentially numbered receipts, system reports, or other related collection documentation it appears that the daily cash collections are completely supported by documentation without any exceptions.

Client Response: A review of the cash collections indicates that they are completely supported by documentation without any exceptions.

Louisiana Legislative Auditor-Statewide Agreed-Upon Procedures (Continued)

7. Collections (Continued)

Procedure: Obtain existing written documentation (e.g., policy manual, written procedure) and report whether the entity has a process specifically defined to determine completeness of all collections, including electronic transfer, for each revenue source and agency fund additions (e.g., periodic confirmation with outside parties) by a person who is not responsible for collections.

Results: The staff accountant is responsible for custody, recordation and authorization of deposits without any compensating controls or mitigating controls.

Client Response: As addressed above a Cash Collection Policy and Procedures will be written to encompass all of the items noted above.

8. Disbursements-General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

Procedure: Obtain a listing of entity disbursements from management or alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representations that the listing or general ledger population is complete.

Result: No exceptions noted.

9. **Procedure:** Using the disbursement population from 8 above, randomly select 25 disbursements, excluding credit card/debit card/fuel card/P card purchases or payments. Obtain supporting documentation (i.e., purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated the following:

a. **Procedure:** Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

Result: Check disbursements (except for utilities) were initiated using a purchase order system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

Louisiana Legislative Auditor-Statewide Agreed-Upon Procedures (Continued)

**Disbursements-General (excluding credit card/debit card/fuel card/P-Card purchases or payments)
(Continued)**

b. **Procedure:** Purchase orders or an electronic equivalent were approved by a person who did not initiate the purchase.

Result: Purchase orders were approved by a person who did not initiate the purchase.

c. **Procedure:** Payments for purchases were not processed without an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent and an approved invoice.

Result: Payments for purchases were made with approved requisition and/or purchase order, or electronic equivalent, or a receiving report showing receipt of goods purchased and an approved invoice.

Louisiana Legislative Auditor-Statewide Agreed-Upon Procedures (Continued)

**Disbursements-General (excluding credit card/debit card/fuel card/P-Card purchases or payments)
(Continued)**

10. **Procedure:** Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to entity's purchasing/disbursement system.

Result: The person responsible for processing payments is prohibited from adding vendors to entity's purchasing/disbursement system.

11. **Procedure:** Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible with signatory authority or who makes the final authorization for disbursement have no responsibility for initiating or recording purchases.

Result: The CEO and CFO have signatory authority; the CEO and CFO make final authorization for disbursements. The CEO and CFO do initiate purchase requests but do not record purchases.

Louisiana Legislative Auditor-Statewide Agreed-Upon Procedures (Continued)

**Disbursements-General (excluding credit card/debit card/fuel card/P-Card purchases or payments)
(Continued)**

12. **Procedure:** Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons (MJ and TG) that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

Result: The CEO and CFO have signatory authority and has access to the supply of unused checks.

13. **Procedure:** If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

Results: The CEO signature stamp is maintained under the control of the CEO. The CEO and board chair or vice-chair jointly sign checks > \$1,000, and the CFO and staff accountant (SM) jointly sign checks < \$1,000 and return them to accounting for mailing.

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

14. **Procedure:** Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-Cards (cards), 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.

Result: No exceptions noted.

Louisiana Legislative Auditor-Statewide Agreed-Upon Procedures (Continued)

Credit Cards/Debit Cards/Fuel Cards/P-Cards (Continued)

15. **Procedure:** Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases and

a. **Procedure:** Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder.

Result: There are no credit cards. The only cards that exist are Pumpelly fuel (debit) cards. There are (20) fuel cards maintained by the entity. The CEO and CFO review the monthly fuel statements before authorizing payment. There are debit card receipts but the user did not sign and the business purpose was not stated.

Client Response: In the future the fuel purchase receipts, signed by the person authorized to use the card, that also show the business purpose, will be matched to the appropriate Pumpelly fuel card monthly billing.

b. **Procedure:** Report whether finance charges and/or large fees were assessed on the selected statements.

Result: No finance charges and/or large fees were assessed on the selected statements.

Louisiana Legislative Auditor-Statewide Agreed-Upon Procedures (Continued)

Credit Cards/Debit Cards/Fuel Cards/P-Cards (Continued)

16. **Procedure:** Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e., each card should have one month of transactions subject to testing).

a1. **Procedure:** For each transaction, report whether the transaction is supported by an original itemized receipt (i.e., identifies what was purchased).

Result: All Pumpelly monthly statements were reviewed. There were no itemized receipts supporting the monthly charges. There should be fuel purchase receipted signed by the person authorized to use the debit card that can then be turned into accounting and matched to the appropriate Pumpelly fuel card monthly billing.

Client Response: In the future all fuel purchase receipts will be turned in by the authorized debit card users so that those receipts can then be matched to the monthly billing statement.

a2. **Procedure:** Obtain documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

Result: The organization stated that all fuel charges are for business/public purposes only but no supporting documentation was found attached to the monthly statement.

Client Response: In the future all fuel purchase receipts will be turned in by the authorized debit card users so that those receipts can then be matched to the monthly billing statement.

a3. **Procedure:** Obtain other documentation that may be required by written policy (e.g. purchase order, written authorization)

Result: I was unable to ascertain if other documentation was required because the organization has not provided its administrative policy and procedures and accounting policy and procedures for review.

Client Response: Administrative Policy/Procedures and Accounting Policy/Procedures is currently being written and will be implemented by 9-30-18.

Louisiana Legislative Auditor-Statewide Agreed-Upon Procedures (Continued)

16. Continued

Credit Cards/Debit Cards/Fuel Cards/P-Cards (Continued)

b. **Procedure:** For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policy and the Louisiana Public Bid Law (i.e., transaction is a large or recurring purchase requiring the solicitation of bids or quotes and report any exceptions).

Result: I was unable to compare debit card transaction detail to the entity's written purchasing/disbursement policy because there was no such policy and because there were no individual fuel card receipts to review. Also, I was unable to determine credit card/debit card transaction activity for compliance with Louisiana Public Bid Law because there were no individual receipts to review.

Client Response: In the future all fuel purchase receipts will be turned in by the authorized debit card users so that those receipts can then be matched to the monthly billing statement.

c. **Procedure:** For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge or donation of funds, credit, property or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

Results: There was no supporting documentation of the business/public purpose of the fuel debit card transaction thus I was unable to compare it to the requirements of Article 7, Section 14 of the Louisiana Constitution.

Client Response: In the future all fuel purchase receipts will be turned in by the authorized debit card users so that those receipts can then be matched to the monthly billing statement.

Louisiana Legislative Auditor-Statewide Agreed-Upon Procedures (Continued)

Travel and Expense Reimbursement

17. **Procedure:** Obtain from management a listing of all travel and related expense reimbursements by person during the fiscal period or alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

Result: No exceptions noted.

18. **Procedure:** Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

Result: The organization has not written policies related to travel and expense reimbursements.

Client Response: Travel and Expense Reimbursement Policy and Procedures including the items noted above are currently being prepared and implementation will be complete by 9-30-18.

Travel and Expense Reimbursement (Continued)

19. **Procedure:** Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person including the supporting documentation and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

a. **Procedure:** Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g. rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

Result: No written policies were available but per diem rates paid by the organization were compared to the GSA rates and no rates paid exceeded those rates.

Client Response: Travel and Expense Reimbursement Policy and Procedures including the items noted above are currently being prepared and implementation will be complete by 9-30-18.

Louisiana Legislative Auditor-Statewide Agreed-Upon Procedures (Continued)

19. Travel and Expense Reimbursement (continued)

b. **Procedure:** Report whether each expense is supported by:

b1. **Procedure:** An original itemized receipt that identifies precisely what was purchased. (Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt).

Result: All travel and related expense reimbursements for the fiscal period were reviewed. All had original itemized receipts that identified precisely what was being purchased/reimbursed.

b2. Documentation of the business/public purpose. (Note: For meal charges, there should also be documentation of the individuals participating).

Result: All documentation noted the business/public purpose of the request for reimbursement.

b3. Other documentation as may be required by written policy.

Result: N/A

c. **Procedure:** Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge or donation of funds, credit, property or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

Result: After review of the travel/expense reimbursement supporting documentation there would not appear to be any violation of the requirements of Article 7, Section 14 of the Louisiana Constitution.

a. **Procedure:** Report whether each expense and related documentation was reviewed and approved in writing by someone other than the person receiving reimbursement.

Result: After reviewing the supporting documentation, it appears that not all travel/expense reimbursements were approved in writing by someone other than the person receiving reimbursement. Someone of the reimbursements were signed by the CEO but a board member did not the CEO's travel reimbursement request. When the reimbursement exceeded \$1,000 a board member did sign the check.

Client Response: In the future all travel/expense reimbursements will be signed by the person seeking reimbursement and their supervisor. In the case of the CEO, board chair or vice-chair will sign the request.

Louisiana Legislative Auditor-Statewide Agreed-Upon Procedures (Continued)

Contracts

20. **Procedure:** Obtain a listing of all contracts in effect during the fiscal period or alternately obtain the general ledger and sort/filter for contract payments. Obtain management’s representation that the listing or general ledger is complete.

Result: No exceptions noted.

21. **Procedure:** Using the listing above, select the five contract vendors that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

a. Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

Result: The organization provided a listing of all contracts in effect during the fiscal period.

b. **Procedure:** Compare each contract’s detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

b1. **Procedure:** If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder).

Result: Kraus Construction	subject to LA Bid Law/Procurement Code
Gunter Construction	subject to LA Bid Law/Procurement Code
Vincent’s Roofing	subject to LA Bid Law/Procurement Code
Trimm Consulting, APAC	subject to LA Bid Law/Procurement Code
McHale Law Firm	subject to LA Bid Law/Procurement Code

Entity solicited bids/quotes for: Kraus Construction, Gunter Construction, Vincent’s Roofing, Trimm Consulting. All legal requirements complied with.

Bids/quotes of hourly rates solicited periodically to ensure that legal fees (McHale law firm) are reasonable for the area.

Client Response: Bids will be submitted for legal services in the future.

b2. If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

Result: Hourly rates comparing current legal services provided have been solicited in recent years .

Client Response: Bids will be submitted (annually)for legal services in the future.

Louisiana Legislative Auditor-Statewide Agreed-Upon Procedures (Continued)

Contracts (continued)

c. **Procedure:** Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

Result: None of the contracts reviewed were amended.

d. **Procedure:** Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

Result: The payments for the five contracts selected were reviewed. The invoice and the related payments complied with the terms and conditions of the contract.

e. **Procedure:** Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g., Lawson Act or Home Rule Charter).

Result: There is documentation of board approval for the contracts selected, with the exception of the McHale Law Firm.

Client Response: Bids will be submitted for legal services in the future. These bids can then be reviewed and appropriately approved by the Board of Directors.

Payroll and Personnel

22. **Procedure:** Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:

a. **Procedure:** Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

Result: (5) Employees selected: BT(CEO), AC(CFO), MJ (Accountant), FK, JS

Client Response: No exceptions noted.

Louisiana Legislative Auditor-Statewide Agreed-Upon Procedures (Continued)

Payroll and Personnel (Continued)

b. **Procedure:** Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

Result: Changes made to hourly pay rates/salaries during the fiscal period were reviewed. Those changes were approved in writing but could not be determined to be in accordance with written policy because no Payroll/Personnel Policy and Procedures were provided.

Client Response: Payroll/Personnel Policies and currently being written and will be implemented by 9-30-18.

23. **Procedure:** Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period) and:

a. **Procedure:** Report whether 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.)

Result: All of the selected employee/official documented their daily attendance and leave with the exception of AC and FK. Sick leave was taken by and paid to AC. There seemed to be a general lack of regard for FK to retrieve or turn in the appropriate leave/holiday or sick leave paperwork.

Client Response: Efforts will be made in the future to ensure that all personnel document their daily attendance and leave as well as get the appropriate supervisory approval for time off.

b. **Procedure:** Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

Result: There is written documentation that supervisors approved in writing the attendance and leave of the selected employee/officials with the exceptions of AC and FK.

Client Response: Efforts will be made in the future to ensure that all personnel document their daily attendance and leave as well as get the appropriate supervisory approval for time off.

Louisiana Legislative Auditor-Statewide Agreed-Upon Procedures (Continued)

Payroll and Personnel (Continued)

23. Continued

c. **Procedure:** Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave).

Result: There is written documentation that the entity maintained written leave records on those selected employees/officials that earn leave.

Client Response:

24. **Procedure:** Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

Result: There was only 1 termination during the year (employee-VC). The termination payment made to this individual made in strict accordance with the oral policy iterated by management.

25. **Procedure:** Obtain supporting documentation (e.g., cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

Result: The supporting documentation relating to payroll taxes and retirement contributions during the fiscal period was reviewed. The employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

Louisiana Legislative Auditor-Statewide Agreed-Upon Procedures (Continued)

Ethics

26. Using the five randomly selected employees/officials from procedure # 22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.

Result: The entity stated that no ethics classes were attended by any employees during the period under audit.

Client Response: The entity will take steps to determine the necessary ethics classes that should be attended and will make the appropriate efforts to ensure that employees attend those ethics classes.

27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions take, and whether management's action complied with the entity's ethics policy. Report whether management received allegation, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Result: Management stated that there were no ethics violations reported to the entity during the audit period.

Debt Service

28. N/A

29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

Result: The entity had outstanding debt during the fiscal period. The entity made scheduled debt service payments. There are no debt covenants that relate to the debt.

30. N/A

Louisiana Legislative Auditor-Statewide Agreed-Upon Procedures (Continued)

Other

31. **Procedure:** Inquire of management whether the entity had any misappropriation of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Result: Management was not aware of any misappropriations of public funds or assets .

32. **Procedure:** Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

Result: The organization did not report on its premises nor on its website, the notice required by R.S. 24:523.1. This notice concerns the reporting of misappropriation, fraud, or abuse of public funds.

Client Response: This notice will be posted on the entity's premises and website in the future.

33. **Procedure:** If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

Result: No exceptions noted.

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 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.

Respectfully submitted,

William V. Trimm, CPA Trimm Consulting, APAC 3-1-18

LOUISIANA ATTESTATION QUESTIONNAIRE
(For Attestation Engagements of Quasi-public Agencies)

3/28/18 (Date Transmitted)

TRIMM CONSULTING, APC (CPA Firm Name)

1901 SAMPEON STREET (CPA Firm Address)

WESTLAKE, LA. 70669 (City, State Zip)

In connection with your engagement to apply agreed-upon procedures to the control and compliance matters identified below, as of 9-30-17 (date) and for the year then ended, and as required by Louisiana Revised Statute (R.S.) 24:513 and the Louisiana Governmental Audit Guide, we make the following representations to you.

Federal, State, and Local Awards

We have detailed for you the amount of federal, state, and local award expenditures for the fiscal year, by grant and grant year.

Yes No

All transactions relating to federal, state, and local grants have been properly recorded within our accounting records and reported to the appropriate state, federal, and local grantor officials.

Yes No

The reports filed with federal, state, and local agencies are properly supported by books of original entry and supporting documentation.

Yes No

We have complied with all applicable specific requirements of all federal, state, and local programs we administer, to include matters contained in the OMB Compliance Supplement, matters contained in the grant awards, eligibility requirements, activities allowed and unallowed, and reporting and budget requirements.

Yes No

Open Meetings

Our meetings, as they relate to public funds, have been posted as an open meeting as required by R.S. 42:11 through 42:28 (the open meetings law). **Note: Please refer to Attorney General Opinion No. 13-0043 and the guidance in the publication "Open Meeting FAQs," available on the Legislative Auditor's website at <http://app1.la.state.la.us/lla.nsf>, to determine whether a non-profit agency is subject to the open meetings law.**

Yes No

Budget

For each federal, state, and local grant we have filed with the appropriate grantor agency a comprehensive budget for those grants that included the purpose and duration, and for state grants included specific goals and objectives and measures of performance

Yes No

Reporting

We have complied with R.S. 24:513 A. (3) regarding disclosure of compensation, reimbursements, benefits and other payments to the agency head, political subdivision head, or chief executive officer.

Yes No

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Prior-Year Comments

We have resolved all prior-year recommendations and/or comments.

Yes No []

General

We are responsible for our compliance with the foregoing laws and regulations and the internal controls over compliance with such laws and regulations.

Yes No []

We have evaluated our compliance with these laws and regulations prior to making these representations.

Yes No []

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations.

Yes No []

We have made available to you all records that we believe are relevant to the foregoing agreed-upon procedures.

Yes No []

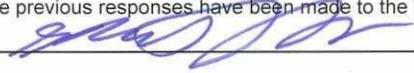
We have provided you with any communications from regulatory agencies, internal auditors, other independent practitioners or consultants or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of your report.

Yes No []

We will disclose to you, the Legislative Auditor, and the applicable state grantor agency/agencies any known noncompliance that may occur up to the date of your report.

Yes No []

The previous responses have been made to the best of our belief and knowledge.

 Secretary 11-16-17 Date

Treasurer _____ Date

President _____ Date