

HOUSING AUTHORITY OF VERNON PARISH, LOUISIANA

**AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTAL DATA**

TWELVE MONTHS ENDED SEPTEMBER 30, 2017

Mike Estes, P.C.
A Professional Accounting Corporation

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AUDIT QUALITY CENTER

Independent Auditor's Report

Board of Commissioners
Housing Authority of Vernon Parish
Leesville, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of each major fund of the Housing Authority of Vernon Parish, Louisiana as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Housing Authority of Vernon Parish 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 Vernon Parish, Louisiana, as of September 30, 2017, 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 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 Vernon Parish, Louisiana's basic financial statements. The statement of modernization-uncompleted, financial data schedules, 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 statement of modernization costs-uncompleted, financial data schedules, 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 statement of modernization-uncompleted, financial data schedules, 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 February 19, 2018 on our consideration of the Housing Authority of Vernon Parish, 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 Vernon Parish, Louisiana's internal control over financial reporting and compliance.



Mike Estes, P.C.
Fort Worth, Texas
February 19, 2018

HOUSING AUTHORITY OF VERNON PARISH, LOUISIANA

REQUIRED SUPPLEMENTAL INFORMATION

**MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
September 30, 2017**

The management of Public Housing Authority of Vernon Parish, Louisiana presents the following discussion and analysis (MD&A) of the Housing Authority's financial activities for the fiscal year ending September 30, 2017. This represents an overview of financial information. Please read this discussion and analysis in conjunction with the Authority's included audited financial statements.

FINANCIAL HIGHLIGHTS

- The primary source of funding for these activities continues to be subsidies and grants from the Department of Housing and Urban Development (HUD), whereas tenant rentals provide a secondary but also significant source of funding.
- The Housing Authority's assets exceeded its liabilities by \$1,560,306 at the close of the fiscal year ended 2017.
 - ✓ Of this amount \$1,401,521 represents a restriction equal to the net amount invested in land, buildings, furnishings, leasehold improvements, equipment, and construction in progress, minus associated debts.
 - ✓ Also of this amount, \$3,838 of net position is restricted for the Housing Choice Voucher program
 - ✓ The remainder of \$154,947 of unrestricted assets could be used to meet the Housing Authority's ongoing obligations to citizens and creditors. As a measure of financial strength, this amount equals 19% of the total operating expenses of \$830,101 for the fiscal year 2017, which means the Authority might be able to operate about 2 months using the unrestricted assets alone, compared to 3 months in the prior fiscal year.
- The Housing Authority's total net position decreased by 9% from the prior fiscal year 2016. This decrease is attributable to significant increases in Federal grants for both operations and capital improvements, described in more detail below.
- The decrease in net position of these funds was accompanied by an increase in unrestricted cash by \$62,146 from fiscal year 2016, primarily due to spending \$45,666 more for operations than Federal funds received for operations; spending \$1,705 less for capital assets than Federal capital grants received; and transferring \$106,105 of cash needed for operations out of investments into cash.
- The Authority spent \$36,237 on capital asset additions during the current fiscal year.
- These changes led to a decrease in total assets by \$169,002 and a decrease in total liabilities by \$1,074. As related measure of financial health, there are still over \$8 of current assets covering each dollar of total current liabilities, which compares to \$8 covering the prior fiscal year's liabilities.
- The Housing Authority continues to operate without the need for debt borrowing.

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 Authority's internal controls.

Reporting on the Housing Authority as a Whole

One of the most important questions asked about the 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 2017?" The Statement of net position and the Statement of Revenues, Expenses and Changes in 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 and liabilities 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 net position. One can think of the Housing Authority's net position – the difference between assets and liabilities – as one way to measure the Authority's financial health, or financial position. Over time, increases and decreases in the 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 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:

Low Rent Public Housing	\$ 148,815
Public Housing Capital Fund Program	140,423
Housing Choice Vouchers	<u>191,633</u>
Total funding received this current fiscal year	<u>\$ 480,871</u>

The Housing Authority's auditors provided assurance in their independent auditors' report with which this MD&A is included, that the basic financial statements are fairly stated. The auditors provide varying degrees of assurance regarding the other information included in this report. A user of this report should read the independent auditors' 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). 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 Vernon Parish, LA
 Management's Discussion and Analysis (MD&A)
 September 30, 2017

FINANCIAL ANALYSIS

The Housing Authority's net position was \$1,560,306 as of September 30, 2017. Of this amount, \$1,401,521 was invested in capital assets, and the remaining \$154,947 was unrestricted. There were \$3,838 in specific assets restricted Housing Choice Voucher (HCV) program, for tenant security deposits and future housing payment reserves

CONDENSED FINANCIAL STATEMENTS

Condensed Statement of Net Position

As of September 30, 2017

	<u>2017</u>	<u>2016</u>
ASSETS		
Current assets	\$ 196,932	\$ 238,323
Capital assets, net of depreciation	1,401,521	1,529,132
Total assets	<u>1,598,453</u>	<u>1,767,455</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred payments to government assistance programs	-	-
LIABILITIES		
Current liabilities	24,985	28,242
Non-current liabilities	13,162	10,979
Total liabilities	<u>38,147</u>	<u>39,221</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred revenues from government assistance programs	-	-
NET POSITION		
Invested in capital assets, net of depreciation	1,401,521	1,529,132
net position restricted for the Housing Choice Voucher program	3,838	7,681
Unrestricted net position	154,947	191,421
Total net position	<u>\$ 1,560,306</u>	<u>\$ 1,728,234</u>

CONDENSED FINANCIAL STATEMENTS (Continued)

The net position of these funds decreased by \$147,679, from those of fiscal year 2016, as explained below. In the narrative that follows, the detail factors causing this change are discussed:

Condensed Statement of Revenues, Expenses and Changes in Fund Net Position

Fiscal Year Ended September 30, 2017

	2017		2016
OPERATING REVENUES			
Dwelling rental	\$ 137,512	\$	158,375
Governmental operating grants	444,634		399,245
Other - tenant revenue	27,388		41,181
Other	16,193		16,562
	625,727		615,363
OPERATING EXPENSES			
Administration	177,315		173,841
Tenant services	250		0
Utilities	20,879		19,400
Ordinary maintenance & operations	203,591		163,706
General expenses	77,822		69,371
Depreciation	163,845		163,499
Housing assistance payments	173,079		169,269
Housing assistance-Ports In	13,320		17,197
	830,101		776,283
Income (Loss) from Operations	(204,374)		(160,920)
Non Operating Revenues (Expenses)			
Interest earnings	175		183
Gain/Loss on disposal of assets	34		(4,159)
	209		(3,976)
(Expenses)			
Income (Loss) before contribution	(204,165)		(164,896)
Capital Contribution	36,237		6,340
	(167,928)		(158,556)
Change in net position			
Total net position - beginning	1,728,234		1,886,790
Total net position - ending	\$ 1,560,306	\$	1,728,234

EXPLANATIONS OF FINANCIAL ANALYSIS

Compared with the prior fiscal year, total operating, non-operating revenues, and capital contributions increased 6%, from a combination of larger offsetting factors. Reasons for most of this change are listed below in order of impact from greatest to least:

- Total tenant revenue decreased by 12% from that of the prior fiscal year. In large part because the amount of rent each tenant pays is based on a sliding scale of their personal income. Some tenants' personal incomes decreased, so rent revenue from these tenants decreased accordingly, lowering the overall total. Finally, other tenant revenues (such as fees collected from tenants for late payment of rent, damages to their units, and other assessments) decreased by \$369, or by 2%.
- Federal revenues from HUD for operations increased by \$45,389, or by 11% from that of the prior fiscal year. The determination of operating grants is based in part upon operations performance of prior years. This amount fluctuates from year-to-year because of the complexities of the funding formula HUD employs. Generally, this formula calculates an allowable expense level adjusted for inflation, occupancy, and other factors, and then uses this final result as a basis for determining the grant amount. The amount of rent subsidy received from HUD depends upon an eligibility scale of each tenant. There was an increase in the number of eligible tenants receiving subsidies, so Housing Assistance Grants increased accordingly, lowering the overall total.
- Federal Capital Funds from HUD increased by \$29,897 from that of the prior fiscal year. The Housing Authority was still in the process of completing projects funded from grants by HUD for fiscal years 2014 through 2017, and submitted a new grant during fiscal year 2017.
- Total other non-operating revenue decreased by \$369 from that of the prior fiscal year.
- Interest income totaling \$175, did not change significantly from the prior to the current year.

Compared with the prior fiscal year, total operating expenses increased \$53,818, but this also was made up of a combination of offsetting factors. Again, reasons for most of this change are listed below in order of impact from greatest to least:

- Depreciation expense increased by \$346.
- Maintenance and repairs increased by \$39,885 from that of the prior fiscal year, due to several major factors: Repair staff wages increased by \$5,746 and related employee benefit contributions increased by \$3,398. Also, materials used increased by \$15,303, and contract labor costs increased by \$15,438.
- General Expenses increased by 12% from that of the prior fiscal year and payments in lieu of taxes (PILOT) decreased by \$2,234. PILOT is calculated as a percentage of rent minus utilities and therefore changed proportionately to the changes in each of these. Insurance premiums increased by \$2,055, since property and casualty insurance premiums increased, whereas other general expenses decreased by \$27. Bad debts increased by \$4,883 because these changed roughly proportional to rent. Lastly, compensated absences decreased by \$3,746.
- Administrative Expenses increased by \$3,471 from that of the prior fiscal year, due to a combination of offsetting factors: Administrative staff salaries increased by 6% and related employee benefit contributions increased by 8% therefore, total staff salaries and benefit costs increased by 7%. In addition, audit fees decreased by \$300 and legal fees increased by \$1,064. Finally, staff travel reimbursements decreased by \$1,226, office expenses increased by \$5,512, but sundry expenses decreased by \$8,313; therefore, other staff administrative expense decreased by 7%.
- Housing Assistance Payments to landlords and related port payments decreased by \$67 from that of the prior fiscal year, because there was an increase in the number of tenants qualifying for subsidy during the year.

Housing Authority of Vernon Parish, LA
 Management's Discussion and Analysis (MD&A)
 September 30, 2017

- Utilities Expense increased by \$1,479 from that of the prior fiscal year because water cost increased by \$82, due to an increase in rate by 8%, electricity cost increased by \$3,492, due to an increase in rate by 29%, gas cost decreased by \$772, due to a decrease in rate by 49% and other utilities expense (such as labor, benefits, garbage, sewage and waste removal) decreased by \$2,095.
- Tenant Services increased by \$250 from that of the prior fiscal year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2017, the Housing Authority had a total cost of \$4,664,849 invested in a broad range of assets and construction in progress from projects funded in 2014 through 2017, listed below. This amount, not including depreciation, represents increases of \$29,233 from the prior year. More detailed information about capital assets appears in the notes to the financial statements.

**Capital Assets, Net of Accumulated Depreciation
 As of September 30, 2017**

	<u>2017</u>	<u>2016</u>
Land	\$ 156,735	\$ 156,735
Buildings	1,203,862	1,203,862
Leasehold improvements	148,396	148,395
Furniture and equipment	20,140	20,140
Total	\$ 1,421,769	\$ 1,529,132

As of the end of the 2017 fiscal year, the Authority is still in the process of completing HUD grants of \$370,316 obtained during 2014 through 2017 fiscal years. A total remainder of \$152,655 will be received and \$150,011 will be spent for completing these projects during fiscal year 2018.

Debt

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Housing Authority is primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by Federal budget than by local economic conditions. The capital budgets for the 2017 fiscal year have already been submitted to HUD for approval and no major changes are expected.

The Capital fund programs are multiple year budgets and have remained relatively stable. Capital Funds are used for the modernization of public housing properties including administrative fees involved in the modernization.

CONTACTING THE HOUSING AUTHORITY'S FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, investors and creditors with a general overview of the Housing Authority's finances and to show the Housing Authority's accountability for the money it receives. If you have questions about this report, or wish to request additional financial information, contact Lori Wilson, at Public Housing Authority of Vernon Parish, Louisiana; P.O Box 1247; Vernon Parish, LA 71496.

HOUSING AUTHORITY OF VERNON PARISH, LOUISIANA
STATEMENT OF NET POSITION

SEPTEMBER 30, 2017

	General	Housing Choice Voucher	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 124,645	\$ 9,593	\$ 134,238
Accounts receivable net	4,179	2,047	6,226
Prepaid items and other assets	16,871	0	16,871
Inventory	21,802	0	21,802
Restricted assets - cash and cash equivalents	13,953	3,842	17,795
Total Current Assets	181,450	15,482	196,932
Capital Assets, net			
Land and other non-depreciated assets	156,735	0	156,735
Other capital assets - net of depreciation	1,244,786	0	1,244,786
Total Capital Assets, net	1,401,521	0	1,401,521
Total Assets	\$ 1,582,971	\$ 15,482	\$ 1,598,453
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 3,154	\$ 3	\$ 3,157
Unearned income	682	0	682
Compensated absences payable	6,288	908	7,196
Deposits due others	13,950	0	13,950
Total Current Liabilities	24,074	911	24,985
Noncurrent Liabilities			
Compensated absences payable	11,858	1,304	13,162
Total Liabilities	35,932	2,215	38,147
NET POSITION			
Net investment in capital assets	1,401,521	0	1,401,521
Restricted for:			
HAP Equity	0	3,838	3,838
Unrestricted	145,518	9,429	154,947
Net Position	\$ 1,547,039	\$ 13,267	\$ 1,560,306

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

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

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	General	Housing Choice Voucher	Total
OPERATING REVENUES			
Dwelling rental	\$ 137,512	\$ 0	\$ 137,512
Governmental operating grants	253,001	191,633	444,634
Other	13,251	14,137	27,388
Other - dwelling	16,193	0	16,193
Total Operating Revenues	419,957	205,770	625,727
OPERATING EXPENSES			
Administration	149,595	27,720	177,315
Tenant services	250	0	250
Utilities	20,879	0	20,879
Ordinary maintenance & operations	203,591	0	203,591
General expenses	75,213	2,609	77,822
Depreciation	163,845	0	163,845
Housing assistance payments	0	173,079	173,079
Housing assistance-Ports In	0	13,320	13,320
Total Operating Expenses	613,373	216,728	830,101
Income (Loss) from Operations	(193,416)	(10,958)	(204,374)
Non Operating Revenues (Expenses)			
Interest earnings	166	9	175
Gain on disposal of assets	34	0	34
Total Non-Operating Revenues (Expenses)	200	9	209
Income (Loss) before contribution	(193,216)	(10,949)	(204,165)
Capital Contribution	36,237	0	36,237
Change in net position	(156,979)	(10,949)	(167,928)
Total net position - beginning	1,704,018	24,216	1,728,234
Total net position - ending	\$ 1,547,039	\$ 13,267	\$ 1,560,306

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

HOUSING AUTHORITY OF VERNON PARISH, LOUISIANA
STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	General	Housing Choice Voucher	Total
	<u> </u>	<u> </u>	<u> </u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Rental receipts	\$ 126,522	\$ 0	\$ 126,522
Other receipts	29,794	11,951	41,745
Federal grants	255,877	191,633	447,510
Payments to vendors	(220,308)	(11,590)	(231,898)
Payments to employees – net	(224,626)	(17,032)	(241,658)
Payments to private landlords	0	(186,399)	(186,399)
	<u> </u>	<u> </u>	<u> </u>
Net cash provided (used) by operating activities	(32,741)	(11,437)	(44,178)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(36,238)	0	(36,238)
Federal Capital Grants	36,237	0	36,237
Sale of assets	34	0	34
	<u> </u>	<u> </u>	<u> </u>
Net cash provided (used) by capital and related financing activities	33	0	33
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	177	9	186
Proceeds of maturities of investments	106,105	0	106,105
	<u> </u>	<u> </u>	<u> </u>
Net cash provided (used) by investing activities	106,282	9	106,291
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
	73,574	(11,428)	62,146
CASH AND CASH EQUIVALENTS			
Beginning of Fiscal Year	65,024	24,863	89,887
	<u> </u>	<u> </u>	<u> </u>
CASH AND CASH EQUIVALENTS End of Fiscal Year	\$ 138,598	\$ 13,435	\$ 152,033
	<u> </u>	<u> </u>	<u> </u>

Continued

HOUSING AUTHORITY OF VERNON PARISH, LOUISIANA
STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	General	Housing Choice Voucher	Total
	<u> </u>	<u> </u>	<u> </u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (193,416)	\$ (10,958)	\$ (204,374)
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation Expense	163,845	0	163,845
Provision of uncollectible accounts	105	0	105
Change in assets and liabilities:			
Receivables	2,876	(1,547)	1,329
Inventories	(2,084)	0	(2,084)
Prepaid items	(2,212)	337	(1,875)
Account payables	(2,907)	0	(2,907)
Unearned income	(1,203)	0	(1,203)
Deposits due others	350	0	350
Accrued compensated absences	1,905	731	2,636
	<u> </u>	<u> </u>	<u> </u>
Net cash provided (used) by operations	\$ (32,741)	\$ (11,437)	\$ (44,178)
	<u> </u>	<u> </u>	<u> </u>

Concluded

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

HOUSING AUTHORITY OF VERNON PARISH, LOUISIANA
NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

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HOUSING AUTHORITY OF VERNON PARISH, LOUISIANA
NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES The accompanying financial statements of the Housing Authority of Vernon Parish 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 Vernon Parish, serve staggered multi-year terms.

The Housing Authority has the following units:

PHA Owned Housing	FW 2027	66
Section 8		
Housing Choice Vouchers	LA-128VO	66

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 Parish of Vernon Parish since the Parish of Vernon Parish appoints a voting majority of the Housing Authority’s governing board. The Parish of Vernon Parish 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 Parish of Vernon Parish. Accordingly, the Housing Authority is not a component unit of the financial reporting entity of the Parish of Vernon Parish.

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 VERNON PARISH, LOUISIANA
NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

- 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 general fund accounts for the transactions of the Public Housing Low Rent program and the Capital Fund program. The housing choice voucher fund accounts for the Section 8 Housing Choice Voucher program.

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 sheet.

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 VERNON PARISH, LOUISIANA
NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

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 \$152,033. This is comprised of cash and cash equivalents of \$134,238 and restricted assets – cash of \$17,795, 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 in 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 VERNON PARISH, LOUISIANA
NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

I. CAPITAL ASSETS Capital assets are recorded at historical cost and depreciated over their estimated useful lives (excluding salvage value). The capitalization threshold is \$2,000. 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	33 years
Building improvements	15 years
Furniture and equipment	5-7 years
Computers	3 years

J. UNEARNED INCOME The Housing Authority reports prepaid revenues on its statement of net position. Prepaid 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 occurrence of qualifying expenditures. In subsequent periods, when the Housing Authority has a legal claim to the resources, the liability for prepaid revenue is removed from the statement of net position and the revenue is recognized.

K. COMPENSATED ABSENCES The Housing Authority follows Louisiana Civil Service regulations for accumulated annual and sick leave. Employees may accumulate up to three hundred hours of annual leave which may be received upon termination or retirement. Sick leave hours accumulate, but the employee is not paid for them if not used by his/her retirement or termination date. The Executive Director is not limited to 300 hours of annual leave.

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

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

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

Restricted resources are used first when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

HOUSING AUTHORITY OF VERNON PARISH, LOUISIANA
NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

N. 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 September 30, 2017. 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.

Restricted Cash: \$13,953 is restricted in the General Fund for security deposits. \$3 is restricted for an amount equal to unearned revenue and other current liabilities. \$3,839 is restricted in the Housing Choice Voucher fund for HAP Equity.

At September 30, 2017, the Housing Authority's carrying amount of deposits was \$151,873 and the bank balance was \$177,898. Petty cash consists of \$160. The entire bank balance was covered by FDIC Insurance.

HOUSING AUTHORITY OF VERNON PARISH, LOUISIANA
NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 3 – ACCOUNTS RECEIVABLE The receivables at September 30, 2017, are as follows:

<u>Class of Receivables</u>	<u>General</u>	<u>Housing Choice Voucher</u>	<u>Total</u>
Local sources:			
Tenants	\$ 1,333	\$ 0	\$ 1,333
Other	0	2,047	2,047
Federal sources:			
Grants	2,846	0	2,846
Total	<u>\$ 4,179</u>	<u>\$ 2,047</u>	<u>\$ 6,226</u>

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Non-depreciable assets				
Land and buildings	\$ 156,735	\$ 0	\$ 0	\$ 156,735
Depreciable assets:				
Buildings	4,310,888	36,237	0	4,347,125
Furniture and equipment	167,993	0	7,004	160,989
Total capital assets	<u>4,635,616</u>	<u>36,237</u>	<u>7,004</u>	<u>4,664,849</u>
Less: accumulated depreciation				
Buildings	2,958,631	153,778	0	3,112,409
Furniture and equipment	147,853	10,070	7,004	150,919
Total accumulated depreciation	<u>3,106,484</u>	<u>163,848</u>	<u>7,004</u>	<u>3,263,328</u>
Total capital assets, net	<u>\$ 1,529,132</u>	<u>\$ (127,611)</u>	<u>\$ 0</u>	<u>\$ 1,401,521</u>

HOUSING AUTHORITY OF VERNON PARISH, LOUISIANA
NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 5 – ACCOUNTS PAYABLE The payables at September 30, 2017 are as follows:

	General	Housing Choice Voucher	Total
Vendors	\$ 3,154	\$ 0	\$ 3,154
Federal sources:			
Grants	0	3	3
Total	\$ 3,154	\$ 3	\$ 3,157

NOTE 6 – COMPENSATED ABSENCES At September 30, 2017, employees of the Housing Authority have accumulated and vested \$20,358 of employee leave computed in accordance with GASB, Codification Section C60.

NOTE 7 – LONG-TERM OBLIGATIONS The following is a summary of the long-term obligation transactions for the year ended September 30, 2017.

	Compensated Absences
Balance, beginning	\$ 17,722
Additions	10,695
Deletions	8,059
Balance, ending	20,358
Amounts due in one year	\$ 7,196

HOUSING AUTHORITY OF VERNON PARISH, LOUISIANA
NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 8 – RETIREMENT SYSTEM The Housing Authority participates in the Housing Agency Retirement Trust, which is a defined contribution plan. The plan consists of employees of various local and regional housing authorities, urban renewal agencies, and other similar organizations. Through this plan, the Housing Authority provides pension benefits for all of its full-time employees. All full-time employees are eligible to participate in the plan on the first day of the month after completing six months of continuous employment.

Under a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Each participant in the plan is required to make a monthly contribution equal to 5% of his effective compensation and may make additional contributions. The employer is required to make monthly contributions equal to 7% of each participant's effective compensation.

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.

The Housing Authority has the right to establish or amend retirement plan provisions. The Housing Authority's Joinder Agreement with the Housing Renewal and Local Agency Retirement Plan may be amended or modified by Board Resolution. Amendment of the Joinder Agreement is limited to provisions affecting plan specifications.

The Housing Authority made the required contributions of \$16,149 for the year ended September 30, 2017, of which \$9,432 was paid by the Housing Authority and \$6,717 was paid by employees. No payments were made out of the forfeiture account.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Commitments The Authority entered into an Employment Agreement with the Executive Director, effective February 16, 2013. The Agreement is for five years, and renews automatically at the end of the five years, unless the Authority gives written notice of termination to the Executive Director at least ninety days prior to the end of the Agreement. The Executive Director may terminate the Agreement at any time, if at least sixty days notice is given.

The Agreement may be terminated by the Authority for cause, if at least thirty days written notice is given. 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 five 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.

Litigation The Housing Authority is not presently involved in litigation.

HOUSING AUTHORITY OF VERNON PARISH, LOUISIANA
NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

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.

Construction Projects There are certain renovation or construction projects in progress at September 30, 2017. These include modernizing rental units. These projects are being funded by HUD. Funds are requested periodically as the cost is incurred.

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 property, general liability, public liability, and worker's compensation. 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 Group Self Insured Fund (LHC) 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.

NOTE 10 – ECONOMIC DEPENDENCE The Department of Housing and Urban Development provided \$480,871 to the Housing Authority, which represents approximately 73% of the Housing Authority's total revenue and capital contributions for the year.

NOTE 11 - SUBSEQUENT EVENTS Management has evaluated events and transactions subsequent to the statement of net position date through, February 19, 2018, 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 Vernon Parish
Leesville, 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 Vernon Parish, Louisiana, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Housing Authority of Vernon Parish, Louisiana's basic financial statements, and have issued our report thereon dated February 19, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Housing Authority of Vernon Parish, 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 Vernon Parish, Louisiana's internal control. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority of Vernon Parish, 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 Vernon Parish, 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
February 19, 2018

HOUSING AUTHORITY OF VERNON PARISH, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED YEAR ENDED SEPTEMBER 30, 2017

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

HOUSING AUTHORITY OF VERNON PARISH, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2017

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 VERNON PARISH, LOUISIANA
CORRECTIVE ACTION PLAN

YEAR ENDED SEPTEMBER 30, 2017

There were no audit findings.

HOUSING AUTHORITY OF VERNON PARISH, LOUISIANA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED SEPTEMBER 30, 2017

The following prior audit finding was a significant deficiency, required to be reported, in the prior year in accordance with *Governmental Auditing Standards* generally accepted in the United States of America:

There were no prior audit findings.

SUPPLEMENTARY INFORMATION

HOUSING AUTHORITY OF VERNON PARISH, LOUISIANA
STATEMENT OF MODERNIZATION COSTS - UNCOMPLETED

YEAR ENDED SEPTEMBER 30, 2017

CASH BASIS

	2014 Capital Fund	2015 Capital Fund	2016 Capital Fund	2017 Capital Fund
Funds approved	\$ 87,385	\$ 93,387	\$ 94,760	\$ 94,784
Funds expended	84,185	70,238	55,246	10,637
Excess of funds approved	<u>\$ 3,200</u>	<u>\$ 23,149</u>	<u>\$ 39,514</u>	<u>\$ 84,147</u>
Funds advanced	\$ 84,185	\$ 69,149	\$ 53,690	\$ 10,637
Funds expended	84,185	70,237	55,246	10,637
Excess (Deficiency) of funds advanced	<u>\$ 0</u>	<u>\$ (1,088)</u>	<u>\$ (1,556)</u>	<u>\$ 0</u>

See accountants' report

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

YEAR ENDED SEPTEMBER 30, 2017

Agency Head Name: Lori Lee Wilson, Executive Director

Purpose	Amount
Salary	\$ 63,757
Benefits-insurance	19,770
Benefits-retirement	4,095
Benefits	
Car allowance	
Vehicle provided by government	
Per diem	
Reimbursements	
Travel	
Registration fees	
Conference travel	
Continuing professional education fees	
Housing	
Unvouchered expenses*	
Special meals	
Total	\$ 87,622

See accountants' report

HOUSING AUTHORITY OF VERNON PARISH, LOUISIANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2017

FEDERAL GRANTOR PROGRAM TITLE	CDFA NO.		PROGRAM EXPENDITURES
U. S. Department of Housing and Urban Development Direct Programs:			
Low-Income Housing Operating Subsidy	14.850a	\$	148,815
Capital Fund Program	14.872		140,423
Housing Choice Voucher	14.871		191,633
Total United States Department of Housing and Urban Development		\$	480,871
Total Expenditures of Federal Awards		\$	480,871

The accompanying notes are an integral part of this schedule.

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

YEAR ENDED SEPTEMBER 30, 2017

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 Vernon Parish, Louisiana (the “Housing Authority”) under programs of the federal government for the year ended September 30, 2017. 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	\$	444,634
Capital contributions		36,237
Total	\$	480,871

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.



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AGREED UPON PROCEDURES REPORT

Independent Accountant's Report On Applying Agreed-Upon Procedures

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

We have performed the procedures enumerated below, which were agreed to by the Vernon Parish 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 October 1, 2016 through September 30, 2017. The Entity'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

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
 - 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***, including receiving, recording, and preparing deposits

- 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, and (5) monitoring card usage
- 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. Note: Ethics requirements are not applicable to nonprofits.
- j) *Debt Service*, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Results of Testing:

The Authority has policies for Budgeting, Disbursements, Receipts, Payroll, Personnel, Credit Cards, Travel, and Ethics. In our opinion, all of these policies should be revised to fully address state law. For the other required policies or to review for revisions, we have directed Management to the policies listed under the Best Practices on the LLA's website. In addition, we have provided examples of the following policies: Budgeting, Purchasing, Disbursements, and Contracting [three in one policy], Receipts, Payroll/Personnel, Credit Cards, Travel and Expense Reimbursement, and Ethics.

We recommend to Management that they revise the policies they presently have or adopt new ones. The examples provided to them should be tailored to their specific situation.

We also note that since the expenditures per the audit year exceeded \$500,000, a notice should have been posted with the proper information at least ten days prior to a public hearing. Management did not provide documentation that this was done. A public hearing was duly held. The Board of Commissioners reviewed the approved the operating budget.

In the future, a notice should be duly posted with the proper information.

Corrective Action Response:

I am Lori Lee Wilson, Executive Director and Designated Person to respond to these AUP suggestions. We will revise and/or adopt the policies noted above. We will also retain documentation that a proper notice of the upcoming public hearing was posted in regards to the General Fund [Low Rent] and Housing Choice Voucher Fund.

Board

2. Obtain and review the board/committee minutes for the fiscal period, and:

- a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.
- b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).
 - If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.
- c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

Results of Testing:

- a) The Authority's by-laws were revised in 2014. The date and time of the monthly meetings were changed, but the by-laws kept the meetings to be held monthly. The Board met four times during the year ended September 30, 2017.
- b) The minutes did not include budget-to-actual comparisons of the General Fund and the Housing Choice Voucher Fund.
- c) The minutes included non-budgetary information at each meeting.

We recommend that either the board meet monthly as the by-laws now require, or the by-laws be amended to include language that the board will meet from time to time, to be determined, but sufficiently to do the necessary monitoring duties of the Board. In addition, we recommend that that the minutes reflect specifically that budget-to-actual comparisons be made at each board meeting. Year-to-date statements should be no older than ninety days, preferably even less, to be of maximum value as a tool.

Corrective Action Response:

We will do as the auditor suggests.

Bank Reconciliations

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

Results of Testing:

We received Management's representation that the list is complete.

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:
- a) Bank reconciliations have been prepared;
 - b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and
 - c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

Results of Testing:

- a) Bank reconciliations have been prepared.
- b) Bank reconciliations include evidence that a member of Management has reviewed each bank reconciliation.
- c) The Housing Choice Voucher bank reconciliation contains two checks older than 6 months at September 30, 2017. There was no indication that these two checks had been reviewed, and should be still listed as outstanding. The two checks totaled to an immaterial amount of \$528.33.

We recommend that in the future the year-end bank reconciliations contain documentation that all checks older than 6 months were reviewed, and should still be listed as outstanding.

Corrective Action Response:

We will do as the auditor suggestions.

Collections

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

Results of Testing:

We obtained Management's representations that the list is complete.

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* **For each cash collection location selected:**

- a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.
- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.
- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
 - Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.
 - Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

Results of Testing:

- a) The employees that accept tenant payments are bonded. The persons that accept payments do not make the bank deposits or reconcile the cash account.

- b) Written documentation exists that there is a process to reconcile cash collections to the general ledger and rental register by a person who is not responsible for cash collections.
- c) For our test period, all tenant receipts were deposited within one business day of collection. For our test period, the rental receipts, rental register, bank statement, and general ledger were satisfactorily reconciled.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and 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) by a person who is not responsible for collections.

Results of Testing:

Management has a written procedure that defines how to determine the completeness of collections, including electronic transfers by a person not responsible for collections.

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

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

Results of Testing:

We obtained Management's representation that the list is complete.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.
- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

Results of Testing:

- a) Of the 25 disbursements we tested, 19 were supported by purchase orders. Of the six that were not supported by purchase orders, the largest amount was \$235.
- b) Purchase orders were approved by a person who did not initiate the purchase. However, this documentation should be improved. The person who approves the purchase order should also sign it.
- c) A receiving report was not used.

We recommend the following:

- a) If Management elects to not use purchase orders for amounts that are immaterial, a threshold such as \$300 should be used. If a threshold is not established by policy, Management should use purchase orders for all goods ordered.
- b) Purchase orders should be signed by both the person initiating the purchase and the person approving the purchase.
- c) In lieu of using receiving reports, a person should document that the goods received agree to the specifications and quantity of what was ordered. An example of sufficient documentation would be the person signing or initialing and dating as of the dated checked, in the left corner of the invoice, and drawing either a circle or block around the signage.

Corrective Action Response:

We will comply with the auditor's suggestion.

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

Results of Testing:

There was no documentation in writing that the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing system, although the Executive Director approves all vendors. This language should be adopted.

Corrective Action Response:

Language requiring the Executive Director's approval is included in the Purchasing, Disbursements, and Contracting Policy that we will soon adopt.

11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

Results of Testing:

The persons with signatory authority or who makes the final authorization for disbursements have no responsibility for initiating or recording purchases.

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

Results of Testing:

The supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority.

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

Results of Testing:

Neither a signature stamp nor a signature machine is used.

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

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

Results of Testing:

Management represented that the list was complete.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [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) Report whether finance charges and/or late fees were assessed on the selected statements.

Results of Testing:

- a) The monthly statements tested had supporting documentation that the charges were reviewed and approved in writing by someone other than the authorized card holder.
- b) No finance charges and/or late fees were assessed for the statements tested.

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

- a) For each transaction, report whether the transaction is supported by:
 - An original itemized receipt (i.e., identifies precisely what was purchased)
 - Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
 - Other documentation that may be required by written policy (e.g., purchase order, written authorization.)
- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

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

Results of Testing:

- a) For each transaction tested, there was an original itemized receipt, and the business purpose was documented.
- b) For each transaction tested, the transaction was in compliance with the Authority's Disbursements Policy. All amounts tested were under the Micro Purchase amount level.
- c) For each transaction tested, the transaction was in compliance with the requirements of Article 7, Section 14 of the Louisiana Constitution.

However, in the process of performing the AUP, we note the Authority has regularly paid their attorney a monthly retainer fee. The latter is not allowable according to Article 7, Section 14 of the Louisiana Constitution. We have provided Attorney General Opinion Numbers 78-124 and 04-279, issued by the Office of Attorney General, to Management.

We recommend that the Authority revise its method of payment to their attorney, to be in compliance with the state Constitution.

Corrective Action Response:

We will do as the auditor suggests. We have already instructed our attorney to bill us only for services rendered.

Travel and Expense Reimbursement

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

Results of Testing:

Management represents that the list was complete.

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

Results of Testing:

The Authority's travel policy states the vehicle reimbursement is at the prevailing IRS rate per mile. This is acceptable language. The policy also states that meals are reimbursed at a flat rate of \$75 per day or the Federal per diem for that city-whichever is higher.

It appears the language should be revised to state that per diem may not exceed the GSA rates, as noted above.

Corrective Action Response:

We will comply with the auditor's suggestion.

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

- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.
- b) Report whether each expense is supported by:
 - An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.] ➤ Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
 - Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)
- c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.
- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Results of Testing:

The employees did not travel in the current year.

Contracts

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

Results of Testing:

Management represented that the list was complete.

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

- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.
- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:
 - If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)
 - If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.
- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.
- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.
- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

Results of Testing:

The results of our testing is as follows:

- a) Written contracts supported the amounts paid.
- b) Of four of the top five vendors, bids were solicited and obtained. One of the top five vendors was the fee accountant. HUD regulations require that the Authority, for professional services, request proposals and evaluate based on criteria, at least every sixth year-the Authority can go up to five years with a professional before the need to solicit. It appears that is has been more than five years since this was last done.
- c) The contracts were not amended.
- d) The invoices tested were in terms and conditions with the contract.
- e) Board policy does not require Board approval. The current Executive Director is very experienced.

As the time approaches for the expiration of the current fee accounting contract, Management should solicit proposals and evaluate based on criteria.

Corrective Action Response:

We will do as the auditor suggests.

Payroll and Personnel

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

- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.
- b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

Results of Testing:

- a) Compensation paid to the five selected employees were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

- b) Changes to hourly pay rates for the tested employees were approved in writing and in accordance with written policy.

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

- a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.
- c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

Results of Testing:

- a) All selected employees documented their daily attendance and leave.
- b) There was written documentation that supervisors approved in writing the attendance and leave of the selected employees.
- c) There was written documentation that written leave records were maintained for the selected employees.

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

Results of Testing:

One employee terminated during the audit year. The payment was made in accordance with policy and approved by Management.

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

Results of Testing:

We noted no exceptions in the above tests.

Ethics (excluding nonprofits)

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

Results of Testing:

Ethics training documentation was obtained by four of the five tested employees. The other employee terminated during the audit year.

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

Results of Testing:

Management represents that no alleged violations were reported to them during the fiscal year.

Debt Service (excluding nonprofits)

28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

Results of Testing:

Not applicable.

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

Results of Testing:

Not applicable.

30. If the entity had tax mileages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

Results of Testing:

Not applicable.

Other

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

Results of Testing:

Management represents that they are aware of any misappropriation of public funds or assets.

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

Results of Testing:

The notice is properly posted.

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

Results of Testing:

No exceptions to Management's representations were noted.

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
February 19, 2018

HOUSING AUTHORITY OF VERNON PARISH, LOUISIANA
FINANCIAL DATA SCHEDULES

YEAR ENDED SEPTEMBER 30, 2017

Entity Wide Balance Sheet Summary				
	Project Total	14.871 Housing Choice Vouchers	ELIM	Total
111 Cash - Unrestricted	\$124,645	\$9,593		\$134,238
112 Cash - Restricted - Modernization and Development				
113 Cash - Other Restricted		\$3,839		\$3,839
114 Cash - Tenant Security Deposits	\$13,950			\$13,950
115 Cash - Restricted for Payment of Current Liabilities	\$3	\$3		\$6
100 Total Cash	\$138,598	\$13,435	\$0	\$152,033
121 Accounts Receivable - PHA Projects				
122 Accounts Receivable - HUD Other Projects	\$2,846			\$2,846
124 Accounts Receivable - Other Government				
125 Accounts Receivable - Miscellaneous	\$0	\$2,047		\$2,047
126 Accounts Receivable - Tenants	\$1,333	\$0		\$1,333
126.1 Allowance for Doubtful Accounts - Tenants	\$0	\$0		\$0
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current	\$0	\$0		\$0
128 Fraud Recovery				
128.1 Allowance for Doubtful Accounts - Fraud				
129 Accrued Interest Receivable				
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$4,179	\$2,047	\$0	\$6,226
131 Investments - Unrestricted				
132 Investments - Restricted				
135 Investments - Restricted for Payment of Current Liability				
142 Prepaid Expenses and Other Assets	\$16,871			\$16,871
143 Inventories	\$22,950			\$22,950
143.1 Allowance for Obsolete Inventories	-\$1,148			-\$1,148
144 Inter Program Due From				
145 Assets Held for Sale				
150 Total Current Assets	\$181,450	\$15,482	\$0	\$196,932
161 Land	\$156,735			\$156,735
162 Buildings	\$3,434,068			\$3,434,068
163 Furniture, Equipment & Machinery - Dwellings	\$41,714			\$41,714
164 Furniture, Equipment & Machinery - Administration	\$119,275			\$119,275
165 Leasehold Improvements	\$913,058			\$913,058
166 Accumulated Depreciation	-\$3,263,329			-\$3,263,329
167 Construction in Progress	\$0			\$0
168 Infrastructure				
160 Total Capital Assets, Net of Accumulated Depreciation	\$1,401,521	\$0	\$0	\$1,401,521
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	\$1,401,521	\$0	\$0	\$1,401,521
200 Deferred Outflow of Resources				
290 Total Assets and Deferred Outflow of Resources	\$1,582,971	\$15,482	\$0	\$1,598,453

HOUSING AUTHORITY OF VERNON PARISH, LOUISIANA
FINANCIAL DATA SCHEDULES

YEAR ENDED SEPTEMBER 30, 2017

Entity Wide Balance Sheet Summary				
	Project Total	14.871 Housing Choice Vouchers	ELIM	Total
311 Bank Overdraft				
312 Accounts Payable <= 90 Days	\$3,154			\$3,154
313 Accounts Payable >90 Days Past Due				
321 Accrued Wage/Payroll Taxes Payable				
322 Accrued Compensated Absences - Current Portion	\$6,288	\$908		\$7,196
324 Accrued Contingency Liability				
325 Accrued Interest Payable				
331 Accounts Payable - HUD PHA Programs	\$0	\$3		\$3
332 Account Payable - PHA Projects				
333 Accounts Payable - Other Government				
341 Tenant Security Deposits	\$13,950			\$13,950
342 Unearned Revenue	\$682			\$682
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue				
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	\$24,074	\$911	\$0	\$24,985
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue				
352 Long-term Debt, Net of Current - Operating Borrowings				
353 Non-current Liabilities - Other				
354 Accrued Compensated Absences - Non Current	\$11,858	\$1,304		\$13,162
355 Loan Liability - Non Current				
356 FASB 5 Liabilities				
357 Accrued Pension and OPEB Liabilities				
350 Total Non-Current Liabilities	\$11,858	\$1,304	\$0	\$13,162
300 Total Liabilities	\$35,932	\$2,215	\$0	\$38,147
400 Deferred Inflow of Resources				
508.4 Net Investment in Capital Assets	\$1,401,521		\$0	\$1,401,521
511.4 Restricted Net Position	\$0	\$3,838	\$0	\$3,838
512.4 Unrestricted Net Position	\$145,518	\$9,429	\$0	\$154,947
513 Total Equity - Net Assets / Position	\$1,547,039	\$13,267	\$0	\$1,560,306
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$1,582,971	\$15,482	\$0	\$1,598,453

HOUSING AUTHORITY OF VERNON PARISH, LOUISIANA
FINANCIAL DATA SCHEDULES

YEAR ENDED SEPTEMBER 30, 2017

Single Project Revenue and Expense			
	Low Rent	Capital Fund	Total Project
70300 Net Tenant Rental Revenue	\$137,512		\$137,512
70400 Tenant Revenue - Other	\$16,193		\$16,193
70500 Total Tenant Revenue	\$153,705	\$0	\$153,705
70600 HUD PHA Operating Grants	\$148,815	\$104,186	\$253,001
70610 Capital Grants		\$36,237	\$36,237
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			
71100 Investment Income - Unrestricted	\$166		\$166
71200 Mortgage Interest Income			
71300 Proceeds from Disposition of Assets Held for Sale			
71310 Cost of Sale of Assets			
71400 Fraud Recovery			
71500 Other Revenue	\$13,251		\$13,251
71600 Gain or Loss on Sale of Capital Assets	\$34		\$34
72000 Investment Income - Restricted			
70000 Total Revenue	\$315,971	\$140,423	\$456,394
91100 Administrative Salaries	\$66,519		\$66,519
91200 Auditing Fees	\$4,903		\$4,903
91300 Management Fee			
91310 Book-keeping Fee			
91400 Advertising and Marketing			
91500 Employee Benefit contributions - Administrative	\$26,368		\$26,368
91600 Office Expenses	\$23,331		\$23,331
91700 Legal Expense	\$4,064		\$4,064
91800 Travel	\$200		\$200
91810 Allocated Overhead			
91900 Other	\$24,210		\$24,210
91000 Total Operating - Administrative	\$149,595	\$0	\$149,595
92000 Asset Management Fee			
92100 Tenant Services - Salaries			
92200 Relocation Costs			
92300 Employee Benefit Contributions - Tenant Services			
92400 Tenant Services - Other	\$250		\$250
92500 Total Tenant Services	\$250	\$0	\$250
93100 Water	\$1,103		\$1,103
93200 Electricity	\$15,375		\$15,375
93300 Gas	\$812		\$812
93400 Fuel			
93500 Labor			
93600 Sewer	\$3,589		\$3,589

HOUSING AUTHORITY OF VERNON PARISH, LOUISIANA
FINANCIAL DATA SCHEDULES

YEAR ENDED SEPTEMBER 30, 2017

Single Project Revenue and Expense			
	Low Rent	Capital Fund	Total Project
93700 Employee Benefit Contributions - Utilities			
93800 Other Utilities Expense			
93000 Total Utilities	\$20,879	\$0	\$20,879
94100 Ordinary Maintenance and Operations - Labor	\$85,528		\$85,528
94200 Ordinary Maintenance and Operations - Materials and Other	\$51,359		\$51,359
94300 Ordinary Maintenance and Operations Contracts	\$33,115	\$0	\$33,115
94500 Employee Benefit Contributions - Ordinary Maintenance	\$33,589		\$33,589
94000 Total Maintenance	\$203,591	\$0	\$203,591
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
96110 Property Insurance	\$20,315		\$20,315
96120 Liability Insurance	\$6,470		\$6,470
96130 Workmen's Compensation	\$6,412		\$6,412
96140 All Other Insurance	\$6,066		\$6,066
96100 Total insurance Premiums	\$39,263	\$0	\$39,263
96200 Other General Expenses			
96210 Compensated Absences	\$14,500		\$14,500
96300 Payments in Lieu of Taxes	\$11,663		\$11,663
96400 Bad debt - Tenant Rents	\$9,787		\$9,787
96500 Bad debt - Mortgages			
96600 Bad debt - Other			
96800 Severance Expense			
96000 Total Other General Expenses	\$35,950	\$0	\$35,950
96710 Interest of Mortgage (or Bonds) Payable			
96720 Interest on Notes Payable (Short and Long Term)			
96730 Amortization of Bond Issue Costs			
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0
96900 Total Operating Expenses	\$449,528	\$0	\$449,528
97000 Excess of Operating Revenue over Operating Expenses	-\$133,557	\$140,423	\$6,866
97100 Extraordinary Maintenance			
97200 Casualty Losses - Non-capitalized			
97300 Housing Assistance Payments			
97350 HAP Portability-In			
97400 Depreciation Expense	\$163,845		\$163,845
97500 Fraud Losses			
97600 Capital Outlays - Governmental Funds			
97700 Debt Principal Payment - Governmental Funds			
97800 Dwelling Units Rent Expense			
90000 Total Expenses	\$613,373	\$0	\$613,373

HOUSING AUTHORITY OF VERNON PARISH, LOUISIANA
FINANCIAL DATA SCHEDULES

YEAR ENDED SEPTEMBER 30, 2017

Single Project Revenue and Expense			
	Low Rent	Capital Fund	Total Project
10010 Operating Transfer In	\$104,186		\$104,186
10020 Operating transfer Out		-\$104,186	-\$104,186
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)	\$104,186	-\$104,186	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$193,216	\$36,237	-\$156,979
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0
11030 Beginning Equity	\$1,704,018	\$0	\$1,704,018
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$36,237	-\$36,237	\$0
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			
11180 Housing Assistance Payments Equity			
11190 Unit Months Available	766		766
11210 Number of Unit Months Leased	764		764
11270 Excess Cash	\$81,243		\$81,243
11610 Land Purchases	\$0	\$0	\$0
11620 Building Purchases	\$0	\$36,237	\$36,237
11630 Furniture & Equipment - Dwelling Purchases	\$0	\$0	\$0
11640 Furniture & Equipment - Administrative Purchases	\$0	\$0	\$0
11650 Leasehold Improvements Purchases	\$0	\$0	\$0
11660 Infrastructure Purchases	\$0	\$0	\$0
13510 CFFP Debt Service Payments	\$0	\$0	\$0
13901 Replacement Housing Factor Funds	\$0	\$0	\$0

HOUSING AUTHORITY OF VERNON PARISH, LOUISIANA
FINANCIAL DATA SCHEDULES

YEAR ENDED SEPTEMBER 30, 2017

Entity Wide Revenue and Expense Summary				
	Project Total	14.871 Housing Choice Vouchers	ELIM	Total
70300 Net Tenant Rental Revenue	\$137,512			\$137,512
70400 Tenant Revenue - Other	\$16,193			\$16,193
70500 Total Tenant Revenue	\$153,705	\$0	\$0	\$153,705
70600 HUD PHA Operating Grants	\$253,001	\$191,633		\$444,634
70610 Capital Grants	\$36,237			\$36,237
70710 Management Fee				
70720 Asset Management Fee				
70730 Book Keeping Fee				
70740 Front Line Service Fee				
70750 Other Fees				
70700 Total Fee Revenue			\$0	\$0
70800 Other Government Grants				
71100 Investment Income - Unrestricted	\$166	\$9		\$175
71200 Mortgage Interest Income				
71300 Proceeds from Disposition of Assets Held for Sale				
71310 Cost of Sale of Assets				
71400 Fraud Recovery				
71500 Other Revenue	\$13,251	\$14,137		\$27,388
71600 Gain or Loss on Sale of Capital Assets	\$34			\$34
72000 Investment Income - Restricted				
70000 Total Revenue	\$456,394	\$205,779	\$0	\$662,173
91100 Administrative Salaries	\$66,519	\$14,986		\$81,505
91200 Auditing Fees	\$4,903	\$4,903		\$9,806
91300 Management Fee				
91310 Book-keeping Fee				
91400 Advertising and Marketing				
91500 Employee Benefit contributions - Administrative	\$26,368	\$1,143		\$27,511
91600 Office Expenses	\$23,331	\$6,678		\$30,009
91700 Legal Expense	\$4,064			\$4,064
91800 Travel	\$200			\$200
91810 Allocated Overhead				
91900 Other	\$24,210	\$10		\$24,220
91000 Total Operating - Administrative	\$149,595	\$27,720	\$0	\$177,315
92000 Asset Management Fee				
92100 Tenant Services - Salaries				
92200 Relocation Costs				
92300 Employee Benefit Contributions - Tenant Services				
92400 Tenant Services - Other	\$250			\$250
92500 Total Tenant Services	\$250	\$0	\$0	\$250
93100 Water	\$1,103			\$1,103
93200 Electricity	\$15,375			\$15,375
93300 Gas	\$812			\$812
93400 Fuel				
93500 Labor				
93600 Sewer	\$3,589			\$3,589

HOUSING AUTHORITY OF VERNON PARISH, LOUISIANA
FINANCIAL DATA SCHEDULES

YEAR ENDED SEPTEMBER 30, 2017

Entity Wide Revenue and Expense Summary				
	Project Total	14.871 Housing Choice Vouchers	ELIM	Total
93700 Employee Benefit Contributions - Utilities				
93800 Other Utilities Expense				
93000 Total Utilities	\$20,879	\$0	\$0	\$20,879
94100 Ordinary Maintenance and Operations - Labor	\$85,528			\$85,528
94200 Ordinary Maintenance and Operations - Materials and Other	\$51,359			\$51,359
94300 Ordinary Maintenance and Operations Contracts	\$33,115			\$33,115
94500 Employee Benefit Contributions - Ordinary Maintenance	\$33,589			\$33,589
94000 Total Maintenance	\$203,591	\$0	\$0	\$203,591
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
96110 Property Insurance	\$20,315			\$20,315
96120 Liability Insurance	\$6,470			\$6,470
96130 Workmen's Compensation	\$6,412	\$336		\$6,748
96140 All Other Insurance	\$6,066			\$6,066
96100 Total insurance Premiums	\$39,263	\$336	\$0	\$39,599
96200 Other General Expenses				
96210 Compensated Absences	\$14,500	\$1,634		\$16,134
96300 Payments in Lieu of Taxes	\$11,663			\$11,663
96400 Bad debt - Tenant Rents	\$9,787	\$639		\$10,426
96500 Bad debt - Mortgages				
96600 Bad debt - Other				
96800 Severance Expense				
96000 Total Other General Expenses	\$35,950	\$2,273	\$0	\$38,223
96710 Interest of Mortgage (or Bonds) Payable				
96720 Interest on Notes Payable (Short and Long Term)				
96730 Amortization of Bond Issue Costs				
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$449,528	\$30,329	\$0	\$479,857
97000 Excess of Operating Revenue over Operating Expenses	\$6,866	\$175,450	\$0	\$182,316
97100 Extraordinary Maintenance				
97200 Casualty Losses - Non-capitalized				
97300 Housing Assistance Payments		\$173,079		\$173,079
97350 HAP Portability-In		\$13,320		\$13,320
97400 Depreciation Expense	\$163,845	\$0		\$163,845
97500 Fraud Losses		\$0		\$0
97600 Capital Outlays - Governmental Funds				
97700 Debt Principal Payment - Governmental Funds				
97800 Dwelling Units Rent Expense				
90000 Total Expenses	\$613,373	\$216,728	\$0	\$830,101

HOUSING AUTHORITY OF VERNON PARISH, LOUISIANA
FINANCIAL DATA SCHEDULES

YEAR ENDED SEPTEMBER 30, 2017

Entity Wide Revenue and Expense Summary				
	Project Total	14.871 Housing Choice Vouchers	ELIM	Total
10010 Operating Transfer In	\$104,186			\$104,186
10020 Operating transfer Out	-\$104,186			-\$104,186
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
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$156,979	-\$10,949	\$0	-\$167,928
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0
11030 Beginning Equity	\$1,704,018	\$24,216	\$0	\$1,728,234
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0		\$0	\$0
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		\$9,428		\$9,428
11180 Housing Assistance Payments Equity		\$3,839		\$3,839
11190 Unit Months Available	766	456	0	1222
11210 Number of Unit Months Leased	764	431	0	1195
11270 Excess Cash	\$81,243			\$81,243
11610 Land Purchases	\$0			\$0
11620 Building Purchases	\$36,237			\$36,237
11630 Furniture & Equipment - Dwelling Purchases	\$0			\$0
11640 Furniture & Equipment - Administrative Purchases	\$0			\$0
11650 Leasehold Improvements Purchases	\$0			\$0
11660 Infrastructure Purchases	\$0			\$0
13510 CFFP Debt Service Payments	\$0			\$0
13901 Replacement Housing Factor Funds	\$0			\$0