

CITY PLACE II HOUSING CORPORATION, INC.

A COMPONENT UNIT OF THE
HOUSING AUTHORITY OF LAFOURCHE PARISH
PROJECT NO. 064-35542
RACELAND, LOUISIANA
REPORT ON EXAMINATION
OF
FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA
YEAR ENDED SEPTEMBER 30, 2019

CITY PLACE II HOUSING CORPORATION, INC.
PROJECT NO. 064-35542

RACELAND, LOUISIANA

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
City Place II Housing Corporation, Inc.
Raceland, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of City Place II Housing Corporation, Inc. as of and for the year ended September 30, 2019, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Corporation as of September 30, 2019, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The Corporation has not presented Management's Discussion and Analysis that Governmental Auditing Standards has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

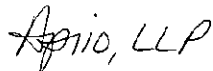
Other Information

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

The Schedule of Expenditures of Federal Awards and other supplementary data are the responsibility of management and were derived from and relate directly to the underlying accounting data and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting data and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2020 on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Birmingham, Alabama
March 10, 2020

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

Board of Directors
City Place II Housing Corporation, Inc.
Raceland, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Corporation, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated March 10, 2020.

Internal Control Over Financial Reporting

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

We noted a certain other matter that we reported to management of the Corporation in a separate letter dated March 10, 2020.

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 Corporation'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 Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Aprio, LLP

Birmingham, Alabama
March 10, 2020

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

Board of Directors
City Place II Housing Corporation, Inc.
Raceland, Louisiana

Report on Compliance for the Major Federal Program

We have audited the Corporation's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Corporation's major federal program for the year ended September 30, 2019. The Corporation's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

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

Opinion on the Major Program

In our opinion, the Corporation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2019.

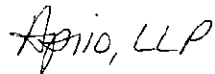
Report on Internal Control Over Compliance

Management of the Corporation 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 Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on the major program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be *material weaknesses* or *significant deficiencies*. 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 our testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Aprio, LLP

Birmingham, Alabama
March 10, 2020

CITY PLACE II HOUSING CORPORATION, INCORPORATED
PROJECT NO. 064-35542
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

ASSETS AND DEFERRED
OUTFLOWS OF RESOURCES

	<u>Enterprise</u> <u>Fund</u>
<u>Current Assets</u>	
Cash and Cash Equivalents	\$ 54,304
Accounts Receivable, Net	500
Prepaid Costs	46,129
Total Current Assets	<u>100,933</u>
<u>Restricted Assets</u>	
Cash and Cash Equivalents	<u>250,606</u>
Total Restricted Assets	<u>250,606</u>
<u>Capital Assets</u>	
Land	100,000
Buildings and Improvements	10,006,384
Furniture and Equipment	31,777
Construction in Progress	<u>441,397</u>
	10,579,558
(Less): Accumulated Depreciation	<u>(5,651,984)</u>
Net Capital Assets	<u>4,927,574</u>
Total Assets	<u>5,279,113</u>
Deferred Outflows of Resources	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 5,279,113</u></u>

See the accompanying notes to financial statements.

CITY PLACE II HOUSING CORPORATION, INCORPORATED
PROJECT NO. 064-35542
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

LIABILITIES, DEFERRED INFLOWS OF
RESOURCES AND NET POSITION

	Enterprise Fund
<u>Current Liabilities</u>	
Accounts Payable	\$ 162,559
Accrued Interest Payable	12,334
Tenant Security Deposits	43,895
Unearned Revenue	42,752
Current Portion of Capital Debt	66,000
Total Current Liabilities	<u>327,540</u>
<u>Long Term Liabilities</u>	
Long Term Capital Debt	3,400,218
Non-current Liabilities - Other	560,741
Total Long Term Liabilities	<u>3,960,959</u>
Total Liabilities	<u>4,288,499</u>
Deferred Inflows of Resources	<u>-</u>
Total Liabilities and Deferred Inflows of Resources	<u>4,288,499</u>
<u>Net Position</u>	
Net Investment in Capital Assets	1,461,356
Restricted Net Position	250,606
Unrestricted Net Position	(721,348)
Total Net Position	<u>990,614</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 5,279,113</u>

See the accompanying notes to financial statements.

CITY PLACE II HOUSING CORPORATION, INCORPORATED
PROJECT NO. 064-35542
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019

	Enterprise Fund
<u>Operating Revenues</u>	
Dwelling Rent	\$ 1,004,115
Other Revenue	59,619
Total Operating Revenues	<u>1,063,734</u>
<u>Operating Expenses</u>	
Administrative	180,038
Tenant Services	4,797
Utilities	48,062
Maintenance and Operations	362,670
Insurance	102,001
General Expense	22,248
Depreciation	325,103
Total Operating Expenses	<u>1,044,919</u>
Operating Loss	<u>18,815</u>
<u>Non-Operating Revenues (Expenses)</u>	
Interest Income	106
Interest Expense	(149,287)
Grant Reimbursement Costs	(136,000)
Total Non-Operating Rev/(Exp)	<u>(285,181)</u>
Decrease before Capital Contributions	<u>(266,366)</u>
Capital Contributions	<u>-</u>
Decrease in Net Position	(266,366)
Net Position, Beginning	1,256,980
Net Position, Ending	<u><u>\$ 990,614</u></u>

See the accompanying notes to financial statements.

CITY PLACE II HOUSING CORPORATION, INCORPORATED
PROJECT NO. 064-35542
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

	Enterprise Fund
<u>Cash flows from operating activities:</u>	
Cash Received from Dwelling Rent	\$ 1,037,808
Cash Received from Other Sources	60,664
Cash Payments for Salaries and Benefits	(146,705)
Management Fees paid to The HALP	(12,000)
Cash Payments to Vendors and Landlords	(553,986)
Net cash provided by operating activities	<u>385,781</u>
<u>Cash flows from capital and related financing activities:</u>	
Capital Outlay	(229,056)
Principal and Interest paid on Capital Debt	(214,409)
Net cash used by capital & related financing activities	<u>(443,465)</u>
<u>Cash flows from investing activities:</u>	
Interest earned from cash and cash equivalents	106
Transfer from investments	250,606
Net cash used by investing activities	<u>250,712</u>
Net increase in cash and cash equivalents	193,028
Total cash and cash equivalents, beginning of year	97,004
Total cash and cash equivalents, end of year	<u>\$ 304,910</u>
<u>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</u>	
Operating Loss	\$ 18,815
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	325,103
Change in Tenant Accounts Receivable	284
Change in Prepaid Costs	(3,756)
Change in Accounts Payable - Operating	10,881
Change in Unearned Revenue - Tenants	33,409
Change in Security Deposits Held	1,045
Net cash provided (used) by operating activities	<u>\$ 385,781</u>

See the accompanying notes to financial statements.

CITY PLACE II HOUSING CORPORATION, INC.
PROJECT NO. 064-35542

RACELAND, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

City Place Housing Corporation, Incorporated (the Corporation) is a not-for-profit Louisiana corporation. The Corporation has adopted and applied *GASBS No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which establishes criteria for consideration of an entity as a governmental entity for purposes of applying accounting and financial reporting standards. Therefore, the financial statements of the Corporation have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Corporation is engaged only in business-type activities and therefore, presents only the financial statements required for the enterprise fund, in accordance with GASB Statement 34 paragraph 138 and GASB Statement 63.

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

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

The HUD Project Supplementary Financial Schedules which accompany these financial statements on pages 23 through 31 have not been presented in accordance with *Governmental Accounting Standards* and have been presented for purposes of analysis by the Department of Housing and Urban Development.

Cash and Equivalents

The Corporation considers cash on hand and cash in checking to be cash equivalents. Cash on hand is not included in calculation of collateral required.

Prepaid Items

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

Unearned Revenue

The Corporation recognizes revenues as earned. Funds received before the Corporation is eligible to apply them are recorded as a liability under Unearned Revenue, and consists of October 2019 rent payments collected in September.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE A - SIGNIFICANT ACCOUNTING POLICIES- CONTINUED

Capital Assets

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

Buildings and Improvements	15 - 33 years
Furniture and Equipment	5 - 7 years

Corporate management has assessed the carrying values of capital asset balances as of September 30, 2019, and as of March 10, 2020. No significant capital asset value impairments exist as of the noted dates.

Revenue Accounting Policies

Dwelling rent income and operating miscellaneous income are reported as operating revenue. Interest income is reported as non-operating revenue.

NOTE B - REPORTING ENTITY DEFINITION

City Place II Housing Corporation, Inc. (the "Corporation") was organized in 2001, under the laws of the State of Louisiana, as a non-profit corporation under IRS section 501 (c)(3), to own and operate a 112-unit residential rental project located in Lockport, Louisiana. The project was financed and constructed under Section 221 (d)(4) of the National Housing Act, as amended and administered by the U.S. Department of Housing and Urban Development (HUD). The Corporation operates under the provisions of Section 221 (d)(4) of the National Housing Act, with mortgage insurance provided by the Federal Housing Administration (FHA) of the Department of Housing and Urban Development.

The Corporation is a component unit of The Housing Authority of Lafourche Parish, and the Corporation's board of directors is the same as the commissioners of the Housing Authority. The five members of the board are appointed by the Parish Council.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE C - CASH AND INVESTMENT DEPOSITS

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

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

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

The Corporation's cash and cash equivalents consist of cash held in interest bearing checking accounts totaling \$53,804. The restricted cash consists of \$250,606 held in tenant and mortgage escrow accounts, and replacement reserve accounts. The remaining \$500 consists of petty cash accounts. Deposits with financial institutions are fully secured by the Federal Deposit Insurance Corporation (FDIC).

NOTE D – SIGNIFICANT ESTIMATES

These financial statements are prepared in accordance with generally accepted accounting principles. The financial statements include some amounts that are based on management's best estimates and judgments. The most significant estimates relate to depreciation and useful lives. These estimates may be adjusted as more current information becomes available, and any adjustment could be significant.

NOTE E – RISK MANAGEMENT

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

NOTE F – CONCENTRATION OF RISK

The Corporation receives most of its funding through the leasing of 112 units in its apartment project in Lockport, Louisiana. The Corporation's operations are concentrated in the multifamily real estate market and are subject to local market influences on rental rates, as well as, federal, state, and local regulations that govern the rental industry. In addition, as a component unit of The Housing Authority of Lafourche Parish, the Corporation is also affected by administrative directives, and rules and regulations mandated by HUD. These mandates are subject to change by an act of Congress. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden to comply with the change.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE G – MANAGEMENT AGREEMENT

In June 2017, the Corporation entered into an exclusive management agreement with Provence Real Estate, LLC, a third-party real estate management company, for management services to be provided to the City Place II project. The agreement provides for the management company to operate, manage, lease, and maintain the project. In return for its services, the management company is reimbursed for expenses and employee salaries and receives a base monthly management fee of \$3,360, with incentives for achieving certain milestones which are paid in the form of additional management fees. The contract continues year to year until cancelled by either party. Management fees earned by Provence Real Estate, LLC during fiscal year 2019 totaled \$45,571.

NOTE H – RELATED PARTY TRANSACTIONS

The Community Development Corporation of Lafourche Parish (CDC) held a second mortgage on the City Place II project in the amount of \$4,313,389 plus accrued interest of \$560,741. In August 2011, the Community Development Corporation forgave the outstanding principal balance on the note of \$4,313,389. The outstanding accrued interest balance as of September 30, 2019 was \$560,741. The CDC is also a component unit of The Housing Authority of Lafourche Parish.

Effective October of 2016, the Corporation entered into an executive management agreement The Housing Authority of Lafourche Parish, in which the Housing Authority would be reimbursed for providing executive and management oversight services to the Corporation. In return for its services, the Housing Authority receives a base monthly executive management fee of \$2,000. Executive management fees earned by, and paid to the Housing Authority during fiscal year 2019 totaled \$24,000.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE I – RESTRICTED ASSETS

The Corporation's restricted assets consist of the following as of September 30, 2019:

Replacement Reserve	\$ 129,366
Escrow Accounts	62,312
Residual Receipts Reserve	<u>58,928</u>
Total Restricted Assets	<u>\$ 250,606</u>

- **Replacement Reserve:** The Corporation has established and maintains a Replacement Reserve Account as required under the U.S. Department of Housing and Urban Development regulatory agreement. The reserve is held with Prudential Securities and is invested in securities insured by the United States Government. The Corporation makes monthly deposits into the account and earns a variable rate of interest on the investment. The funds can only be disbursed with the written consent of HUD.
- **Escrow Accounts:** An insurance escrow account has been established by the Corporation. The account is held with Prudential Securities and investments are in securities insured by the United States Government.
- **Residual Receipts Reserve:** The Corporation has established and maintains Residual Receipts Reserve Accounts as required under the U.S. Department of Housing and Urban Development regulatory agreement. The reserves are held with Prudential, AF&B Bank and Regions Bank. The Corporation makes deposits as determined by HUD on an annual basis. The funds can only be disbursed with the written consent of HUD.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE J – LONG TERM DEBT

- On April 1, 2001, the Corporation assumed a mortgage on the 112-unit City Place II multifamily residential project from City Place Lockport Associates, LTD. The principal balance due under the mortgage note at the time of assumption was \$3,964,461. On September 29, 2011, the Corporation refinanced the mortgage note in the amount of \$3,911,600. The note incurs interest at the rate of 4.27% and is payable in equal monthly installments of \$17,867 through March 1, 2047. The mortgage note is secured with the applicable property and the outstanding principal balance of this note, as of fiscal year-end was \$3,466,218. Interest expended during the year was \$152,005. Future projected payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Balance Due</u>
2020	66,000	148,404	3,400,218
2021	70,660	143,744	3,329,558
2022	73,737	140,667	3,255,821
2023	76,948	137,456	3,178,873
2024	80,299	134,105	3,098,574
2025 - 2029	457,089	614,931	2,641,485
2030 - 2034	565,664	506,356	2,075,821
2035 - 2039	700,029	371,991	1,375,792
2040 - 2044	866,309	205,711	509,483
2045 - 2047	509,483	26,790	-
	<u>\$ 3,466,218</u>	<u>\$ 2,430,155</u>	<u>\$ -</u>

- A second mortgage was executed on the City Place II project and was payable to the Community Development Corporation of Lafourche Parish (also a component unit of The Housing Authority of Lafourche Parish). The note was in the amount of \$4,313,389 and incurred interest at a rate of 1% (non-compounded). Principal and interest was payable on the maturity date of the first mortgage. In August of 2011, the Community Development Corporation forgave the outstanding principal balance on the note of \$4,313,389. The outstanding accrued interest balance as of September 30, 2019 was \$560,741. There was no interest expense incurred during the year.

Long-term debt activity for the year ended September 30, 2019, was as follows:

	<u>October 1, 2018</u>			<u>September 30, 2019</u>	<u>Due Within</u>
	<u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u>	<u>One Year</u>
Note Payable	\$ 3,531,109	\$ -	\$ 64,891	\$ 3,466,218	\$ 66,000
Interest Payable (to CDC)	560,741	-	-	560,741	
Less: Current portion	(64,886)			(66,000)	
Long-Term Debt Liabilities	<u>\$ 4,026,964</u>			<u>\$ 3,960,959</u>	<u>\$ 66,000</u>

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE K – PROPERTY AND EQUIPMENT

A summary of capital asset activity for the fiscal year-ended September 30, 2019 is as follows:

	October 1, 2018		Transfers &	September 30, 2019
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
Land	\$ 100,000	\$ -	\$ -	\$ 100,000
Construction in Process	611,122	225,061	(394,786)	441,397
Total Assets not being depreciated	711,122	225,061	(394,786)	541,397
Buildings and Improvements	9,611,598	-	394,786	10,006,384
Furniture and Equipment	27,782	3,995	-	31,777
Total Property and Equipment	10,350,502	229,056	-	10,579,558
Less Accumulated Depreciation				
Buildings and Improvements	(5,313,948)	(321,691)	-	(5,635,639)
Furniture and Equipment	(12,933)	(3,412)	-	(16,345)
Net Book Value	\$ 5,023,621	\$ (96,047)	\$ -	\$ 4,927,574

Construction in process of \$394,786 has been placed-in-service as of October 1, 2018.

NOTE L - RESTRICTION OF RENT INCREASES

The second mortgage (described in Note J above) was the result of an Upfront Grant Agreement between the Secretary of Housing and Urban Development and the Community Development Corporation of Lafourche Parish. Rider 4 of the agreement requires that the property must remain “affordable” for 40 years from the date of the initial occupancy or until the second mortgage is paid in full. “Affordable” is defined as not exceeding 30 percent of 80 percent of the area median income as determined by HUD. The affordability applies to 100 percent of the units developed with the Upfront Grant and the federally insured loan. The rider also states that the project may not be used for any other purpose other than affordable housing without the written consent of both The Housing Authority of Lafourche Parish and HUD.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE M – COMMITMENTS AND CONTINGENCIES

Amounts received from, and assets purchased with HUD grants and the federally insured loan are subject to audit and adjustment by grantor agencies. If expenses are disallowed as a result of these audits, the claims for reimbursement to the grantor agency would become a liability of the Corporation. In the opinion of management, any such adjustments would not be significant.

NOTE N - INCOME TAXES

The Corporation is exempt from income taxes as a public agency, under Section 501(c)4 of the Internal Revenue Code. As such, only unrelated business income is subject to income tax. Currently, the 2016, 2017 and 2018 tax years are open and subject to examination by the Internal Revenue Service. However, the Corporation is not currently under audit nor has the Corporation been contacted by any of these jurisdictions. Based on an evaluation of the Corporation's tax positions, management believes all positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions has been recorded for the fiscal year-ended September 30, 2018.

NOTE O - CONTRACTUAL COMMITMENTS

The Authority had no significant outstanding contractual commitments as of September 30, 2019.

NOTE P – SUBSEQUENT EVENTS

In preparing the financial statements, management evaluated subsequent events through March 10, 2020, the date the financial statements were available to be issued.

CITY PLACE II HOUSING CORPORATION, INC.
PROJECT NO. 064-35326

RACELAND, LOUISIANA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2019

EXPENDITURES

Non-cash Federal Assistance - HUD National Assistance Act, Section 221 (d)(4) Total CFDA Number 14.135	\$ 3,531,109
TOTAL HUD EXPENDITURES	<u>3,531,109</u>
TOTAL FEDERAL EXPENDITURES	<u>\$ 3,531,109</u>

NOTE 1 – BASIS OF PRESENTATION

The above Schedule of Expenditures of Federal Awards includes the federal award activity of the Corporation under programs of the federal government for the year ended September 30, 2019. The information on this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the Schedule presents only a selected portion of operations of the Corporation, it is not intended to and does not present the financial net position, changes in net position, or cash flows of the Corporation.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 – INDIRECT COST RATE

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

NOTE 4 – LOAN BALANCE

The Corporation's outstanding loan balance as of September 30, 2019 was \$3,466,218.

CITY PLACE II HOUSING CORPORATION, INC.
PROJECT NO. 064-35542

RACELAND, LOUISIANA

SCHEDULE OF FINDINGS
AND QUESTIONED COSTS

SEPTEMBER 30, 2019

Section I: Summary of Auditor's Results:

FINANCIAL STATEMENTS

Type of auditor's report issued:

Unmodified

Internal Control over financial reporting:

Are material weaknesses identified?

☐ Yes

☒ No

Are significant deficiencies that are not considered
to be material weaknesses identified?

☐ Yes

☒ None
Reported

Is noncompliance that could have a material effect
on the financial statements identified?

☐ Yes

☒ No

FEDERAL AWARDS

Internal control over major program:

Are material weaknesses identified?

☐ Yes

☒ No

Are significant deficiencies that are not considered
to be material weaknesses identified?

☐ Yes

☒ None
Reported

Type of report issued on compliance with requirements
applicable to the major program:

Unmodified

Are there any audit findings that are required to be
reported in accordance with 2 CFR Section 200.516(a) of
the Uniform Guidance?

☐ Yes

☒ No

Identification of major program:

Name of Federal Program

HUD National Assistance Act, Section 221(d)(4)

CFDA No.

14.135

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

Is the auditee identified as a low-risk auditee?

☒ Yes

☐ No

CITY PLACE II HOUSING CORPORATION, INC.
PROJECT NO. 064-35542

RACELAND, LOUISIANA

SCHEDULE OF FINDINGS
AND QUESTIONED COSTS

SEPTEMBER 30, 2019

Section II: Financial Statement Findings:

Prior Year Findings and Questioned Costs:

None

Current Year Findings and Questioned Costs:

None

Section III: Federal Awards Findings:

Prior Year Findings and Questioned Costs:

None

Current Year Findings and Questioned Costs:

None

CITY PLACE II HOUSING CORPORATION, INC.
PROJECT NO. 064-35326

RACELAND, LOUISIANA

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO THE CHIEF EXECUTIVE
OFFICER

YEAR ENDED SEPTEMBER 30, 2019

EXPENDITURE PURPOSE

Salary	\$ 0
Benefits - Insurance	0
Benefits - Retirement	0
Registration Fees	0
Conference Travel	0
Total Compensation, Benefits and Other Payments	\$ 0

Agency Head: Beryl Pitre, Chief Executive Officer

Basis of Presentation:

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

City Place II Housing Corporation
HUD Project Number 064-35542
Supplemental Statement of Financial Position
September 30, 2019

ASSETS

CURRENT ASSETS

1120	Cash - Operations		\$	10,409
1130	Tenant/Member Accounts Receivable	500		
1130N	Net Tenant Accounts Receivable			500
1200	Miscellaneous Prepaid Expenses			46,129
1100T	Total Current Assets			57,038

1191	Tenant/Patient Deposits Held in Trust			43,895
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RESTRICTED DEPOSITS

1310	Escrow Deposits			62,312
1320	Replacement Reserve			129,366
1340	Residual Receipts Reserve			58,928
1300T	Total Deposits			250,606

PROPERTY AND EQUIPMENT

1410	Land			100,000
1420	Buildings			10,447,781
1465	Office Furniture and Equipment			31,777
1400T	Total Fixed Assets			10,579,558
1495	Accumulated Depreciation			5,651,984
1400N	Net Fixed Assets			4,927,574

1000T	TOTAL ASSETS		\$	5,279,113
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City Place II Housing Corporation
HUD Project Number 064-35542
Supplemental Statement of Financial Position
September 30, 2019

LIABILITIES AND PARTNERS' DEFICIT

CURRENT LIABILITIES

2105	Bank Overdraft - Operations		
2110	Accounts Payable - Operations	\$	37,892
2131	Accrued Interest Payable - First Mortgage (or Bonds)		12,334
2160	Notes Payable (Short-term)		124,667
2170	Mortgage (or Bonds) Payable - First Mortgage (Bonds) (Short Term)		66,000
2210	Prepaid Revenue		42,752
2122T	Total Current Liabilities		<u>283,645</u>
2191	Tenant/Patient Deposits Held In Trust (Contra)		43,895

LONG-TERM LIABILITIES

2320	Mortgage (or Bonds) Payable - First Mortgage (or Bonds)		3,400,218
2331	Accrued Interest Other Mortgage Payable (Long Term)		560,741
2300T	Total Long Term Liabilities		<u>3,960,959</u>

2000T	Total Liabilities		4,288,499
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NET ASSETS

3131	Unrestricted Net Assets		740,008
3133	Permanently Restricted Net Assets		250,606
3130	Total Net Assets		<u>990,614</u>
2033T	TOTAL LIABILITIES AND EQUITY	\$	<u><u>5,279,113</u></u>

City Place II Housing Corporation
HUD Project Number 064-35542
Supplemental Statement of Activities
For the Year Ended September 30, 2019

REVENUE

5120	Rent Revenue - Gross Potential	\$ 1,004,115
5100T	Total Rent Revenue	<u>1,004,115</u>
5152N	Net Rental Revenue (Rent Revenue Less Vacancies)	<u>1,004,115</u>

Financial Revenue

5410	Financial Revenue - Project Operations	11
5440	Revenue from Investments - Replacement Reserve	<u>95</u>
5400T	Total Financial Revenue	106

Other Revenue

5920	Tenant Charges	<u>59,619</u>
5900T	Total Other Revenue	59,619

5000T	TOTAL REVENUE	<u>1,063,840</u>
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EXPENSES

Administrative Expenses

6210	Advertising and Marketing	4,850
6310	Office Salaries	59,207
6311	Office Expenses	40,707
6320	Management Fee	69,571
6350	Audit Expense	10,500
6390	Miscellaneous Administrative Expenses	<u>158,248</u>
6263T	Total Administrative Expenses	343,083

Utilities Expenses

6450	Electricity	15,918
6451	Water	<u>32,144</u>
6400T	Total Utilities Expense	48,062

Operating & Maintenance Expenses

6510	Payroll	87,498
6515	Supplies	186,594
6520	Contracts	<u>88,578</u>
6500T	Total Operating and Maintenance Expenses	362,670

Taxes & Insurance

6720	Property & Liability Insurance (Hazard)	<u>102,001</u>
6700T	Total Taxes and Insurance	102,001

Financial Expenses

6820	Interest on Mortgage (or Bonds) Payable	<u>149,287</u>
6800T	Total Financial Expenses	<u>149,287</u>

City Place II Housing Corporation
HUD Project Number 064-35542
Supplemental Statement of Activities
For the Year Ended September 30, 2019

Operating Results

6000T	Total Cost of Operations before Depreciation	1,005,103
5060T	Profit (Loss) before Depreciation	<u>58,737</u>
6600	Accumulated Depreciation Expenses	<u>325,103</u>
5060N	Operating Profit or (Loss)	(266,366)

CHANGE IN NET ASSETS FROM OPERATIONS

3247	Change in Unrestricted Net Assets from Operations	<u>(266,366)</u>
3250	Change in Total Net Assets from Operations	<u><u>S (266,366)</u></u>

Part II

S1000-010	Total mortgage (or bond) principal payments required during the audit year [12 monthly payments]. This applies to all direct loans and HUD-held and fully insured mortgages.	\$ 64,891
S1000-020	Total of 12 monthly deposits in the audit year into the Replacement Reserve account, as required by the Regulatory Agreement even if payments may be temporarily suspended or reduced.	44,805

City Place II Housing Corporation
HUD Project Number 064-35542
Supplemental Statement of Changes in Net Assets
September 30, 2019

S1100-060	Previous Year Unrestricted Net Assets	\$	1,034,346
3247	Change in Unrestricted Net Assets from Operations		(266,366)
S1100-065	Other Changes in Unrestricted Net Assets		(27,972)
3131	Unrestricted Net Assets		740,008
S1100-080	Previous Year Permanently Restricted Net Assets		222,634
S1100-085	Other Changes in Permanently Restricted Net Assets		27,972
3133	Permanently Restricted Net Assets		250,606
S1100-050	Previous Year Total Net Assets		1,256,980
3250	Change in Total Net Assets from Operations		(266,366)
3130	Total Net Assets	\$	990,614

City Place II Housing Corporation
HUD Project Number 064-35542
Supplemental Statement of Cash Flows
For the Year Ended September 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

S1200-010	Rental Receipts	\$ 1,037,808
S1200-020	Interest Receipts	106
S1200-030	Other Operating Receipts	59,619
S1200-040	Total Receipts	<u>1,097,533</u>
S1200-050	Administrative	(79,424)
S1200-070	Management Fee	(57,571)
S1200-090	Utilities	(48,062)
S1200-100	Salaries and Wages	(146,705)
S1200-110	Operating and Maintenance	(275,172)
S1200-140	Property Insurance	(105,757)
S1200-180	Interest on Mortgages	(149,518)
S1200-230	Total Disbursements	<u>(862,209)</u>
S1200-240	NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>235,324</u>

CASH FLOWS FROM INVESTING ACTIVITIES

S1200-245	Net Deposits to the Mortgage Escrow account	5,897
S1200-250	Net Deposits to the Reserve for Replacement account	20,020
S1200-260	Net Deposits to the Residual Receipts account	(53,889)
S1200-330	Net Purchase of Fixed Assets	(229,056)
S1200-350	NET CASH USED IN INVESTING ACTIVITIES	<u>(257,028)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

S1200-360	Principal Payments - First Mortgage (or Bonds)	(64,891)
S1200-460	NET CASH USED IN FINANCING ACTIVITIES	<u>(64,891)</u>
S1200-470	NET INCREASE (DECREASE) IN CASH	(86,595)
S1200-480	Beginning of Period Cash	97,004
S1200T	END OF PERIOD CASH	<u><u>\$ 10,409</u></u>

City Place II Housing Corporation
HUD Project Number 064-35542
Supplemental Statement of Cash Flows
For the Year Ended September 30, 2019

RECONCILIATION OF NET LOSS TO NET CASH PROVIDED
BY OPERATING ACTIVITIES

3250	Change in Total Net Assets from Operations	\$ (266,366)
Adjustments to Reconcile Net Profit (Loss) to Net Cash Provided by (Used in) Operating Activities		
6600	Depreciation Expenses	325,103
S1200-490	Decrease (increase) in Tenant/Member Accounts Receivable	284
S1200-520	Decrease (increase) in Prepaid Expenses	(3,756)
S1200-530	Decrease (increase) in Cash Restricted for Tenant Security Deposits	(1,045)
S1200-540	Increase (decrease) in Accounts Payable	146,881
S1200-570	Increase (decrease) in Accrued Interest Payable	(231)
S1200-580	Increase (decrease) in Tenant Security Deposits held in trust	1,045
S1200-590	Increase (decrease) in Prepaid Revenue	33,409
S1200-610	NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 235,324</u>

City Place II Housing Corporation
HUD Project Number 064-35542
Supplementary of Reserves
September 30, 2019

Auditor Information

Audit Firm Name/ID:

Lead Auditor:

Audit Firm Address:

Aprio, LLP/85170

Thomas E. Carr, CPA

1200 Corporate Drive

Suite 200

Birmingham, Alabama

(205)991-5506

57-1157523

March 10, 2020

Audit Firm Telephone Number:

Audit Firm Tax Identification Number:

Date of Independent Auditors' Report:

SCHEDULE OF RESERVE FOR REPLACEMENTS

1320P	Balance at Beginning of Year	\$ 149,386
1320DT	Total Monthly Deposits	44,805
1320INT	Interest on Replacement Reserve Accounts	95
1320WT	Approved Withdrawals	64,920
1320	Balance at End of Year, Confirmed by Mortgagee	<u>\$ 129,366</u>
1320R	Deposits Suspended or Waived Indicator	NO

SCHEDULE OF RESIDUAL RECEIPTS

1340P	Balance at Beginning of Year	\$ 5,039
1340DT	Total Deposits	53,889
1340	Balance at current fiscal year end	<u>\$ 58,928</u>

COMPUTATION OF SURPLUS CASH, DISTRIBUTIONS, & RESIDUAL RECEIPTS

S1300-010	Cash	\$ 54,304
S1300-040	Total Cash	<u>54,304</u>
S1300-050	Accrued Mortgage (or Bond) Interest Payable	12,334
S1300-075	Accounts Payable - 30 days	37,892
S1300-080	Loans and Notes Payable [due within 30 days]	5,533
2210	Prepaid Revenue	42,752
2191	Tenant Security Deposits Liability	43,895
S1300-140	Total Current Obligations	<u>142,406</u>
S1300-150	Surplus Cash (Deficiency)	<u>\$ (88,102)</u>

City Place II Housing Corporation
HUD Project Number 064-35542
Supplementary Schedule of Capital Assets Activity
Capital Assets
September 30, 2019

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
1410 Land	\$ 100,000	\$ -	\$ -	\$ 100,000
1420 Buildings and Construction in Progress	10,222,720	225,061	-	10,447,781
1465 Office Furniture and Equipment	27,782	3,995	-	31,777
Total	\$ <u>10,350,502</u>	\$ <u>229,056</u>	\$ <u>-</u>	\$ <u>10,579,558</u>
Depreciation	\$ <u>5,326,881</u>	\$ <u>325,103</u>	\$ <u>-</u>	\$ <u>5,651,984</u>
Net Book Value			\$	<u>4,927,574</u>

CITY PLACE II HOUSING CORPORATION, INC.
PROJECT NO. 064-35542

RACELAND, LOUISIANA

SEPTEMBER 30, 2019

Certificate of Officer(s)

I/We hereby certify that I/we have examined the accompanying financial statements and supplemental data of City Place II Housing Corporation, Inc. Project No. 064-35542 and, to the best of my/our knowledge and belief, the same is complete and accurate.

Officer(s): Beryl Pitre

Beryl Pitre

Signature

March 10, 2020

Date

Chief Executive Officer

Corporation Employer Identification Number 72-1503217

CITY PLACE II HOUSING CORPORATION, INC.
PROJECT NO. 064-35542

RACELAND, LOUISIANA

SEPTEMBER 30, 2019

Certificate of Management Agent

I hereby certify that I have examined the accompanying financial statements and supplemental data of City Place II Housing Corporation, Inc. Project No. 064-35542 and, to the best of my knowledge and belief, the same is complete and accurate.

Agent: Spring Taylor

Spring Taylor

Signature

March 10, 2020

Date

Management Agent, Director of Operations

Corporation Employer Identification Number 74-2530031