

**HOUSING AUTHORITY OF HAMMOND, LOUISIANA**

**AUDITED FINANCIAL STATEMENTS  
AND SUPPLEMENTAL DATA**

**TWELVE MONTHS ENDED DECEMBER 31, 2018**

**Mike Estes, P.C.**  
A Professional Accounting Corporation

## TABLE OF CONTENTS

	<u>EXHIBIT</u>	<u>PAGE</u>
Independent Auditor's Report		1 – 3
Management Discussion & Analysis		4 – 9
Basic Financial Statements		
Statement of Net Position	A	10
Statement of Revenues, Expenses, and Changes in Fund Net Position	B	11
Statement of Cash Flows	C	12 – 13
Notes to the Basic Financial Statements		14 – 26
Index		14
Notes to Financial Statements		15– 26
<u><i>Other Reports Required by Government Auditing Standards And by Office of Management and Budget (OMB) Compliance Supplement</i></u>		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		27 – 28
Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with the Uniform Guidance		29 – 31
Schedule of Expenditures of Federal Awards		32
Notes to the Schedule of Expenditures of Federal Awards		33
Schedule of Findings and Questioned Costs		34 – 36
Corrective Action Plan		37
Summary Schedule of Prior Audit Findings		38
<u><i>Supplementary Information</i></u>		
Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Director	D(1)	39
Agreed-Upon Procedures Report		40 – 49
Financial Data Schedules		50 – 54



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Independent Auditor's Report

Board of Commissioners  
Housing Authority of Hammond  
Hammond, Louisiana

***Report on the Financial Statements***

We have audited the accompanying financial statements of each major fund of the Housing Authority of the City of Hammond, Louisiana as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Housing Authority of Hammond, Louisiana basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in financial statements. The procedures selected depend on the auditor's judgment, including 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 and audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the Housing Authority of the City of Hammond, Louisiana, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

Also included in Supplementary Information is an Agreed-Upon Procedures report, which reports on an Agreed-Upon Procedures engagement now required by the Louisiana Legislative Auditor. Our opinion is not modified in respect to this matter.

### ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Managements' Discussion and Analysis on pages 4 to 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards general accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority of the City of Hammond, Louisiana's basic financial statements. The financial data schedules and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and other information as listed on the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The financial data schedules and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and other information as listed on the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected

to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the financial data schedules and schedule of expenditures of federal awards, and other information as listed on the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2019 on our consideration of the Housing Authority of the City of Hammond, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Audit Standards* in considering the Housing Authority of the City of Hammond, Louisiana's internal control over financial reporting and compliance.

*Mike Estes, P.C.*

Mike Estes, P.C.  
Fort Worth, Texas  
June 7, 2019

# **Housing Authority of Hammond, Louisiana**

## **Management's Discussion and Analysis (MD&A)**

### **For the Year Ended, December 31, 2018**

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

This financial report is designed to provide an overview of the Housing Authority's total financial picture for the fiscal year ending December 31, 2018, for those with an interest. Please read this discussion and analysis in conjunction with the Housing Authority's included audited financial statements.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Director, Housing Authority of the City of Hammond, 411 West Coleman Ave., Hammond, LA 70403

#### *FINANCIAL HIGHLIGHTS*

- The Housing Authority's primary source of funding continues to be subsidies and grants from the United States Department of Housing and Urban Development (HUD). Additionally, the Housing Authority receives rental subsidy from the United States Department of Agriculture (USDA) for the Jackson Square Rural Development.
- The Housing Authority's net position decreased by \$12,798 during the fiscal year.
- The Housing Authority's operating revenue decreased by \$183,083 during the fiscal year.
- The Housing Authority's operating expenses decreased by \$133,615 during the fiscal year.
- At the close of the current fiscal year, the Housing Authority's Assets exceeded its Liabilities by \$559,066.
- The Housing Authority administers federal grants to benefit the low income, elderly and disabled citizens of the City of Hammond.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This MD&A is intended to serve as an introduction to the Housing Authority's basic financial statements. The Housing Authority is a special-purpose government engaged in business-type activities. Accordingly, only fund financial statements are presented as the basic financial statements, comprised of two components: (1) fund financial statements and (2) a series of notes to the financial statements. These provide information about the activities of the Housing Authority as a whole and present a longer-term view of the Housing Authority's finances. This report also contains other supplemental information in addition to the basic financial statements themselves demonstrating how projects funded by HUD have been completed, and whether there are inadequacies in the Housing Authority's internal controls.

# **Housing Authority of Hammond, Louisiana**

## **Management's Discussion and Analysis (MD&A)**

### **For the Year Ended, December 31, 2018**

#### **Reporting on the Housing Authority as a Whole**

One of the most important questions asked about the Housing Authority's finances is, "Is the Housing Authority as a whole better off, or worse off, as a result of the achievements of fiscal year 2018?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Fund Net Position report information about the Housing Authority as a whole and about its activities in a way that helps answer this question. These statements include all assets, liabilities and deferred outflows/inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

#### **Fund Financial Statements**

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

The Housing Authority's financial statements report its net position and changes in them. One can think of the Housing Authority's net position – the difference between assets and deferred outflows and liabilities and deferred inflows of resources – as one way to measure the Housing Authority's financial health, or financial position. Over time, increases and decreases in the Housing Authority's net position are one indicator of whether its financial health is improving or deteriorating. One will need to consider other non-financial factors, however, such as the changes in the Housing Authority's occupancy levels or its legal obligations to HUD, to assess the overall health of the Housing Authority.

#### **USING THIS ANNUAL REPORT**

The Housing Authority's annual report consists of financial statements that show combined information about the Housing Authority's most significant programs:

Jackson Square Rural Development  
Section 8 Housing Choice Vouchers

The Housing Authority's auditors provided varying degrees of assurance in their independent auditor's report with which this MD&A is included. The auditors also provide varying degrees of assurance regarding the other information included in this report. A user of this report should read the independent auditor's report carefully to determine the level of assurance provided for each of the other parts of this report.

#### **Reporting the Housing Authority's Most Significant Funds**

The Housing Authority's financial statements provide detailed information about the most significant funds. Some funds are required to be established by the Department of Housing and Urban Development (HUD) and United States Department of Agriculture (USDA). However, the Housing Authority establishes other funds to help it control and manage money for particular purposes, or to show that it is meeting legal responsibilities for using grants and other money.

The Housing Authority's enterprise funds use the following accounting approach for Proprietary funds: All of the Housing Authority's services are reported in enterprise funds. The focus of proprietary funds is on income measurement, which, together with the maintenance of net position, is an important financial indicator.

**Housing Authority of Hammond, Louisiana**  
**Management's Discussion and Analysis (MD&A)**  
**For the Year Ended, December 31, 2018**

**Financial Analysis**  
**Condensed Statement of Net Position**

	<u>2018</u>	<u>2017</u>	<u>Net Change</u>
<b>ASSETS</b>			
Current assets	\$ 587,736	\$ 596,763	\$ (9,027)
Restricted assets	102,151	79,914	22,237
Capital assets (net)	<u>173,689</u>	<u>189,518</u>	<u>(15,829)</u>
Total Assets	<u>863,576</u>	<u>866,195</u>	<u>(2,619)</u>
<b>LIABILITIES</b>			
Current liabilities	79,466	60,327	19,139
Deposits due others	6,200	6,950	(750)
Noncurrent liabilities	<u>218,844</u>	<u>227,054</u>	<u>(8,210)</u>
Total Liabilities	<u>304,510</u>	<u>294,331</u>	<u>10,179</u>
<b>NET POSITION</b>			
Net investment in capital assets	(20,571)	(19,771)	(800)
Restricted for HAP Equity	26,836	10,467	16,369
Unrestricted	<u>552,801</u>	<u>581,168</u>	<u>(28,367)</u>
Total Net Position	<u>\$ 559,066</u>	<u>\$ 571,864</u>	<u>\$ (12,798)</u>

**Current Assets** decreased by \$9,027.

**Capital Assets** decreased by \$15,829. This decrease is a result of current depreciation expense exceeding furniture and equipment purchased by the Authority during the year.

**Current Liabilities** increased by \$19,139 as a result of an increase in accounts payable to vendors, accrued compensated absences, unearned revenue and notes payable due within one year, offset by decreases in accrued wages payable and accrued interest payable in FYE 2018 as compared to FYE 2017.

**Noncurrent Liabilities** decreased by \$8,210 due to a reduction in notes payable, offset by an increase in accrued noncurrent compensated absences during the year.

**Net position** - The difference between an organization's assets and its liabilities is its net position. Net position is categorized as one of three types.

- Invested in capital assets, net of related debt - capital assets, net of accumulated depreciation and related debt due to the capital asset and long-term debt activity;
- Restricted - the Authority's net position whose use is subject to constraints imposed by law or agreement consisting primarily of debt service reserves;
- Unrestricted - the Authority's net position that are neither invested in capital assets nor restricted which increase principally due to operations. These resources are available to meet the Authority's ongoing obligations to its residents and creditors.

**Housing Authority of Hammond, Louisiana**  
**Management's Discussion and Analysis (MD&A)**  
**For the Year Ended, December 31, 2018**

**Financial Analysis**  
**Condensed Statement of Revenues, Expenses and Changes in Net Position**

	<u>2018</u>	<u>2017</u>	<u>Net Change</u>
<b>Operating Revenues:</b>			
Dwelling Rental	\$ 29,993	\$ 31,684	\$ (1,691)
Governmental operating grants	1,811,911	1,877,415	(65,504)
Other Operating	<u>59,671</u>	<u>175,559</u>	<u>(115,888)</u>
<b>Total operating revenues</b>	1,901,575	2,084,658	(183,083)
<b>Operating Expenses:</b>			
Administrative	236,434	211,392	25,042
Utilities	4,768	5,385	(617)
Ordinary maintenance & operations	50,164	34,153	16,011
General expenses	38,234	55,270	(17,036)
Depreciation	22,829	20,829	2,000
Housing assistance payments	<u>1,561,833</u>	<u>1,720,848</u>	<u>(159,015)</u>
<b>Total operating expenses</b>	<u>1,914,262</u>	<u>2,047,877</u>	<u>(133,615)</u>
<b>Income (Loss) from Operations</b>	(12,687)	36,781	(49,468)
<b>Non-Operating Revenues (Expenses):</b>			
Interest earnings	1,912	1,923	(11)
Interest expenses	<u>(2,023)</u>	<u>(2,172)</u>	<u>149</u>
<b>Total Non-Operating Revenues</b>	<u>(111)</u>	<u>(249)</u>	<u>138</u>
<b>Change in net position</b>	(12,798)	36,532	(49,330)
<b>Total net position, beginning</b>	<u>571,864</u>	<u>535,332</u>	<u>36,532</u>
<b>Total net position, ending</b>	<u>\$ 559,066</u>	<u>\$ 571,864</u>	<u>\$ (12,798)</u>

**Housing Authority of Hammond, Louisiana**  
**Management's Discussion and Analysis (MD&A)**  
**For the Year Ended, December 31, 2018**

**EXPLANATIONS OF FINANCIAL ANALYSIS**

**Operating Revenue** decreased by \$183,083 for the 2018 fiscal year. This decrease represents a decrease in dwelling rental, governmental operating grants and other operating revenue.

**Operating Expenses** are categorized by the Authority as administrative, utilities, ordinary maintenance and operations, general expenses, depreciation and housing assistance payments expense.

Total operating expenses decreased by \$133,615. This decrease is attributable to decreases in utilities, general expense and housing assistance payments, offset by increases in administrative expense, ordinary maintenance and operations expense and depreciation expense for the 2018 fiscal year.

Administrative Expenses increased by \$25,042 for the 2018 fiscal year. Most of the increase is attributable to increases in administrative salaries, auditing expense, employee benefit contributions, and travel expenses, offset by a decrease in advertising and marketing expenses, office expenses, as well as, other expenses.

Ordinary Maintenance and Operations Expenses increased by \$16,011 for the 2018 fiscal year. The increase is mainly related to an increase in maintenance contract costs incurred in the continuation of unit turnaround efforts, offset by a decrease in materials for the 2018 fiscal year as compared to the 2017 fiscal year.

General Expenses decreased by \$17,036 for the 2018 fiscal year. This decrease relates to a decrease in bad debt expenses and compensated absences expense, offset by an increase in insurance expense and other general expenses in FYE 2018 as compared to FYE 2017.

Housing Assistance Payments decreased by \$159,015 for the 2018 fiscal year.

**Non-operating Revenues** increased by \$138.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

The Authority's capital assets as of December 31, 2018, amounts to \$173,689 (net of accumulated depreciation). The investment in capital assets includes land, buildings and improvements, furniture and equipment, and accumulated depreciation. The total decrease in the Authority's capital assets for the current fiscal year was \$15,829.

**Capital Assets, Net of Accumulated Depreciation**

	<u>2018</u>	<u>2017</u>	<u>Net Change</u>
Land	\$ 35,560	\$ 35,560	\$ -
Buildings and improvements	747,561	747,561	-
Furniture and equipment	40,338	33,338	7,000
Accumulated Depreciation	(649,770)	(626,941)	(22,829)
<b>Total</b>	<u>\$ 173,689</u>	<u>\$ 189,518</u>	<u>\$ (15,829)</u>

**Housing Authority of Hammond, Louisiana**  
**Management's Discussion and Analysis (MD&A)**  
**For the Year Ended, December 31, 2018**

Additional information on the Housing Authority of Hammond's capital assets can be found in the notes to the financial statements in this report.

**Debt**

As of December 31, 2018, the Housing Authority had total debt outstanding of \$194,260 for the USDA loan on the Jackson Square Rural Development. The balance of the total outstanding debt at year end represents a decrease of \$15,029 from the previous year. See the notes to the financial statements for further information.

Non-current liabilities also include accrued annual vacation leave due to employees. The Housing Authority has not incurred any mortgages, leases, or bond indentures for financing capital assets or operations.

**FACTORS AFFECTING NEXT YEAR'S BUDGET**

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. The Housing Choice Voucher program funding is based on actual housing assistance paid and the number of vouchers housed. However, each year HUD prorates the funding for administrative fees based on the Federal budget.

**ECONOMIC FACTORS**

Significant economic factors which may also affect the financial position of the Authority in the subsequent fiscal year are as follows:

- Federal funding provided by Congress to the Department of Housing and Urban Development and new rules and regulations, which could be unfunded;
- Local labor supply and demand, which can affect salary and wage rates;
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income as well as the Housing Assistance Payments (HAP) to landlords;
- Natural disasters which can have a devastating impact on the local economy;
- Inflationary pressure on utility rates, housing costs, supplies and other costs; and
- Trends in the current housing market.

HOUSING AUTHORITY OF HAMMOND, LOUISIANA  
STATEMENT OF NET POSITION

DECEMBER 31, 2018

	General	Rural Development	Total
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 519,745	\$ 10,637	\$ 530,382
Accounts receivable net	36,105	4,147	40,252
Prepaid expenses	4,679	12,423	17,102
Restricted assets - cash and cash equivalents	26,836	75,315	102,151
	<u>587,365</u>	<u>102,522</u>	<u>689,887</u>
<b>Capital Assets, net</b>			
Land and other non-depreciated assets	0	35,560	35,560
Other capital assets - net of depreciation	0	138,129	138,129
	<u>0</u>	<u>173,689</u>	<u>173,689</u>
<b>Total Current Assets</b>	<u>587,365</u>	<u>102,522</u>	<u>689,887</u>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Assets</b>	<u>\$ 587,365</u>	<u>\$ 276,211</u>	<u>\$ 863,576</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 52,998	\$ 6,920	\$ 59,918
Unearned revenue	0	11	11
Compensated absences payable	4,302	0	4,302
Accrued interest payable	0	21	21
Deposits due others	0	6,200	6,200
Notes payable	0	15,214	15,214
	<u>57,300</u>	<u>28,366</u>	<u>85,666</u>
<b>Noncurrent Liabilities</b>			
Compensated absences payable	39,798	0	39,798
Notes payable	0	179,046	179,046
	<u>97,098</u>	<u>207,412</u>	<u>304,510</u>
<b>Total Liabilities</b>	<u>\$ 97,098</u>	<u>\$ 207,412</u>	<u>\$ 304,510</u>
<b>NET POSITION</b>			
Net investment in capital assets	0	(20,571)	(20,571)
Restricted for:			
HAP Equity	26,836	0	26,836
Unrestricted	463,431	89,370	552,801
	<u>490,267</u>	<u>68,799</u>	<u>559,066</u>
<b>Net Position</b>	<u>\$ 490,267</u>	<u>\$ 68,799</u>	<u>\$ 559,066</u>

The Notes to the Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF HAMMOND, LOUISIANA  
STATEMENT OF REVENUES,  
EXPENSES AND CHANGES IN FUND NET POSITION

YEAR ENDED DECEMBER 31, 2018

	General	Rural Development	Total
<b>OPERATING REVENUES</b>			
Dwelling rental	\$ 0	\$ 29,993	\$ 29,993
Governmental operating grants	1,733,505	78,406	1,811,911
Other- Fraud Recovery	5,925	0	5,925
Port-In Revenue	40,417	0	40,417
Other	9,237	4,092	13,329
Total Operating Revenues	1,789,084	112,491	1,901,575
<b>OPERATING EXPENSES</b>			
Administration	214,883	21,551	236,434
Utilities	0	4,768	4,768
Ordinary maintenance & operations	0	50,164	50,164
General expenses	20,749	17,485	38,234
Depreciation	0	22,829	22,829
Housing assistance and Port payments	1,561,833	0	1,561,833
Total Operating Expenses	1,797,465	116,797	1,914,262
Income (Loss) from Operations	(8,381)	(4,306)	(12,687)
Non Operating Revenues (Expenses)			
Interest earnings	1,868	44	1,912
Interest expense	0	(2,023)	(2,023)
Total Non-Operating Revenues (Expenses)	1,868	(1,979)	(111)
Income (Loss) before contribution	(6,513)	(6,285)	(12,798)
Capital Contribution	0	0	0
Change in net position	(6,513)	(6,285)	(12,798)
Total net position - beginning	496,780	75,084	571,864
Total net position - ending	\$ 490,267	\$ 68,799	\$ 559,066

The Notes to the Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF HAMMOND, LOUISIANA  
STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2018

	General	Rural Development	Total
	<u>          </u>	<u>          </u>	<u>          </u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Rental receipts	\$ 0	\$ 30,004	\$ 30,004
Other receipts	63,951	3,210	67,161
Federal grants	1,733,504	74,391	1,807,895
Payments to vendors	(90,005)	(75,206)	(165,211)
Payments to employees – net	(124,697)	(14,210)	(138,907)
Payments to private landlords	(1,561,833)	0	(1,561,833)
	<u>          </u>	<u>          </u>	<u>          </u>
Net cash provided (used) by operating activities	20,920	18,189	39,109
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of capital assets	0	(7,000)	(7,000)
Payments on Capital Debt	0	(15,029)	(15,029)
Interest expense	0	(2,059)	(2,059)
	<u>          </u>	<u>          </u>	<u>          </u>
Net cash provided (used) by capital and related financing activities	0	(24,088)	(24,088)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest income	1,868	44	1,912
	<u>          </u>	<u>          </u>	<u>          </u>
Net cash provided (used) by investing activities	1,868	44	1,912
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	22,788	(5,855)	16,933
<b>CASH AND CASH EQUIVALENTS Beginning of Fiscal Year</b>	523,793	91,807	615,600
	<u>          </u>	<u>          </u>	<u>          </u>
<b>CASH AND CASH EQUIVALENTS End of Fiscal Year</b>	\$ 546,581	\$ 85,952	\$ 632,533
	<u>          </u>	<u>          </u>	<u>          </u>

Continued

HOUSING AUTHORITY OF HAMMOND, LOUISIANA  
STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2018

	General	Rural Development	Total
	<u>          </u>	<u>          </u>	<u>          </u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ (8,381)	\$ (4,306)	\$ (12,687)
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation Expense	0	22,829	22,829
Provision of uncollectible accounts	(19,172)	0	(19,172)
Change in assets and liabilities:			
Receivables	27,543	(4,136)	23,407
Prepaid items	(349)	(152)	(501)
Account payables	21,279	4,704	25,983
Deposits due others	0	(750)	(750)
Net cash provided (used) by operations	<u>\$ 20,920</u>	<u>\$ 18,189</u>	<u>\$ 39,109</u>

Concluded

The Notes to the Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF HAMMOND, LOUISIANA  
NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2018

INDEX

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES .....	15
A. REPORTING ENTITY .....	15
B. FUNDS .....	16
C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING .....	16
D. CASH AND CASH EQUIVALENTS.....	17
E. INVESTMENTS.....	17
F. REVENUE RECOGNITION .....	17
G. INVENTORY .....	17
H. PREPAID ITEMS.....	18
I. CAPITAL ASSETS.....	18
J. COMPENSATED ABSENCES .....	18
K. UNEARNED REVENUE.....	18
L. POST EMPLOYMENT BENEFITS .....	18
M. NET POSITION AND FLOW ASSUMPTIONS.....	19
N. INTERFUND ACTIVITY.....	19
O. USE OF ESTIMATES.....	19
NOTE 2 – DEPOSITS AND INVESTMENTS.....	20
NOTE 3 – ACCOUNTS RECEIVABLE .....	20
NOTE 4 – CAPITAL ASSETS .....	21
NOTE 5 – ACCOUNTS PAYABLE.....	21
NOTE 6 – COMPENSATED ABSENCES.....	21
NOTE 7 – LONG – TERM OBLIGATIONS.....	22
NOTE 8 – RESERVED FUND ACCOUNT.....	23
NOTE 9 – RENTAL SERVICE AGREEMENT.....	24
NOTE 10 – POST EMPLOYMENT BENEFITS .....	24
NOTE 11 – INTERFUND RECEIVABLES AND PAYABLES.....	24
NOTE 12 – RETIREMENT SYSTEM.....	24
NOTE 13 – COMMITMENTS AND CONTINGENCIES .....	25
NOTE 14 – ECONOMIC DEPENDENCE .....	26
NOTE 15 – HOUSING ASSISTANCE PAYMENTS .....	26
NOTE 16 – SUBSEQUENT EVENTS .....	26

HOUSING AUTHORITY OF HAMMOND, LOUISIANA  
NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2018

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** The accompanying financial statements of the Housing Authority of the City of Hammond have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**A. REPORTING ENTITY** Housing Authorities are chartered as public corporations under the laws (LSA – R.S. 40.391) of the State of Louisiana for the purpose of providing safe and sanitary dwellings accommodations. This creation was contingent upon the local governing body of the city or parish declaring a need for the Housing Authority to function in such city or parish. The Housing Authority is governed by a five member Board of Commissioners. The members, appointed by the Honorable Mayor of the City of Hammond, serve staggered multi-year terms.

The Housing Authority has the following units:

<u>Program</u>	<u>Units/Vouchers</u>
Jackson Square Rural Development	20
Housing Choice Vouchers	321
VASH	8

GASB Statement 14 establishes criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Housing 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. As used in GASB Statement 14, fiscally independent means that the Housing Authority may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt with HUD approval.

The Housing Authority is a related organization of the City of Hammond since the City of Hammond appoints a voting majority of the Housing Authority’s governing board. The City of Hammond is not financially accountable for the Housing Authority as it cannot impose its will on the Housing Authority and there is no potential for the Housing Authority to provide financial benefit to, or impose financial burdens on, the City of Hammond. Accordingly, the Housing Authority is not a component unit of the financial reporting entity of the City of Hammond.

Governmental Accounting Standards Board (GASB) Codification Section 2100 establishes criteria for determining which, if any, component units should be considered part of the Housing Authority for financial reporting purposes. The basic criteria for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability, which includes:

HOUSING AUTHORITY OF HAMMOND, LOUISIANA  
NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2018

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

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

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

The transactions of the Housing Authority are reported in a proprietary enterprise fund. The Jackson Square Rural Development fund accounts for the transactions of Jackson Square Rural Development, which is funded by dwelling rent and USDA grant subsidy. The Housing Choice Voucher fund accounts for the Section Eight Housing Choice Voucher program. Unrestricted cash and unrestricted net position includes \$363,928 of funds remaining from disaster programs.

### **C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

**PROPRIETARY FUNDS** 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.

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 funds' principal ongoing operations. According to the Authority's policy, governmental operating grants are considered operating revenues. The other principal operating revenues of the Housing Authority are rent and maintenance charges to residents and operating fees earned. Operating expenses for proprietary funds include the administrative costs of providing the service and the housing assistance payments to landlords. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

HOUSING AUTHORITY OF HAMMOND, LOUISIANA  
NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2018

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

On the Statement of Cash Flows, cash and cash equivalents, end of year, is \$632,533. This is comprised of cash and cash equivalents of \$530,382 and restricted assets – cash of \$102,151, on the statement of net position.

**E. INVESTMENTS** Investments are limited to L.S.-R.S. 33:2955 and the Housing Authority 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.

The investments are reflected at quoted market prices except for the following which are required/permitted as per GASB Statement No. 31:

Investments in *nonparticipating* interest-earning contracts, such as nonnegotiable certificates of deposit with redemption terms that do not consider market rates, are reported using a cost-based measure.

Definitions:

Interest-earning investment contract include time deposits with financial institutions (such as certificates of deposit), repurchase agreements, and guaranteed investment contracts.

**F. REVENUE RECOGNITION** Revenues and other governmental fund financial resource increments are recognized in the accounting period in which they become susceptible to accrual – that is, when they become *measurable* and *available* to the finance expenditures of the fiscal period. “Available” is determined as collectible within the 12 months of the fiscal year or soon enough thereafter to be used to pay liabilities of the current period.

**G. INVENTORY** All purchased inventory items are valued at cost using the first-in, first-out method. Inventory is recorded using the purchase method. At year end, the amount of inventory is recorded for external financial reporting.

**H. PREPAID ITEMS** Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

HOUSING AUTHORITY OF HAMMOND, LOUISIANA  
NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2018

**I. CAPITAL ASSETS** Capital assets are recorded at historical cost and depreciated over their estimated useful lives (excluding salvage value). The capitalization threshold is \$2,500. Donated capital assets are recorded at their estimated fair value at the date of donation. Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight line depreciation is used based on the following estimated useful lives:

Site improvements	15 years
Buildings	15-40 years
Building improvements	15 years
Furniture and equipment	5-7 years
Computers	5 years

**J. COMPENSATED ABSENCES** It is the Housing Authority's policy to permit employees to accumulate earned but unused vacation pay benefits. In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences," vacation pay is accrued when incurred and reported as a liability.

Employees can earn from 40 to 160 hours per year in vacation time. Employees may accumulate an unlimited number of vacation time hours. Depending upon their length of service, classified employees receive payment for up to 300 vacation time hours upon termination or retirement at their then current rate of pay. However, unclassified employees are not capped regarding the amount of hours received for vacation time upon termination or retirement. The cost of current leave privileges, computed in accordance with GASB Codification, is recognized as a current year expense when leave is earned.

**K. UNEARNED REVENUES** The Housing Authority reports unearned revenues on its combined statement of net position. Unearned revenues arise when resources are received by the Housing Authority before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when the Housing Authority has a legal claim to the resources, the liability for unearned revenue is removed from the combined statement of net position and the revenue is recognized.

**L. POST EMPLOYMENT BENEFITS** The Authority does not recognize or pay any post employment benefits. Accordingly, Governmental Auditing Standards Board (GASB) Statement Number 45 does not apply.

HOUSING AUTHORITY OF HAMMOND, LOUISIANA  
NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2018

**M. NET POSITION AND FLOW ASSUMPTIONS** Net position is reported as restricted when constraints placed on net position use as either:

Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other government or imposed by law through constitutional provisions or enabling legislations.

Sometime the Authority may fund outlays from both restricted and unrestricted resources. In the event that should occur, the Authority must make a flow assumption about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

**N. INTERFUND ACTIVITY** Interfund activity is reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate. Services provided, deemed to be at market, or near market rates, are treated as revenues and expenses. All other interfund transfers are reported as transfers. Reimbursements are when one fund incurs a cost, changes the benefiting fund and reduces its related cost as reimbursement. All other interfund transactions are treated as transfers.

**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.

**NOTE 2 – DEPOSITS AND INVESTMENTS** The Housing Authority has reported their investments with a maturity at time of purchase of one year or less at amortized cost. Investments with maturity at time of purchase of greater than one year are presented at fair value at December 31, 2018. Deposits are stated at cost, which approximates fair value.

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

Credit Rate Risk: GASB 40 disclosure of credit rate risk does not apply, since the Authority's only investments are certificates of deposit.

Custodial Credit Risk: The Authority's policy requires the financial institution to cover the first \$250,000 of deposits with FDIC coverage. Any excess deposits must be collateralized with securities held by the pledging financial institution, with a fair market value that equals or exceeds the amount of excess deposits.

HOUSING AUTHORITY OF HAMMOND, LOUISIANA  
NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2018

Restricted Cash: \$6,200 is restricted in the Rural Development Fund for security deposits. \$69,115 is also restricted in the Rural Development Fund for an amount equal to the reserve balance. \$26,836 is restricted in the General Fund for HAP Equity.

At December 31, 2018, the Housing Authority's carrying amount of deposits was \$632,533 and the bank balance was \$645,088. \$336,797 of the bank balance was covered by FDIC Insurance. The remaining bank balance of \$308,291 was covered by pledged securities.

However, this \$308,291 was exposed to custodial credit risk, as defined by GASBS No. 40, para. 8, because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the Housing Authority's name.

Even though the pledged securities are considered uncollateralized (Category 3) 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 ten days of being notified by the Housing Authority that the fiscal agent has failed to pay deposited funds upon demand. Investments during the year were solely in time deposits at banks.

**NOTE 3 – ACCOUNTS RECEIVABLE** The receivables at December 31, 2018, are as follows:

	General	Rural Development	Total
<u>Class of Receivables</u>			
Local sources:			
Other	0	132	132
Fraud Recovery	14,164	0	14,164
Federal sources:			
Grants	12,477	4,015	16,492
Port-Ins	9,464	0	9,464
Total	\$ 36,105	\$ 4,147	\$ 40,252

The fraud recovery account receivable is net of an allowance for doubtful accounts of \$15,050.

HOUSING AUTHORITY OF HAMMOND, LOUISIANA  
NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2018

**NOTE 4 – CAPITAL ASSETS** The changes in capital assets are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Non-depreciable assets				
Land and buildings	\$ 35,560	\$ 0	\$ 0	\$ 35,560
Depreciable assets:				
Buildings	747,561	0	0	747,561
Furniture and equipment	33,338	7,000	0	40,338
<b>Total capital assets</b>	<b>816,459</b>	<b>7,000</b>	<b>0</b>	<b>823,459</b>
Less: accumulated depreciation				
Buildings	605,103	19,829	0	624,932
Furniture and equipment	21,838	3,000	0	24,838
<b>Total accumulated depreciation</b>	<b>626,941</b>	<b>22,829</b>	<b>0</b>	<b>649,770</b>
<b>Total capital assets, net</b>	<b>\$ 189,518</b>	<b>\$ (15,829)</b>	<b>\$ 0</b>	<b>\$ 173,689</b>

**NOTE 5 – ACCOUNTS PAYABLE** The payables at December 31, 2018 are as follows:

	General	Rural Development	Total
Vendors	\$ 49,175	\$ 6,920	\$ 56,095
Payroll taxes & Retirement withheld	3,823	0	3,823
<b>Total</b>	<b>\$ 52,998</b>	<b>\$ 6,920</b>	<b>\$ 59,918</b>

**NOTE 6 – COMPENSATED ABSENCES** At December 31, 2018, employees of the Housing Authority have accumulated and vested \$44,100 of employee leave computed in accordance with GASB, Codification Section C60.

HOUSING AUTHORITY OF HAMMOND, LOUISIANA  
NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2018

**NOTE 7 – LONG-TERM OBLIGATIONS** The long-term liability at December 31, 2018 represents a housing revenue note payable to the United States Department of Agriculture, Rural Development Administration under the Rural Rental Housing Loan Program (CFDA#10.415). The note is due in monthly installments of \$1,424 through January 2031, with an annual interest rate of 13.25%. The following is a summary of the changes in long-term obligations for the note payable for the year ended December 31, 2018:

		Note Payable
Balance, beginning	\$	209,289
Additions		0
Deletions		15,029
Balance, ending		194,260
Amounts due in one year	\$	15,214

Because of the variable terms of the USDA program (CFDA#10.415), it is not possible to determine exactly what the long-term debt amortization is. The estimated annual requirements to amortize long-term debt outstanding at December 31, 2018 are as follows:

Year ending December 31,	Principal	Interest	Total
2019	15,214	1,874	17,088
2020	15,297	1,791	17,088
2021	15,450	1,638	17,088
2022	15,604	1,484	17,088
2023	15,761	1,327	17,088
2024-2031	116,934	4,824	121,758
Total	\$ 194,260	\$ 12,938	\$ 207,198

HOUSING AUTHORITY OF HAMMOND, LOUISIANA  
NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2018

The Housing Authority has also entered into an interest credit and rental assistance agreement with the USDA, Rural Development under which the Housing Authority earns a credit against the interest payable on the mortgage note. The Credit may result in an effective interest rate as low as one percent (1%). USDA, Rural Development may terminate the interest credit agreement if it is determined that no subsidy is necessary or if the Housing Authority is determined to be in noncompliance with the loan agreement or other applicable UDSDA, Rural Development rules or regulations. The note is due in monthly installment over a fifty (50) year period through January 2031, with a stated annual interest of 13.25%; however, the current annual interest being charged and paid is one percent (1%), the latter is how management has chosen to present the liability on the financial statements.

Also included in the long-term debt as of December 31, 2018, is \$44,100 which represents the long-term portion of compensated absences. The following is a summary of the changes in long-term obligations for compensated absences for the year ended December 31, 2018.

		Compensated Absences
Balance, beginning	\$	36,933
Additions		7,775
Deletions		608
Balance, ending		44,100
Amounts due in one year	\$	4,302

**NOTE 8 – RESERVED FUND ACCOUNT** During 1982, the Housing Authority received a \$659,140 loan from USDA, Rural Development (CFDA #10.415) for the construction of housing accommodations for disabled and low income individuals. The loan agreement requires the establishment of a reserve fund bank account. The Housing Authority must transfer into this fund an amount not less than \$6,600 annually. At December 31, 2018, the Housing Authority had a balance of \$69,115 in the reserve account.

The following is summary of the changes in the reserve fund balance for the year ended December 31, 2018:

		Reserve Fund Account
Balance, beginning	\$	62,497
Additions		6,618
Balance, ending		69,115

HOUSING AUTHORITY OF HAMMOND, LOUISIANA  
NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2018

**NOTE 9 – RENTAL SERVICE AGREEMENT** The Housing Authority has entered into a contract with the USDA, Rural Development that provides rental assistance payments on behalf of eligible lower income persons or families. Under this contract, the Housing Authority agrees to rent only to eligible persons or families at USDA Rural Development approved rates and to adhere to certain rules of operation. USDA Rural Development may, at its option, terminate the contract if the Housing Authority is determined to be in noncompliance with the USDA Rural Development loan agreement or other applicable USDA Rural Development rules or regulations. USDA Rural Development may also reduce the number of units covered by the contract should it determine that there is a lack of eligible tenants in the area.

**NOTE 10 – POST EMPLOYMENT BENEFITS** The Housing Authority does not provide post employment health benefits; therefore, the Housing Authority does not include any entries for unfunded actuarial accrued liability, net OPEB expense, or annual contribution required.

**NOTE 11 – INTERFUND RECEIVABLES AND PAYABLES** At December 31, 2018, there was no interfund balance.

**NOTE 12 – RETIREMENT SYSTEM** The Housing Authority participates in the Louisiana Housing Council Group Retirement Plan which is a defined contribution plan. The plan consists of employees of various local and regional housing authorities, which are members of the Louisiana Housing Council. Through this plan, the Housing Authority provides pension benefits for all of its full-time employees. All full-time employees who have attained age 18 are eligible to participate in the plan on the first day of the month after completing three months of continuous and uninterrupted employment.

Under a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The employer was required to make monthly contributions equal to 8 percent of each participant's basic (excludes overtime) compensation from January 2014 through June 2014; however, as of July 2014, the required employer contribution was reduced to 6 percent of each participant's basic compensation. Employees are required to contribute 6 percent of their annual covered salary.

The Housing Authority's contribution for each employee and income allocated to the employee's account is fully vested after five years of continuous service. The Housing Authority's contributions and interest forfeited by employees who leave employment before five years of service are first used to pay for plan expenses and if there is any residual amount, the amount is refunded to the Housing Authority.

Normal retirement date shall be the first day of the month following the employee's sixty-fifth birthday. Early retirement may be elected on the first day of any month within 10 years of the employee's normal retirement date, provided the employee has completed five years of service with the Housing Authority.

HOUSING AUTHORITY OF HAMMOND, LOUISIANA  
NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2018

With the Housing Authority's consent, employees may defer retirement to the first day of any month beyond normal retirement date.

The Housing Authority made the required contributions of \$13,309 for the year ended December 31, 2018, of which \$6,654 was paid by the Housing Authority and \$6,655 was paid by employees. No payments were made out of the forfeiture account.

**NOTE 13 – COMMITMENTS AND CONTINGENCIES**

**Commitments** The Authority entered into an Employment Agreement with the Executive Director, effective January 1, 2017. The Agreement is for three years, and the Board will vote on an additional three year term at least ninety days in advance of the end of the current three year term. The Executive Director may terminate the Agreement at any time, provided she gives at least sixty days written notice to the Board prior to her resignation.

The Agreement may be terminated by the Board at any time, provided thirty days written notice is given and due process is followed. If the Executive Director is terminated without cause, the Authority is obligated to pay a lump sum equal to the salary and benefits she would have received for the remainder of the three year term. If the Executive Director leaves for any reason, the Authority is obligated to pay all unused but earned annual leave, in accordance with the Employment Agreement.

**Grant Disallowances** The Housing Authority participates in a number of federally assisted grant programs. The programs are subject to compliance audits under the single audit approach. Such audits could lead to requests for reimbursement by the grantor agency for expenditures disallowed under terms of the grants. Housing Authority management believes that the amount of disallowance, if any, which may arise from future audits will not be material.

**Risk Management** The Housing 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 Housing Authority carries commercial insurance.

The Housing Authority transfers risk of loss by participating in a public entity risk pool and contracting with a commercial insurance carrier for all major categories of exposed risk.

This includes coverage of general liability and public liability. The risk pool and insurance contracted are obligated to meet settlements up to the maximum coverage, after the PHA's premiums and deductions are met.

Louisiana State law prohibits one governmental entity assessing another entity. If the Louisiana Housing Council, Inc. Group Self Insurance Risk Management Agency risk pool is unable to meet its obligations, the risk to the Housing Authority is only that its own claim would be unpaid.

Coverage has not significantly changed from the previous year and settlements for each of the past three years have not exceeded insurance coverage.

HOUSING AUTHORITY OF HAMMOND, LOUISIANA  
NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2018

**NOTE 14 – ECONOMIC DEPENDENCE** The Department of Housing and Urban Development and the U.S.D.A. provided \$1,811,911 to the Housing Authority, which represents approximately 95% of the Housing Authority's total revenue and capital contributions for the year.

**NOTE 15 – HOUSING ASSISTANCE PAYMENTS** During the auditor's testing of resident files for fiscal year ended December 31, 2013, it was noted that although the Housing authority updates the utility allowance schedule each year, the updated utility allowances are not always being applied during the tenants' annual re-examinations. The Housing Authority did record the estimated amount for the underpayment of housing assistance payments for the fiscal year ended December 31, 2018. This amount represents \$23,156 of the amount reported in Note 5. Due to this liability being the result of an error made by the Housing Authority, the Housing Authority reduced the unrestricted net position when accruing the liability rather than reducing the restricted net position. The Housing Authority is working with HUD in resolving this situation.

**NOTE 16 - SUBSEQUENT EVENTS** Management has evaluated events and transactions subsequent to the statement of net position date through, June 7, 2019, of the independent auditor's report for potential recognition or disclosure in the financial statements. Management has not identified any items requiring recognition or disclosure.



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Report on Internal Control Over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards*

Independent Auditor's Report

Housing Authority of Hammond  
Hammond, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of each major fund of the Housing Authority of the City of Hammond, Louisiana, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Housing Authority of the City of Hammond, Louisiana's basic financial statements, and have issued our report thereon dated June 7, 2019.

***Internal Control Over Financial Reporting***

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

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

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

### ***Compliance and Other Matters***

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

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

*Mike Estes, P.C.*

Mike Estes, P.C.  
Fort Worth, Texas  
June 7, 2019



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Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditor's Report

Housing Authority of Hammond  
Hammond, Louisiana

***Report on Compliance for Each Major Federal Program***

We have audited the Housing Authority of the City of Hammond, Louisiana's 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 Housing Authority of the City of Hammond, Louisiana's major federal programs for the year ended December 31, 2018. The Housing Authority of the City of Hammond, Louisiana's 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 compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

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

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

### ***Opinion on Each Major Federal Program***

In our opinion, the Housing Authority of the City of Hammond, Louisiana complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

### ***Report on Internal Control Over Compliance***

Management of the Housing Authority of the City of Hammond, Louisiana is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Housing Authority of the City of Hammond, Louisiana's 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 in the circumstances 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, we do not express an opinion on the effectiveness of the Housing Authority of Hammond, Louisiana'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 charges with governance.

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

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

***Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance***

We have audited the financial statements of Housing Authority of the City of Hammond, Louisiana as of and for the year ended December 31, 2018, and have issued our report thereon dated June 7, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the 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 our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Mike Estes, P.C.*

Mike Estes, P.C.  
Fort Worth, Texas  
June 7, 2019

HOUSING AUTHORITY OF HAMMOND, LOUISIANA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2018

FEDERAL GRANTOR PROGRAM TITLE	CDFA NO.	PROGRAM EXPENDITURES
U. S. Department of Housing and Urban Development Direct Programs:		
Housing Choice Voucher	14.871	1,733,505
Total United States Department of Housing and Urban Development		\$ 1,733,505
Total Expenditures of Federal Awards		\$ 1,733,505
U. S. Department of Agriculture Direct Programs:		
Rural Rental Housing Administration	10.415	1> 287,695
Total Expenditures of Federal Awards		\$ 2,021,200

The calculation of the Schedule of Expenditures of Federal Awards as noted below are in accordance with the Uniform Guidance requirements.

1> Includes the beginning of year, December 1, 2018 indebtedness to the Farmers Home Administration of \$209,289, plus current year subsidy of \$78,406.

The accompanying notes are an integral part of this schedule.

HOUSING AUTHORITY OF HAMMOND, LOUISIANA  
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2018

**NOTE 1 – BASIS OF PRESENTATION** The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of the Housing Authority of the City of Hammond, Louisiana (the “Housing Authority”) under programs of the federal government for the year ended December 31, 2018. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Housing Authority, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Housing Authority.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Housing Authority has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE 3 - RELATIONSHIP TO BASIC FINANCIAL STATEMENTS** Federal awards revenues are reported in the Housing Authority’s basic financial statements as follows:

	Federal Sources
Enterprise Funds	
Governmental operating grants	\$ 1,811,911
Total	\$ 1,811,911

**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 generally accepted accounting principles.

**NOTE 5 – RURAL RENTAL HOUSING** Not included in the Schedule of Expenditures of Federal Awards is \$209,289 in an outstanding long-term housing revenue note payable at December 31, 2018. The note is payable to the Rural Development Administration under CFDA #10.415. Of the \$78,406 reported under the CFDA #10.415, \$61,074 consists of rental assistance and \$17,332 consists of a loan subsidy.

**NOTE 6 – 10% DE MINIMIS** Application of the 10% de minimis indirect cost rate is not applicable to public housing authorities.

HOUSING AUTHORITY OF HAMMOND, LOUISIANA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2018

**Section I – Summary of the Auditor’s Results**

**Financial Statement Audit**

1. Type of Auditor’s Report Issued on Financial Statements – Unmodified.
2. Internal Control Over Financial Reporting:
  - a. Material weakness(es) identified? \_\_\_\_\_ yes ✓ no
  - b. Significant deficiency(ies) identified? \_\_\_\_\_ yes ✓ none reported
3. Noncompliance material to financial statements noted? \_\_\_\_\_ yes ✓ no

**Audit of Federal Awards**

1. Internal Control Over Major Programs:
  - a. Material weakness(es) identified? \_\_\_\_\_ yes ✓ no
  - b. Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ yes ✓ none reported
2. Type of Auditor’s Report Issued on Compliance For Major Programs – Unmodified.
3. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? \_\_\_\_\_ yes ✓ no
4. The programs tested as major programs include:

CFDA# 14.871                      Section 8 Housing Choice Voucher
5. Dollar threshold used to distinguish between Type A and Type B Programs: \$750,000
6. Auditee qualified as low-risk auditee? ✓ yes \_\_\_\_\_ no
7. Nonstatistical sampling was used. To determine sample sizes, the AICPA Audit Guide *Audit Sampling* was used.

HOUSING AUTHORITY OF HAMMOND, LOUISIANA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2018

**Section II – Findings related to the financial statements which are required to be reported in accordance with Governmental Auditing Standards generally accepted in the United States of America:**

None

HOUSING AUTHORITY OF HAMMOND, LOUISIANA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2018

**Section III – Findings and questioned costs for federal awards which are required to be reported under OMB Circular No. A-133 Section .510 (a):**

None

HOUSING AUTHORITY OF HAMMOND, LOUISIANA  
CORRECTIVE ACTION PLAN

YEAR ENDED DECEMBER 31, 2018

There were no audit findings.

HOUSING AUTHORITY OF HAMMOND, LOUISIANA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED DECEMBER 31, 2018

**The following prior audit findings were required to be reported under OMB Circular No. A-133, Section 510(a) (for the major program) for the prior year:**

There were no prior audit findings.

**SUPPLEMENTARY INFORMATION**

HOUSING AUTHORITY OF HAMMOND, LOUISIANA  
 SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO AGENCY HEAD  
 OR CHIEF EXECUTIVE DIRECTOR

YEAR ENDED DECEMBER 31, 2018

**Agency Head Name:** Delores Tillman, Executive Director

<b>Purpose</b>	<b>Amount</b>
Salary	\$ 68,922
Benefits-insurance	
Benefits-retirement	3,757
Benefits-Life Insurance	365
Car allowance	
Vehicle provided by government	
Per diem	1,013
Reimbursements	
Travel	690
Registration fees	750
Conference travel	1,511
Continuing professional education fees	
Housing	
Unvouchered expenses*	
Special meals	
<b>Total</b>	<b>\$ 77,008</b>

See accountant's report



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ACCOUNTANTS  
and the  
AICPA GOVERNMENTAL  
AUDIT QUALITY CENTER

## AGREED UPON PROCEDURES REPORT

### Independent Accountant's Report On Applying Agreed-Upon Procedures

To the Board of Directors of the Hammond Housing Authority and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by the Hammond Housing Authority and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2018 through December 31, 2018. The Hammond Housing Authority's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

#### *Written Policies and Procedures*

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

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

Results of Testing:

We noted last year that the Authority has all of the above policies, except Debt Service, which is not applicable.

***Board or Finance Committee***

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

Results of Testing:

- a) Management has not located the Authority's bylaws. We recommend that Management continue to search for the bylaws. The Board met on a regular basis.

- b) The minutes do now reflect that the board reviews year-to-date budgeted to actual income and expenses.

Corrective Action Response:

We will do as the auditor suggests.

***Bank Reconciliations***

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

Results of Testing:

As noted in the Year 2 instructions, if this category had no exceptions in Year 1, Year 2 tests may be omitted. Since there were no Year 1 exceptions, these tests are omitted.

***Collections***

---

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

Results of Testing:

Since there were no Year 1 exceptions in this category, these tests are omitted.

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
  - a) Employees that are responsible for cash collections do not share cash drawers/registers.
  - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

Results of Testing:

Since there were no Year 1 exceptions in this category, these tests are omitted.

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

Results of Testing:

All employees who have access to cash are covered by a bond.

- 7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day. *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
  - a) Observe that receipts are sequentially pre-numbered.
  - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
  - c) Trace the deposit slip total to the actual deposit per the bank statement.
  - d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
  - e) Trace the actual deposit per the bank statement to the general ledger.

Results of Testing:

Since there were no Year 1 exceptions in this category, these tests are omitted.

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

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

Results of Testing:

Since there were no Year 1 exceptions in this category, these tests are omitted.

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
  - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
  - b) At least two employees are involved in processing and approving payments to vendors.
  - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
  - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Results of Testing:

Since there were no Year 1 exceptions in this category, these tests are omitted.

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
  - a) Observe that the disbursement matched the related original invoice/billing statement.
  - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Results of Testing:

Since there were no Year 1 exceptions in this category, these tests are omitted.

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

---

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

Results of Testing:

Since there were no Year 1 exceptions in this category, these tests are omitted.

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

Results of Testing:

Since there were no Year 1 exceptions in this category, these tests are omitted.

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

Results of Testing:

Since there were no Year 1 exceptions in this category, these tests are omitted.

**Travel and Travel-Related Expense Reimbursements (excluding card transactions)**

---

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

### Results of Testing:

- a) The Authority's policy states that the per diem is \$75 per day in state and \$100 per day out of state. We recommended last year that the Board consider using the rates listed at [www.gsa.gov](http://www.gsa.gov). The board has duly considered this but elected to continue using the above rates. The board considers the differences to be immaterial.
- b) Actual costs that were reimbursed were supported by original itemized receipts that identified what was purchased.
- c) Each tested reimbursement was supported by documentation of the business purpose as required by the adopted policy.
- d) Each tested reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

### ***Contracts***

---

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

### Results of Testing:

Since there were no Year 1 exceptions in this category, these tests are omitted.

### ***Payroll and Personnel***

---

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

### Results of Testing:

Since there were no Year 1 exceptions in this category, these tests are omitted.

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

Results of Testing:

Since there were no Year 1 exceptions in this category, these tests are omitted.

18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

Results of Testing:

No termination payments were made during the year.

19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Results of Testing:

Since there were no Year 1 exceptions in this category, these tests are omitted.

***Ethics***

---

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

Results of Testing:

- a) The five tested employees and board members each completed one hour of ethics training during 2018.
- b) Management did not have signature verification that each board member and employee read the ethics policy during the fiscal year ended December 31, 2018.

Corrective Action Response:

Management should obtain signature verification each year from each employee and board member that they have read the ethics policy that fiscal year.

***Debt Service***

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- 21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

Results of Testing:

Non applicable.

- 22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

Results of Testing:

Non applicable.

***Other***

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- 23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Results of Testing:

Management represents that they are not aware of the misappropriations of public funds or assets during the fiscal period.

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

Results of Testing:

The notice is properly posted.

Corrective Action Response:

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

*Mike Estes, P.C.*

Mike Estes, P.C.  
Fort Worth, Texas  
June 7, 2019

**HOUSING AUTHORITY OF HAMMOND, LOUISIANA  
FINANCIAL DATA SCHEDULES**

**YEAR ENDED DECEMBER 31, 2018**

<b>Entity Wide Balance Sheet Summary</b>							
	10.415 Rural Rental Housing Loans	14.IKE DHAP- IKE	14.871 Housing Choice Vouchers	97.109 Disaster Housing Assistance Grant	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$10,637	\$124,227	\$155,817	\$239,701	\$530,382		\$530,382
112 Cash - Restricted - Modernization and Development							
113 Cash - Other Restricted	\$69,115		\$26,836		\$95,951		\$95,951
114 Cash - Tenant Security Deposits	\$6,200				\$6,200		\$6,200
115 Cash - Restricted for Payment of Current Liabilities							
100 Total Cash	\$85,952	\$124,227	\$182,653	\$239,701	\$632,533		\$632,533
121 Accounts Receivable - PHA Projects			\$9,464		\$9,464		\$9,464
122 Accounts Receivable - HUD Other Projects			\$12,477		\$12,477		\$12,477
124 Accounts Receivable - Other Government	\$4,015				\$4,015		\$4,015
125 Accounts Receivable - Miscellaneous	\$132		\$2		\$134		\$134
126 Accounts Receivable - Tenants							
126.1 Allowance for Doubtful Accounts - Tenants							
126.2 Allowance for Doubtful Accounts - Other	\$0		\$0		\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current							
128 Fraud Recovery			\$29,212		\$29,212		\$29,212
128.1 Allowance for Doubtful Accounts - Fraud			-\$15,050		-\$15,050		-\$15,050
129 Accrued Interest Receivable							
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$4,147	\$0	\$36,105	\$0	\$40,252		\$40,252
131 Investments - Unrestricted							
132 Investments - Restricted							
135 Investments - Restricted for Payment of Current Liability							
142 Prepaid Expenses and Other Assets	\$12,423		\$4,679		\$17,102		\$17,102
143 Inventories							
143.1 Allowance for Obsolete Inventories							
144 Inter Program Due From							
145 Assets Held for Sale							
150 Total Current Assets	\$102,522	\$124,227	\$223,437	\$239,701	\$689,887		\$689,887
161 Land	\$35,560				\$35,560		\$35,560
162 Buildings	\$651,457				\$651,457		\$651,457
163 Furniture, Equipment & Machinery - Dwellings	\$37,493				\$37,493		\$37,493
164 Furniture, Equipment & Machinery - Administration	\$2,845				\$2,845		\$2,845
165 Leasehold Improvements	\$96,104				\$96,104		\$96,104
166 Accumulated Depreciation	-\$649,770				-\$649,770		-\$649,770
167 Construction in Progress							
168 Infrastructure							
160 Total Capital Assets, Net of Accumulated Depreciation	\$173,689	\$0	\$0	\$0	\$173,689		\$173,689
171 Notes, Loans and Mortgages Receivable - Non-Current							
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due							
173 Grants Receivable - Non Current							
174 Other Assets							
176 Investments in Joint Ventures							
180 Total Non-Current Assets	\$173,689	\$0	\$0	\$0	\$173,689		\$173,689
200 Deferred Outflow of Resources							
290 Total Assets and Deferred Outflow of Resources	\$276,211	\$124,227	\$223,437	\$239,701	\$863,576		\$863,576

**HOUSING AUTHORITY OF HAMMOND, LOUISIANA  
FINANCIAL DATA SCHEDULES**

**YEAR ENDED DECEMBER 31, 2018**

<b>Entity Wide Balance Sheet Summary</b>							
	10.415 Rural Rental Housing Loans	14.IKE DHAP- IKE	14.871 Housing Choice Vouchers	97.109 Disaster Housing Assistance Grant	Subtotal	ELIM	Total
311 Bank Overdraft							
312 Accounts Payable <= 90 Days	\$6,920		\$26,019		\$32,939		\$32,939
313 Accounts Payable >90 Days Past Due			\$23,156		\$23,156		\$23,156
321 Accrued Wage/Payroll Taxes Payable			\$3,823		\$3,823		\$3,823
322 Accrued Compensated Absences - Current Portion			\$4,302		\$4,302		\$4,302
324 Accrued Contingency Liability							
325 Accrued Interest Payable	\$21				\$21		\$21
331 Accounts Payable - HUD PHA Programs							
332 Account Payable - PHA Projects							
333 Accounts Payable - Other Government							
341 Tenant Security Deposits	\$6,200				\$6,200		\$6,200
342 Unearned Revenue	\$11				\$11		\$11
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	\$15,214				\$15,214		\$15,214
344 Current Portion of Long-term Debt - Operating Borrowings							
345 Other Current Liabilities							
346 Accrued Liabilities - Other							
347 Inter Program - Due To							
348 Loan Liability - Current							
310 Total Current Liabilities	\$28,366	\$0	\$57,300	\$0	\$85,666		\$85,666
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$179,046				\$179,046		\$179,046
352 Long-term Debt, Net of Current - Operating Borrowings							
353 Non-current Liabilities - Other							
354 Accrued Compensated Absences - Non Current			\$39,798		\$39,798		\$39,798
355 Loan Liability - Non Current							
356 FASB 5 Liabilities							
357 Accrued Pension and OPEB Liabilities							
350 Total Non-Current Liabilities	\$179,046	\$0	\$39,798	\$0	\$218,844		\$218,844
300 Total Liabilities	\$207,412	\$0	\$97,098	\$0	\$304,510		\$304,510
400 Deferred Inflow of Resources							
508.4 Net Investment in Capital Assets	-\$20,571				-\$20,571		-\$20,571
511.4 Restricted Net Position			\$26,836		\$26,836		\$26,836
512.4 Unrestricted Net Position	\$89,370	\$124,227	\$99,503	\$239,701	\$552,801		\$552,801
513 Total Equity - Net Assets / Position	\$68,799	\$124,227	\$126,339	\$239,701	\$559,066		\$559,066
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$276,211	\$124,227	\$223,437	\$239,701	\$863,576		\$863,576

**HOUSING AUTHORITY OF HAMMOND, LOUISIANA  
FINANCIAL DATA SCHEDULES**

**YEAR ENDED DECEMBER 31, 2018**

<b>Entity Wide Revenue and Expense Summary</b>							
	10.415 Rural Rental Housing Loans	14.IKE DHAP- IKE	14.871 Housing Choice Vouchers	97.109 Disaster Housing Assistance Grant	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$29,993				\$29,993		\$29,993
70400 Tenant Revenue - Other							
70500 Total Tenant Revenue	\$29,993	\$0	\$0	\$0	\$29,993		\$29,993
70600 HUD PHA Operating Grants			\$1,733,505		\$1,733,505		\$1,733,505
70610 Capital Grants							
70710 Management Fee							
70720 Asset Management Fee							
70730 Book Keeping Fee							
70740 Front Line Service Fee							
70750 Other Fees							
70700 Total Fee Revenue							
70800 Other Government Grants	\$78,406				\$78,406		\$78,406
71100 Investment Income - Unrestricted	\$44	\$452	\$543	\$873	\$1,912		\$1,912
71200 Mortgage Interest Income							
71300 Proceeds from Disposition of Assets Held for Sale							
71310 Cost of Sale of Assets							
71400 Fraud Recovery			\$5,925		\$5,925		\$5,925
71500 Other Revenue	\$4,092		\$49,654		\$53,746		\$53,746
71600 Gain or Loss on Sale of Capital Assets							
72000 Investment Income - Restricted							
70000 Total Revenue	\$112,535	\$452	\$1,789,627	\$873	\$1,903,487		\$1,903,487
91100 Administrative Salaries	\$13,200		\$110,388		\$123,588		\$123,588
91200 Auditing Fees	\$500		\$15,975		\$16,475		\$16,475
91300 Management Fee							
91310 Book-keeping Fee							
91400 Advertising and Marketing	\$506		\$46		\$552		\$552
91500 Employee Benefit contributions - Administrative	\$1,010		\$15,720		\$16,730		\$16,730
91600 Office Expenses	\$4,735		\$37,085		\$41,820		\$41,820
91700 Legal Expense							
91800 Travel			\$7,828		\$7,828		\$7,828
91810 Allocated Overhead							
91900 Other	\$1,600		\$27,841		\$29,441		\$29,441
91000 Total Operating - Administrative	\$21,551	\$0	\$214,883	\$0	\$236,434		\$236,434
92000 Asset Management Fee							
92100 Tenant Services - Salaries							
92200 Relocation Costs							
92300 Employee Benefit Contributions - Tenant Services							
92400 Tenant Services - Other							
92500 Total Tenant Services	\$0	\$0	\$0	\$0	\$0		\$0
93100 Water	\$205				\$205		\$205
93200 Electricity	\$4,419				\$4,419		\$4,419
93300 Gas							
93400 Fuel							
93500 Labor							
93600 Sewer	\$144				\$144		\$144

**HOUSING AUTHORITY OF HAMMOND, LOUISIANA  
FINANCIAL DATA SCHEDULES**

**YEAR ENDED DECEMBER 31, 2018**

<b>Entity Wide Revenue and Expense Summary</b>							
	10.415 Rural Rental Housing Loans	14.IKE DHAP- IKE	14.871 Housing Choice Vouchers	97.109 Disaster Housing Assistance Grant	Subtotal	ELIM	Total
93700 Employee Benefit Contributions - Utilities							
93800 Other Utilities Expense							
93000 Total Utilities	\$4,768	\$0	\$0	\$0	\$4,768		\$4,768
94100 Ordinary Maintenance and Operations - Labor							
94200 Ordinary Maintenance and Operations - Materials and Other	\$1,958				\$1,958		\$1,958
94300 Ordinary Maintenance and Operations Contracts	\$48,206				\$48,206		\$48,206
94500 Employee Benefit Contributions - Ordinary Maintenance							
94000 Total Maintenance	\$50,164	\$0	\$0	\$0	\$50,164		\$50,164
95100 Protective Services - Labor							
95200 Protective Services - Other Contract Costs							
95300 Protective Services - Other							
95500 Employee Benefit Contributions - Protective Services							
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$0		\$0
96110 Property Insurance	\$15,270		\$188		\$15,458		\$15,458
96120 Liability Insurance							
96130 Workmen's Compensation	\$483		\$6,382		\$6,865		\$6,865
96140 All Other Insurance	\$1,732		\$3,484		\$5,216		\$5,216
96100 Total Insurance Premiums	\$17,485	\$0	\$10,054	\$0	\$27,539		\$27,539
96200 Other General Expenses			\$4,550		\$4,550		\$4,550
96210 Compensated Absences			\$6,145		\$6,145		\$6,145
96300 Payments in Lieu of Taxes							
96400 Bad debt - Tenant Rents							
96500 Bad debt - Mortgages							
96600 Bad debt - Other							
96800 Severance Expense							
96000 Total Other General Expenses	\$0	\$0	\$10,695	\$0	\$10,695		\$10,695
96710 Interest of Mortgage (or Bonds) Payable	\$2,023				\$2,023		\$2,023
96720 Interest on Notes Payable (Short and Long Term)							
96730 Amortization of Bond Issue Costs							
96700 Total Interest Expense and Amortization Cost	\$2,023	\$0	\$0	\$0	\$2,023		\$2,023
96900 Total Operating Expenses	\$95,991	\$0	\$235,632	\$0	\$331,623		\$331,623
97000 Excess of Operating Revenue over Operating Expenses	\$16,544	\$452	\$1,553,995	\$873	\$1,571,864		\$1,571,864
97100 Extraordinary Maintenance							
97200 Casualty Losses - Non-capitalized							
97300 Housing Assistance Payments			\$1,521,416		\$1,521,416		\$1,521,416
97350 HAP Portability-In			\$40,417		\$40,417		\$40,417
97400 Depreciation Expense	\$22,829				\$22,829		\$22,829
97500 Fraud Losses							
97600 Capital Outlays - Governmental Funds							
97700 Debt Principal Payment - Governmental Funds							
97800 Dwelling Units Rent Expense							
90000 Total Expenses	\$118,820	\$0	\$1,797,465	\$0	\$1,916,285		\$1,916,285

**HOUSING AUTHORITY OF HAMMOND, LOUISIANA  
FINANCIAL DATA SCHEDULES**

**YEAR ENDED DECEMBER 31, 2018**

<b>Entity Wide Revenue and Expense Summary</b>							
	10.415 Rural Rental Housing Loans	14.IKE DHAP- IKE	14.871 Housing Choice Vouchers	97.109 Disaster Housing Assistance Grant	Subtotal	ELIM	Total
10010 Operating Transfer In							
10020 Operating transfer Out							
10030 Operating Transfers from/to Primary Government							
10040 Operating Transfers from/to Component Unit							
10050 Proceeds from Notes, Loans and Bonds							
10060 Proceeds from Property Sales							
10070 Extraordinary Items, Net Gain/Loss							
10080 Special Items (Net Gain/Loss)							
10091 Inter Project Excess Cash Transfer In							
10092 Inter Project Excess Cash Transfer Out							
10093 Transfers between Program and Project - In							
10094 Transfers between Project and Program - Out							
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0		\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$6,285	\$452	-\$7,838	\$873	-\$12,798		-\$12,798
11020 Required Annual Debt Principal Payments	\$17,088	\$0	\$0	\$0	\$17,088		\$17,088
11030 Beginning Equity	\$75,084	\$123,775	\$134,177	\$238,828	\$571,864		\$571,864
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors							
11050 Changes in Compensated Absence Balance							
11060 Changes in Contingent Liability Balance							
11070 Changes in Unrecognized Pension Transition Liability							
11080 Changes in Special Term/Severance Benefits Liability							
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents							
11100 Changes in Allowance for Doubtful Accounts - Other							
11170 Administrative Fee Equity			\$99,503		\$99,503		\$99,503
11180 Housing Assistance Payments Equity			\$26,836		\$26,836		\$26,836
11190 Unit Months Available	240		4128		4368		4368
11210 Number of Unit Months Leased	230		3804		4034		4034
11270 Excess Cash							
11610 Land Purchases							
11620 Building Purchases							
11630 Furniture & Equipment - Dwelling Purchases							
11640 Furniture & Equipment - Administrative Purchases							
11650 Leasehold Improvements Purchases							
11660 Infrastructure Purchases							
13510 CFFP Debt Service Payments							
13901 Replacement Housing Factor Funds							