

**HOUSING AUTHORITY
OF THE TOWN OF RUSTON
Ruston, Louisiana**

**MANAGEMENT DISCUSSION & ANALYSIS
AND AUDITED FINANCIAL STATEMENTS**

YEAR ENDED JUNE 30, 2017

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**HOUSING AUTHORITY
OF THE TOWN OF RUSTON
Ruston, Louisiana**

**REPORT ON EXAMINATION
OF FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

YEAR ENDED JUNE 30, 2017



**UNMODIFIED OPINIONS ON BASIC FINANCIAL STATEMENTS ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION
AND OTHER INFORMATION – STATE OR LOCAL GOVERNMENTAL ENTITY
INDEPENDENT AUDITORS' REPORT**

Board of Commissioners
Housing Authority of the Town of Ruston
Ruston, Louisiana 71723

HUD – New Orleans Office
501 Magazine 9th Floor
New Orleans, Louisiana 70130

Report on Financial Statements

We have audited the accompanying financial statements of the Housing Authority of the Town of Ruston as of and for the year ended June 30, 2017, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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 reasonable basis for our audit opinions.

Opinion

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Housing Authority of the Town of Ruston, as of June 30, 2017, and the respective changes in financial position and, where appropriate, cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, as listed in the table of contents, should 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 generally accepted in the United States of America, which consisted of inquires 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 procedure did not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the Housing Authority of the Town of Ruston. The accompanying Schedule of Expenditures of Federal Awards as required by the U.S. Office of Management and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as well as the Financial Data Schedules and Special Reports required by the U.S. Department of Housing and Urban Development, and the Schedule of Expenditures of Compensation, Benefits and Other Payments to the Agency Head or Chief Executive Office, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

This 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2017 on our consideration of the Housing Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Rector, Reeder & Lofton, P.C.
Certified Public Accountants

Lawrenceville, Georgia
December 19, 2017

**HOUSING AUTHORITY
OF THE TOWN OF RUSTON
Ruston, Louisiana**

MANAGEMENT DISCUSSION & ANALYSIS

YEAR ENDED JUNE 30, 2017

HOUSING AUTHORITY OF THE TOWN OF RUSTON MANAGEMENT'S DISCUSSION & ANALYSIS FISCAL YEAR ENDED JUNE 30, 2017

The management of The Housing Authority of the Town of Ruston offers the readers of the Authority's financial statements this narrative overview and analysis of the Authority's financial activities for the year ended June 30, 2017. This discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the Authority's financial activity, identify changes in the Authority's financial position, and identify individual program issues or concerns. Readers should consider the information presented here in conjunction with the Authority's financial statements to obtain a full understanding of its financial position.

This management's discussion and analysis is presented in accordance with the requirements of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) to allow the reader to gain an adequate understanding of the Authority's annual operating results and financial position as of June 30, 2017.

Questions concerning the information provided in this discussion or requests for additional information should be addressed to the Authority's Executive Director.

Financial Highlights

- The Authority's net position increased by \$359,239 or 5.84%. Since the Authority engages only in business-type activities, the increase is in the category of business-type net position. Net position was \$6,510,129 and \$6,150,890 for FY 2017 and FY 2016, respectively.
- The Authority's cash and investments balance as of June 30, 2017 was \$1,745,834 representing an increase of \$405,207 from June 30, 2016.
- The Authority had total revenues of \$2,659,124 and total expenses of \$2,299,885 for the year ended June 30, 2017.

REQUIRED FINANCIAL STATEMENTS

The Financial Statements of the Authority report information using accounting methods similar to those used by private sector companies (Enterprise Fund).

The Statement of Net Position (Balance Sheet) includes all of the Authority's assets and liabilities and provides information about the amounts and investments in assets and the obligations to Authority creditors. It also provides a basis of assessing the liquidity and financial flexibility of the Authority. Over time, increases or decreases in net position may

serve as a useful indicator of whether the financial health of the Authority is improving or deteriorating.

The current year’s revenues, expenses, and changes in net position are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the Authority’s operations over the past fiscal year.

The purpose of the Statement of Cash Flows is to provide information about the Authority’s cash receipts and disbursements during the reporting period. The statement reports net changes in cash resulting from operations.

FINANCIAL ANALYSIS OF THE AUTHORITY

One question frequently asked about an Authority’s finances is “Did the Authority’s operations and financial position improve or deteriorate over the previous fiscal year?” The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the Authority’s activities and are summarized in the following sections.

To begin our analysis, a summary of the Authority’s Statement of Net Position is presented in Table I, which follows.

	2017	2016	Total Change	% Change
Current Assets	\$ 2,272,410	\$ 1,917,843	\$ 354,567	18.49%
Capital Assets	4,400,278	4,523,318	(123,040)	-2.72%
Total Assets	\$ 6,672,688	\$ 6,441,161	\$ 231,527	3.59%
Current Liabilities	\$ 127,177	\$ 249,435	(122,258)	-49.01%
Noncurrent Liabilities	35,382	40,836	(5,454)	-13.36%
Total Liabilities	162,559	290,271	(127,712)	-44.00%
Net Investment in Capital Assets	4,400,278	4,434,100	(33,822)	-0.76%
Unrestricted	2,109,851	1,716,790	393,061	22.90%
Total Net Position	6,510,129	6,150,890	359,239	5.84%
Total Liabilities & Net Position	\$ 6,672,688	\$ 6,441,161	\$ 231,527	3.59%

Total assets increased by \$231,527 or 3.59%. This was a result of the increase in cash and cash equivalents of \$405,592 due to the proceeds received from the disposition of capital assets during the year. Total receivables decreased by \$52,443 or 35.14% due to decreases in amounts due from HUD of \$43,897 or 45.38%. Amounts due from other governments also decreased by \$11,632 or 30.74%. Prepaid expenses increased by \$18,210 or 28.02% while net inventory decreased by \$16,792 or 15.71%, which are both cyclical in nature.

Current liabilities decreased by \$122,258 or 49.01%, this was due primarily to the decrease in debt due to payoff of the outstanding debt of \$89,218 in the current fiscal year. Vendors' payable also decreased by \$29,542 or 40.68%. Noncurrent liabilities decreased by \$5,454 or 13.36%, which was due to decreases in the noncurrent portion of accrued compensated absences.

As illustrated in the above Comparative Statement of Net Position, the overall Net Position of the Authority increased by \$359,239 or 5.84%. Unrestricted Net Position increased by \$393,061 or 22.90%, representing an increase in net working capital and available resources for future programs and expenditures. Net Investment in Capital Assets decreased by \$33,822 or less than one percent. This change was due to current period depreciation expense exceeding capital asset additions.

While the Statement of Net Position shows the change in financial position, the Statement of Revenues, Expenses, and Changes in Net Position breaks down our revenues and expenses further. Table II, which follows, provides a comparative statement of these changes. Table III provides a Statement of Revenues, Expenses, and Changes in Net Position by program.

Housing Authority of the Town of Ruston
Comparative Statement of Revenues, Expenses, and Changes in Net Position
TABLE II

	<u>2017</u>	<u>2016</u>	<u>Total Change</u>	<u>% Change</u>
Tenant Revenue	\$ 1,055,292	\$ 1,060,309	\$ (5,017)	-0.47%
Grant Funding	1,351,375	1,085,566	265,809	24.49%
Interest Income	5,649	3,249	2,400	73.87%
Other Income	246,808	82,873	163,935	197.81%
Total Revenue	<u>2,659,124</u>	<u>2,231,997</u>	<u>427,127</u>	<u>19.14%</u>
Administration	419,513	409,142	10,371	2.53%
Tenant Services	92,961	105,628	(12,667)	-11.99%
Utilities	294,095	271,978	22,117	8.13%
Protective Services	14,468	-	14,468	100.00%
Maintenance	821,388	932,922	(111,534)	-11.96%
General	214,890	172,029	42,861	24.91%
Interest	2,010	4,716	(2,706)	-57.38%
Depreciation	440,560	443,712	(3,152)	-0.71%
Total Expenses	<u>2,299,885</u>	<u>2,340,127</u>	<u>(40,242)</u>	<u>-1.72%</u>
Change in Net Position	359,239	(108,130)	467,369	-432.23%
Beginning Net Position	6,150,890	6,259,020	(108,130)	-1.73%
Ending Net Position	<u>\$ 6,510,129</u>	<u>\$ 6,150,890</u>	<u>\$ 359,239</u>	<u>5.84%</u>

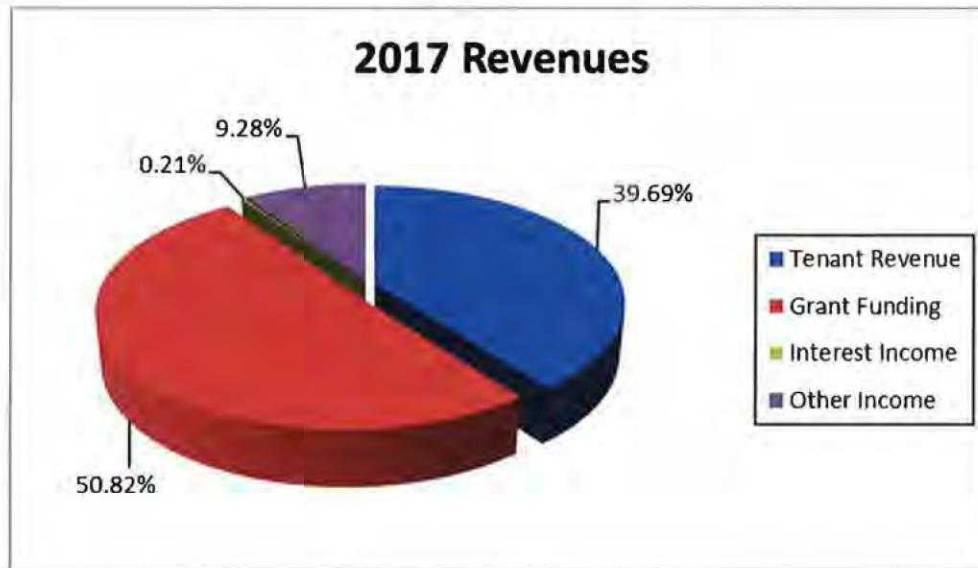
Housing Authority of the Town of Ruston
Statement of Revenues, Expenses, and Changes in Net Position - By Program
For Year Ended June 30, 2017

TABLE III

	Public & Indian Housing	Central Office	Business Type Activity	Eliminations	Total
Tenant Revenue	\$ 1,043,192	\$ -	\$ 12,100	\$ -	\$ 1,055,292
Grant Funding	1,351,375	-	-	-	1,351,375
Interest Income	2,198	1,699	1,752	-	5,649
Other Income	2,522	289,510	244,286	(289,510)	246,808
Total Revenue	2,399,287	291,209	258,138	(289,510)	2,659,124
Administration	447,779	214,437	10,807	(253,510)	419,513
Asset Management	36,000	-	-	(36,000)	-
Tenant Services	92,961	-	-	-	92,961
Utilities	294,071	-	24	-	294,095
Maintenance	784,794	-	36,594	-	821,388
Protective Services	14,468	-	-	-	14,468
General	200,502	12,690	1,698	-	214,890
Interest	-	-	2,010	-	2,010
Depreciation	438,262	-	2,298	-	440,560
Total Expenses	2,308,837	227,127	53,431	(289,510)	2,299,885
Change in Net Position	90,450	64,082	204,707	-	359,239
Transfer of Funds	-	-	-	-	-
Beginning Net Position	5,197,771	527,191	425,928	-	6,150,890
Ending Net Position	\$ 5,288,221	\$ 591,273	\$ 630,635	\$ -	\$ 6,510,129

REVENUES

In reviewing the Statement of Revenues, Expenses, and Changes in Net Position, you will find that 50.82% of the Authority's revenues are derived from grants from the Department of Housing and Urban Development. The Authority receives revenue from tenants for dwelling rental charges, excess utilities, and miscellaneous charges which account for 39.69% of total revenue. Other Revenue, including Interest from Investments, and Property, Grant, and Asset Management Fees to the Central office comprises the remaining 9.49%. Compared to the Fiscal Year Ended June 30, 2016, revenues showed an overall increase of \$427,127 or 19.14%.



Tenant Revenue - Tenant Revenue decreased from \$1,060,309 to \$1,055,292 or less than one percent. Dwelling rent revenue typically changes in relation to changes in the number of working family tenants and changes in dwelling unit occupancy.

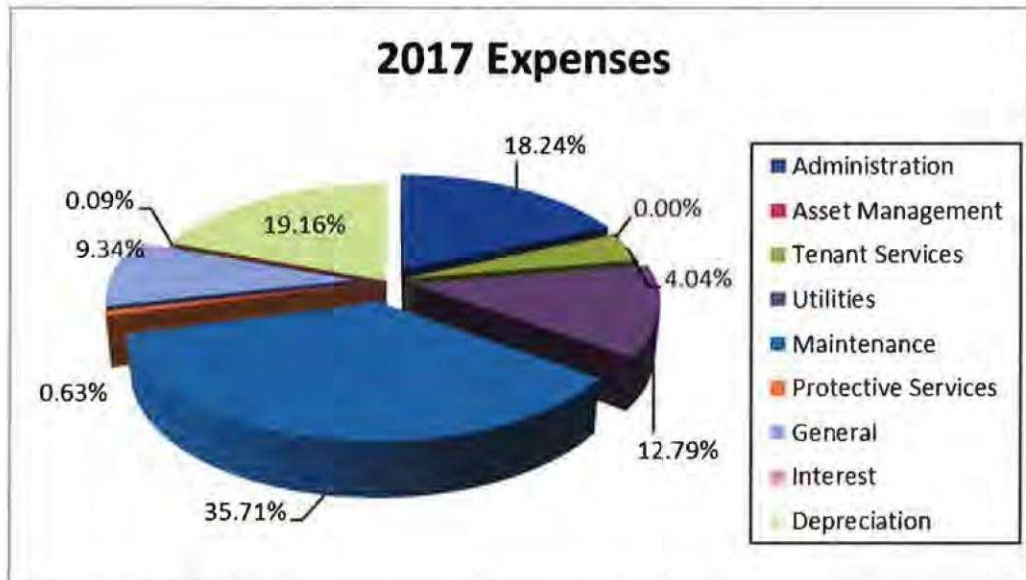
Program Grants/Subsidies - The Authority experienced an increase of \$265,809 or 24.49% in Grant Funding from \$1,085,566 in FY2017 to \$1,351,375 or 24.49%. This increase was due to increased draws in Capital Funds in the current fiscal year.

Interest Income - Interest income increased by \$2,400 or 73.87% as more funds were available to invest.

Other Income - Other income increased by \$163,935 or 197.81% due to the sale of Capital Assets during the year.

EXPENSES

The Housing Authority of the Town of Ruston experienced a slight decrease in expenses of \$40,242 or 1.72%. Expenses were \$2,299,885 in FY2017, compared to \$2,340,127 in FY2016.



The highlights of changes in expenses for the current year are as follows:

Administrative - Administrative costs include all non-maintenance and non-resident service personnel costs (including benefits and accrued leave), legal costs, auditing costs, travel and training costs, and other administrative costs such as supplies, telephone expense, etc. Compared to 2016, administrative costs increased by \$10,371 or 2.53%.

Tenant Services - Tenant services costs include all costs incurred by the Authority to provide social services to the residents. Tenant Services costs decreased from \$105,628 to \$92,961, or 11.99% due to fewer activities during the year.

Utilities - The total utilities expense for the Authority remained relatively stable during the year, increasing by \$22,117 or 8.13% due to normal fluctuations in rates and consumption.

Maintenance - Maintenance costs are all costs incurred by the Authority to maintain its Public Housing units in a safe and sanitary manner. Costs include personnel costs, materials used to maintain the units, contracts for waste management and telephone/radio service, etc. Maintenance expenses for the Authority decreased by \$111,534 or 11.96%. The majority of the decreases were in salary and benefits of \$173,396 or 30.07% due to changes in personnel and contract labor.

Protective Services - During the year the Authority hired security personnel and charged salary and benefits to protective services of \$14,468, an increase of 100% from the prior period.

General Expenses - General expenses include insurance costs, property taxes, compensated absences and collection losses. General expenses for the Authority increased from \$172,029 to \$214,890, an increase of \$42,861 primarily due to the increase in compensated absences expense of \$11,444 due to employee turnover. Additionally, insurance expense increased by \$25,278 due to workers compensation insurance premiums which were allocated to benefits in prior periods.

Interest Expense - Interest expense on capital notes decreased by \$2,706 or 57.38% due to the loan being satisfied during the current period.

CAPITAL ASSETS

As of June 30, 2017, the Authority experienced a decrease in its capital assets of \$94,662 or 2.09% to \$4,400,278. The following chart illustrates the Capital Asset values for 2016 and 2017.

	2017	2016	Total Change	% Change
Land	\$ 38,768	\$ 67,146	\$ (28,378)	-42.26%
Buildings & improvements	13,874,828	13,566,398	308,430	2.27%
Equipment	474,925	478,340	(3,415)	-0.71%
Construction in Progress	-	-	-	0.00%
	<u>14,388,521</u>	<u>14,111,884</u>	<u>276,637</u>	<u>1.96%</u>
Accumulated Depreciation	<u>(9,988,243)</u>	<u>(9,588,566)</u>	<u>(399,677)</u>	<u>4.17%</u>
Total Capital Assets	<u>\$ 4,400,278</u>	<u>\$ 4,523,318</u>	<u>\$ (123,040)</u>	<u>-2.72%</u>

Major changes in the capital asset accounts are summarized below:

Balance at July 1, 2016	\$ 4,523,318
Current period additions – capital fund	392,287
Current period additions – operations	6,182
Net dispositions	(80,949)
Current period depreciation expense	<u>(440,560)</u>
Balance at June 30, 2017	<u>\$ 4,400,278</u>

DEBT OBLIGATIONS

The Ruston Community Corporation (Business Activities) refinanced an existing debt obligation with the Bank of Ruston on October 11, 2013, which was for the acquisition of certain real property. The obligation is secured by a first mortgage deed and bears interest at a rate of 5.00% per annum. During FY 2017, the property was sold and the Authority satisfied this debt. There was no other outstanding debt as of the end of the year.

ECONOMIC FACTORS

Several significant economic factors affecting the Housing Authority are as follows:

- Congressional funding of the Department of Housing and Urban Development, including potential “subsidy allocation adjustments.”
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income
- Inflationary pressure on utility rates, supplies and other costs
- Health care and other insurance costs continue to increase dramatically due to the Affordable Care Act.

CONCLUSIONS:

Overall, the Housing Authority of the Town of Ruston had a good year financially. Its management is committed to staying abreast of regulations and appropriations as well as maintaining an ongoing analysis of all budgets and expenses to ensure that the Authority continues to operate at the highest standards established by the Real Estate Assessment Center and the Department of Housing and Urban Development.

This financial report is designed to provide our residents, the citizens of Ruston, Louisiana, all federal and state regulatory bodies, and any creditors with a general overview of the Authority’s finances. If you have any questions regarding these financial statements or supplemental information, you may contact the Executive Director or Assistant Executive Director at (318) 255-3644, or address your correspondence to: Housing Authority of the Town of Ruston, P.O. Box 510, Ruston, LA 71270.

**HOUSING AUTHORITY
OF THE TOWN OF RUSTON
Ruston, Louisiana**

AUDITED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Housing Authority of the Town of Ruston
Ruston, Louisiana

STATEMENT OF NET POSITION

JUNE 30, 2017

ASSETS

Current Assets

Cash & cash equivalents - unrestricted	\$	1,689,017
Cash & cash equivalents - restricted		56,817
Investments - unrestricted		256,495
Accounts receivable		96,782
Prepaid expenses		83,190
Inventories		<u>90,109</u>
Total Current Assets		<u>2,272,410</u>

Noncurrent Assets

Capital Assets:

Land		38,768
Buildings & improvements		13,874,828
Furniture & equipment		<u>474,925</u>
		14,388,521
Less: Accumulated depreciation		<u>(9,988,243)</u>
Total Capital Assets		<u>4,400,278</u>
Total Noncurrent Assets		<u>4,400,278</u>

TOTAL ASSETS

\$ 6,672,688

The accompanying notes are an integral part of these financial statements.

LIABILITIES & NET POSITION

Current Liabilities

Accounts payable	\$ 43,086
Accrued liabilities	15,126
Unearned revenue	12,148
Tenant security deposits/escrow deposits	<u>56,817</u>
 Total Current Liabilities	 <u>127,177</u>

Noncurrent Liabilities

Accrued liabilities - noncurrent	<u>35,382</u>
 Total Noncurrent Liabilities	 <u>35,382</u>

TOTAL LIABILITIES	<u>162,559</u>
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Net Position

Net investment in capital assets	4,400,278
Unrestricted	<u>2,109,851</u>
 TOTAL NET POSITION	 <u>6,510,129</u>

TOTAL LIABILITIES & NET POSITION	\$ <u><u>6,672,688</u></u>
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**Housing Authority of the Town of Ruston
Ruston, Louisiana**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017**

<u>Operating Revenues</u>	
Tenant revenue	\$ 1,055,292
Governmental grants & subsidy	959,088
Other income	88,264
Total Operating Revenue	<u>2,102,644</u>
<u>Operating Expenses</u>	
Administration	419,513
Tenant services	92,961
Utilities	294,095
Maintenance & operations	821,388
Protective services	14,468
General expense	214,890
Depreciation expense	440,560
Total Operating Expense	<u>2,297,875</u>
Net Operating Income/(Loss)	<u>(195,231)</u>
<u>Nonoperating Revenues/(Expenses)</u>	
Investment income	5,649
Gain/(loss) on disposition of capital assets	158,544
Interest expense	(2,010)
Net Nonoperating Revenues/(Expenses)	<u>162,183</u>
Net Income/(Loss) before capital grants	(33,048)
Capital grants	<u>392,287</u>
Increase/(Decrease) in Net Position	359,239
Total Net Position - beginning	<u>6,150,890</u>
Total Net Position - ending	<u>\$ 6,510,129</u>

The accompanying notes are an integral part of these financial statements.

**Housing Authority of the Town of Ruston
Ruston, Louisiana**

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$	1,143,556
Governmental grants & subsidy - operations		959,088
Payments to suppliers		(1,163,736)
Payments to employees		(681,048)
		(681,048)

NET CASH PROVIDED/(USED) FROM OPERATING ACTIVITIES 257,860

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments		(385)
Interest received		5,649
		5,649

NET CASH PROVIDED/(USED) FROM INVESTING ACTIVITIES 5,264

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Governmental capital grant fund received		392,287
Additions to capital assets - capital funds		(392,287)
Additions to capital assets - operations		(6,182)
Proceeds from disposition of capital assets		239,493
Interest paid		(2,010)
Payments on notes payable		(89,218)
		(89,218)

NET CASH PROVIDED/(USED) FROM CAPITAL AND RELATED FINANCING ACTIVITIES 142,083

NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS 405,207
 CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD 1,340,627

CASH AND CASH EQUIVALENTS AT END OF PERIOD \$ 1,745,834

CASH FLOWS FROM OPERATING ACTIVITIES

Net Income/(Loss) from operations	\$	(195,231)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation		440,560
Decrease (Increase) in accounts receivable		52,443
Decrease (Increase) in prepaid expenses		(18,210)
Decrease (Increase) in inventory		16,792
Increase (Decrease) in accounts payable		(29,542)
Increase (Decrease) in accrued liabilities		(13,779)
Increase (Decrease) in unearned revenue		5,966
Increase (Decrease) in security/trust deposits		(1,139)
		(1,139)

NET CASH PROVIDED/(USED) FROM OPERATING ACTIVITIES \$ 257,860

The accompanying notes are an integral part of these financial statements.

HOUSING AUTHORITY OF THE TOWN OF RUSTON
Ruston, Louisiana

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE A - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY:

Organization - The Housing Authority of the Town of Ruston ("The Authority") is a Quasi governmental entity which was organized under the laws of the State of Louisiana, as a tax-exempt, quasi-government entity under the United States Housing Act of 1937. This Housing Authority was organized for the purpose of providing decent, safe and sanitary housing for low-income families. The Authority entered into Annual Contributions Contract No. FW-1074 with the Department of Housing and Urban Development for the purpose of financing unit construction and the retirement of debt.

Reporting Entity - In determining how to define the reporting entity, management has considered all potential component units. The decision to include a component unit in the reporting entity was made by applying the criteria set forth in Section 2100 and 2600 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include the following:

- the organization is legally separate (can sue and be sued in their own name)
- the Authority holds the corporate powers of the organization
- the Authority appoints a voting majority
- the Authority is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Authority
- there is fiscal dependency by the organization on the Authority

Based upon the above criteria, all the operations of the Authority are included in these financial statements and there are no operations or component units, which have been excluded in this report.

Basis of Accounting:

The financial statements of the Authority have been prepared in conformity with Generally Accepted Accounting Principles (GAAP). The following summary of the more significant accounting policies is presented to assist the reader in interpreting these financial statements, and should be viewed as an integral part of this report.

The financial statements of the Authority are presented from a fund perspective. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Authority functions. The fund is a separate accounting entity with a self-balancing set of accounts, which include its assets, liabilities, fund equity, revenues and expenses/expenditures. Funds consist of three major categories: government, proprietary and fiduciary. Funds within each major category are grouped by fund type in the combined financial statements. The Authority uses the following fund:

Proprietary Fund Types – This fund is used to account for the Authority's ongoing activities that are similar to those often found in the private sector. The generally accepted accounting principles here are generally those applicable to similar businesses in the private sector; the accounting measurement focus is on determination of net income, financial position, and cash flows. The accounting objectives are a determination of net income, financial position and changes in cash flow. All assets and liabilities associated with a Proprietary Fund's activities are included on its Statement of Net Position. Proprietary Fund Net Position is segregated into Net Investment in Capital Assets, Restricted Net Position, and Unrestricted Net Position. The following are the Authority's Proprietary Fund Types:

HOUSING AUTHORITY OF THE TOWN OF RUSTON
Ruston, Louisiana

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)

NOTE A - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY: (Cont'd)

Enterprise Fund – This fund is used to account for operations that are financed and operated in a manner similar to private businesses where the intent of the governing body is that the costs (expenditures, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where the governing body has decided that periodic determination of revenues earned, expenditures incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The Authority operates the following programs in the Enterprise Fund:

1. Public and Indian Housing – The objective of the program is to provide decent, safe and sanitary housing and related facilities for eligible low-income families and the elderly.
2. Public Housing Capital Fund Program – The objective of this program is to improve the physical condition of the Low Income Public Housing units and upgrade the management of the program.
3. Business Activities – The objective of this program is to acquire affordable housing property within the Ruston area. This program represents the activity of the Ruston Community Corporation.

Encumbrances - The Authority does not use encumbrance accounting.

Budgets - The Authority is required by its HUD Annual Contributions Contracts to adopt an annual budget for the Low Rent Housing Program included in the General Fund. Annual budgets are not required for capital projects funds as their budgets are approved for the length of the project. Both annual and project length budgets require grantor approval. Appropriations are authorized at the function level. Management may transfer budget authorizations between functions except that increases for administration and capital expenditures categories must be approved by HUD. All appropriations which are not used lapse at year end. Budgeted amounts are as originally adopted or as amended by the Board and approved by HUD.

Other particulars related to balance sheet items include:

1. Cash and Investments:

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Authority. Investments are stated at cost which approximates market.

2. Buildings and Equipment:

Buildings and equipment are carried at historical costs. Donated assets are recorded at fair market value at the date of the donation. If the initial cost of the piece of equipment and/or other personal property is \$1,000 or more, and the anticipated life or useful value is more than one year, the same shall be capitalized. Depreciation of buildings and equipment is computed using the straight-line method at rates based on useful lives of 3 to 5 years for equipment, 15 years for leasehold improvements and 30 years for buildings.

HOUSING AUTHORITY OF THE TOWN OF RUSTON
Ruston, Louisiana

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)

NOTE A - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY: (Cont'd)

3. Subsidies:

Operating grants and subsidy are recorded as operating revenue on the Statement of Revenues, Expenses, and Change in Net Position, while grants for capital improvements have been added to Net Position and are not shown as operating income.

4. Income Taxes:

The Housing Authority of the Town of Ruston is a Quasi governmental entity. The Authority is not subject to Federal or State income taxes.

5. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles 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 and expenses during the reporting period. Actual results could differ from those estimates.

6. Compensation for Future Absences:

It is the policy of the Authority to accumulate earned but unused annual leave benefits which will be paid to employees upon separation from Authority service. A maximum of 30 days or 240 hours of unused leave time may be carried forward annually by each employee. Employees who separate from employment for any reason other than retirement shall forfeit all accrued sick leave.

7. Accounts Receivable:

Collection losses are charged off against an allowance for doubtful accounts. The allowance account is adjusted annually to properly reflect the balance of net accounts receivable due.

8. Operating Revenue:

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for rents. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Subsidies received from HUD or other grantor agencies, for operating purposes, are recorded as operating revenue in the operating statement while capital grant funds are added to the net position below the nonoperating revenue and expense.

HOUSING AUTHORITY OF THE TOWN OF RUSTON
Ruston, Louisiana

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)

NOTE A - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY: (Cont'd)

9. New Accounting Pronouncements:

During fiscal year 2017, no new pronouncements were implemented.

NOTE B - CASH AND INVESTMENTS:

All the deposits of the Housing Authority of the Town of Ruston are either insured or collateralized by using the Dedicated Method whereby all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Authority's agents in these units' names. The Housing Authority of the Town of Ruston has no policy regarding custodial credit risk for deposits.

At June 30, 2017, the Authority's cash and investments deposits had a carrying amount of \$2,002,189 and bank balances of \$2,030,194. Of the bank balances held in various financial institutions, \$765,647 was covered by federal depository insurance and the remainder was covered by collateral held under the dedicated method. At June 30, 2017, the Authority's petty cash/change funds totaled \$140.

Investments - At June 30, 2017, the Authority's investment balances were as follows:

Investment Type	Market Value	Maturity	Rating
Certificates of Deposit	\$ 256,495	Greater than 3 months	N/A

Interest rate risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority typically limits its investment portfolio to maturities of 12 months or less.

Credit risk - The Authority has no policy regarding credit risk.

Custodial credit risk - For an investment, the custodial risk is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All cash balances are in five banks and are fully collateralized at 100% and pledged securities are noted below. The Authority has no policy on custodial credit risk.

Concentration of credit risk - The Authority places no limit on the amount that it may invest in certificates of deposits. The Authority has no policy regarding credit risk.

The above balances are contained in the following types of accounts at various financial institutions.

HOUSING AUTHORITY OF THE TOWN OF RUSTON
Ruston, Louisiana
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)

NOTE B - CASH AND INVESTMENTS: (Cont'd)

Cash & Investments at June 30, 2017 are as follows:

Checking accounts	\$ 1,745,694
Certificates of Deposit	256,495
Petty cash	<u>140</u>
	<u>\$ 2,002,329</u>

Restricted Cash and Investments:

Rental deposits are reserved until refunded to the tenant or used to cover expenses upon departure. The tenant security deposit cash and liability balances are as follows:

Tenant security deposit – cash	<u>\$ 56,817</u>
Tenant security deposit – liability	<u>\$ 56,817</u>

Collateralization:

As of June 30, 2017 the following securities were pledged as collateral to secure the deposits of the Housing Authority of the Town of Ruston:

Security	CUSIP	Market Value
Origin Bank/Held at Raymond James		
Caddo Parish LA GO	127269GY8	\$ 104,877
Calcasieu Parish LA School Dist GO	128506DX7	531,890
FNMA Pool #AE7758	31419JTQ1	168,365
Ouachita Parish LA West Ouachita Parish	689870JL8	53,242
Ouachita Parish LA West Ouachita Parish	689870JL8	106,483
FMLMC Pool #J12396	3128PRUV9	50,173
FNR 2012-22 PA	3136A4AJ8	112,548
Ouachita Parish LA East	689861KE1	16,024
Lincoln Parish LA School District	534490DU8	<u>214,740</u>
		<u>\$ 1,358,342</u>

HOUSING AUTHORITY OF THE TOWN OF RUSTON
Ruston, Louisiana

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)

NOTE C - ACCOUNTS RECEIVABLE AND ACCRUED RECEIVABLES:

Accounts Receivable and Accrued Receivables at June 30, 2017, consisted of the following:

Tenants Accounts Receivable (Net of Allowance - \$1,078)	\$	17,568
Accounts Receivable – HUD		52,845
Accounts Receivable – Other Government		26,214
Accrued Interest Receivable		<u>155</u>
	\$	<u>96,782</u>

NOTE D - PREPAID EXPENSES:

Prepaid expenses at June 30, 2017, consisted of the following:

Prepaid insurance & expenses	\$	83,190
Inventory materials (Net of Allowance - \$1)		<u>90,109</u>
	\$	<u>173,299</u>

NOTE E - CAPITAL ASSETS:

The following is a summary of changes in the net capital assets during the fiscal year ended June 30, 2017:

	Beginning Balances	Additions/ Depreciation	Transfers/ Adjustments	Dispositions	Ending Balances
Enterprise Activities					
Capital assets not being depreciated:					
Land	\$ 67,146	\$ -	\$ -	\$ (28,378)	\$ 38,768
Construction in progress	-	-	-	-	-
Total capital assets not being depreciated	<u>67,146</u>	<u>-</u>	<u>-</u>	<u>(28,378)</u>	<u>38,768</u>
Buildings & improvements	13,566,398	385,051	-	(76,621)	13,874,828
Furniture & equipment	478,340	13,418	-	(16,833)	474,925
Total capital assets being depreciated	<u>14,044,738</u>	<u>398,469</u>	<u>-</u>	<u>(93,454)</u>	<u>14,349,753</u>
Less accumulated depreciation for:					
Buildings & improvements	(9,236,634)	(411,297)	-	24,051	(9,623,880)
Furniture & equipment	(351,932)	(29,263)	-	16,832	(364,363)
Total accumulated depreciation	<u>(9,588,566)</u>	<u>(440,560)</u>	<u>-</u>	<u>40,883</u>	<u>(9,988,243)</u>
Total capital assets being depreciated	<u>4,456,172</u>				<u>4,361,510</u>
Enterprise activity capital assets, net	<u>\$ 4,523,318</u>				<u>\$ 4,400,278</u>

Balance at July 1, 2016	\$	4,523,318
Current period additions – capital fund		392,287
Current period additions – operations		6,182
Dispositions, net		(80,949)
Current period depreciation expense		<u>(440,560)</u>
Balance at June 30, 2017	\$	<u>4,400,278</u>

HOUSING AUTHORITY OF THE TOWN OF RUSTON
Ruston, Louisiana

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)

NOTE F - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES:

Accounts Payable and Accrued liabilities at June 30, 2017, consisted of the following:

Vendors & contractors	\$	43,086
Accrued compensated absences-current		15,126
Tenant security deposits		56,817
Unearned revenue		<u>12,148</u>
	<u>\$</u>	<u>127,177</u>

NOTE G - OTHER NONCURRENT LIABILITIES:

Other noncurrent liabilities at June 30, 2017, consisted of the noncurrent portion of accrued compensated absences of \$35,382. The change in liabilities follows:

		Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017	Current Portion of Balance
Compensated absences	\$	51,044	\$ 33,832	\$ (34,368)	\$ 50,508	\$ 15,126
Notes Payable		<u>89,218</u>	-	<u>(89,218)</u>	-	-
Total Noncurrent Liabilities	\$	<u>140,262</u>	\$ <u>33,832</u>	\$ <u>(123,586)</u>	\$ <u>50,508</u>	\$ <u>15,126</u>

NOTE H - LONG-TERM DEBT:

The Ruston Community Corporation (Business Activities) refinanced an existing debt obligation with the Bank of Ruston on October 11, 2013, which was for the acquisition of certain real property. The obligation is secured by a first mortgage deed and bears interest at a rate of 5.00% per annum. On November 29, 2016, this loan was liquidated as a result of the sale of property and the debt was subsequently satisfied. As of June 30, 2017, the Authority has no outstanding long-term debt.

NOTE I - RELATED PARTY TRANSACTIONS:

The Board of Commissioners of the Housing Authority also serves as Directors of the Ruston Community Corporation, Inc. Board. This organization is a nonprofit corporation designed to build and develop affordable housing in the Ruston area. This entity is included in the consolidated financial statements as Business Activities. There are no other related party transactions during the year.

HOUSING AUTHORITY OF THE TOWN OF RUSTON
Ruston, Louisiana

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)

NOTE J - COMMITMENTS AND CONTINGENCIES:

The entity is subject to possible examinations made by federal regulators who determine compliance with terms, conditions, laws and regulations governing grants given to the entity in the current and prior years. These examinations may result in judgments against the entity and/or required refunds by the entity to federal grantors and/or program beneficiaries. There were no such liabilities recorded as of June 30, 2017.

On May 12, 2015, the Authority entered into a Consent Order as a result of the settlement of litigation proceedings initiated in prior periods. This order runs for a period of 5 years and 2 months, and calls for compliance with a variety of policy, procedure, and reporting requirements. Failure to maintain compliance with all provisions of the Order, "may move this Court to impose any remedy authorized by law or equity, including but not limited to, an order requiring performance of such act or deeming such act to have been performed, and an award of damages, costs, and reasonable attorneys' fees which may have been occasioned by the violation or failure to perform." In 2017 there was no evidence to indicate that there was a violation or noncompliance with this consent order.

NOTE K - PENSION PLAN:

The Authority participates in the Housing-Renewal and Local Agency Retirement Plan. The plan administrator is William M. Mercer, Inc. The purpose of the Plan is to provide retirement benefits for eligible employees when they reach their normal retirement date. This plan is considered to be a defined contribution plan and as such the contribution percentages are fixed and based upon the employee's earnings. Employees are eligible to participate from the date of employment. The Authority total covered payroll for the year ended June 30, 2017 was \$352,909.

The Employees are required to contribute 6.00% of their annual covered salary and the Housing Authority is required to contribute at a rate of 8.50% of the annual covered payroll. The contribution rates were established by the employee's joinder agreement. The Authority's contributions for each employee (and interest allocated to the employee's account) are fully vested after five years of continuous service. Authority contributions for, and interest forfeited by, employees who leave employment before five years of service are used to reduce the Authority's current period contribution requirement. The Authority's contribution for the year ended June 30, 2017 was \$29,997 and the total pension contribution for the year was \$69,725.

Other than the above mentioned pension plan, the Authority does not participate in any Other Post-Employment Benefits plan.

NOTE L - RISK MANAGEMENT:

The Authority is exposed to all common perils associated with the ownership and rental of real estate properties. A risk management program has been established to minimize loss occurrence and to transfer risk through various levels of insurance. Property, causality, employee dishonesty and public official's liability forms are used to cover the respective perils. Commercial carriers insure all common perils such as business auto, computer and other miscellaneous policies.

HOUSING AUTHORITY OF THE TOWN OF RUSTON
Ruston, Louisiana

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)

NOTE L - RISK MANAGEMENT: (Cont'd)

The Authority participates in public entity risk pool (Louisiana Housing Council, Inc. Group Self Insurance Risk Management Agency and Participating Members) for Property, General Liability, Workmen's Comp and Directors and Officers Liability. Settled claims resulting from these risks have not exceeded risk pool coverage in any of the past three fiscal years. Rights and responsibilities of the Authority and the pool are contained within the pool agreement and the scope of coverage documents.

NOTE M - ECONOMIC DEPENDENCY:

The Authority Owned Housing program is economically dependent on annual contributions and grants from the Federal government. This program operates at a loss prior to receiving the contributions and grants.

NOTE N - SUBSEQUENT EVENTS:

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. Management evaluated the activity of the Authority through December 19, 2017 and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

**HOUSING AUTHORITY
OF THE TOWN OF RUSTON
Ruston, Louisiana**

SINGLE AUDIT SECTION

YEAR ENDED JUNE 30, 2017



**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 AUDITORS' REPORT

Board of Commissioners
Housing Authority of the Town of Ruston
Ruston, Louisiana 71723

HUD – New Orleans Office
501 Magazine 9th Floor
New Orleans, Louisiana 70130

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Housing Authority of the Town of Ruston, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Housing Authority of the Town of Ruston's basic financial statements, and have issued our report thereon dated December 19, 2017.

Internal Control Over Financial Reporting

Management of the Housing Authority of the Town of Ruston is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit of the financial statements, we considered the Housing Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be significant deficiencies. Item 2017-001.

Compliance and Other Matters

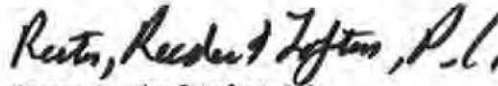
As part of obtaining reasonable assurance about whether the Housing Authority of the Town of Ruston's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of the 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*.

The Housing Authority of the Town of Ruston's Response to Findings

The Housing Authority of the Town of Ruston's response to the findings identified in our audit are described in the accompanying Corrective Action Plan. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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. However, Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Rector, Reeder & Lofton, P.C.
Certified Public Accountants

Lawrenceville, Georgia
December 19, 2017



REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE
INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Housing Authority of the Town of Ruston
Ruston, Louisiana 71723

HUD – New Orleans Office
501 Magazine 9th Floor
New Orleans, Louisiana 70130

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the Town of Ruston's compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Housing Authority of the Town of Ruston's major federal programs for the year ended June 30, 2017. The Housing Authority of the Town of Ruston's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs.

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the Housing Authority of the Town of Ruston's compliance with those requirements.

Basis for Qualified Opinion on the Public and Indian Housing Program

As described in the accompanying schedule of findings and questioned costs, the Authority did not comply with requirements regarding CFDA No. 14.850 Public and Indian Housing as described in finding number 2017-001 for Allowable Cost Principles. Compliance with such requirements is necessary, in our opinion, for the Authority to comply with the requirements applicable to that program.

Qualified Opinion on the Public and Indian Housing Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Public and Indian Housing Program for the year ended June 30, 2017.

Report on Internal Control over Compliance

The management of the Housing Authority of the Town of Ruston is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Housing Authority of the Town of Ruston's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2017-001, which we consider to be significant deficiencies.

The Housing Authority of the Town of Ruston's response to the internal control over compliance findings identified in our audit are described in the accompanying Corrective Action Plan. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Accordingly, this report is not suitable for any other purpose. However, Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Rector, Reeder & Lofton, P.C.
Certified Public Accountants

Lawrenceville, Georgia
December 19, 2017

HOUSING AUTHORITY OF THE TOWN OF RUSTON
Ruston, Louisiana

STATUS OF PRIOR AUDIT FINDINGS

The prior audit report for the period ended June 30, 2016, contained no formal audit findings.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor’s Results:

Financial Statements

Type of report issued on the financial statements:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weaknesses?	Yes
Noncompliance material to the financial statements noted?	No

Federal Awards

Internal controls over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weaknesses?	Yes

Type of report issued on the compliance for major programs:	Qualified
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Any audit findings disclosed that are required to be reported under 2 CFR §200.516(a)?	No
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Identification of major program(s):

CFDA #14.850 – Public and Indian Housing

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
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Low Risk Auditee under 2 CFR §200.520?	No
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HOUSING AUTHORITY OF THE TOWN OF RUSTON
Ruston, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section II – Financial Statement Findings

Findings related to financial statements in accordance with GAGAS:

Finding 2017-001 – Unauthorized expenditures, fraud, waste and abuse. CFDA No. 14.850
Significant Deficiency; Allowable Cost Principles

Criteria:

Code of Federal Regulation, Title 2 CFR §200.403, for allowability of costs states that a cost is considered allowable if it is:

- Necessary and reasonable for the performance of the Federal Award
- Be consistent with policies and procedures that apply uniformly and have consistent treatment
- Be in accordance with GAAP principles
- Be adequately documented

These expenditures noted were not in compliance with the Code of Federal Regulations and local policies and procedures regarding expenditures for the Public Housing program and was a fraudulent diversion of Housing Authority funds for personal benefit.

Condition & cause:

We were informed that one of the agency's former employees had committed fraudulent and abusive activity beginning with April of 2013 and up through the beginning of the current audit period. The method through which misappropriation was taking place was in the modifying of payroll withholdings and falsifying overtime hours. In her role as payroll administrator, she was issuing payroll checks to herself for unauthorized overtime and using the Board Chairman and Executive Director's signature stamp. Total overtime paid was 164 hours for a total of \$5,166.02. The modifications to the employee's payroll withholdings included a loan repayment on her retirement plan that she instead had the authority paying on her behalf. The total amount applied towards her loan by the authority was \$9,425.89. She also had been enrolled in AFLAC dental insurance for the duration of her employment but had not been withholding the monthly premium in the amount of \$112.20. This resulted in the authority paying a total of \$3,927 of premiums on her behalf. The employee has subsequently paid \$14,000 in restitution of the total of **\$18,518.91** in questioned fraudulent costs.

This was caused by the employee not being properly monitored or reviewed as to her activity. Also, she had access to signature stamps and was trusted to issue checks.

Recommendation:

We recommend that the Housing Authority amend its current policies and procedures to incorporate a review and approval process of all overtime payroll. Additionally, we also recommend that no employee be allowed access to both signature stamps, and have the ability to issue a check without the review of an appropriate check signer. We also recommend that the Housing Authority properly record payroll withholding for certain payroll items within the liability section of the general ledger, and that these obligations be reviewed and monitored by the Housing Authority fee accountant.

Questioned Cost - \$18,518.91:

These are questioned costs are listed above and currently awaits the final restitution of amounts. As of the issuance of the audit report, the Housing Authority has recovered \$14,000 of this.

Repeat Finding:

No

**HOUSING AUTHORITY OF THE TOWN OF RUSTON
Ruston, Louisiana**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)**

Section II – Financial Statement Findings

Findings related to financial statements in accordance with GAGAS: (Cont'd)

Was sampling statistically valid?

N/A – this was an expanded scope review and included a targeted set of transactions and only a couple of general ledger funds.

Views of responsible officials:

The Housing Authority agrees with the findings and the recommended corrective actions.

Section III – Federal Award Findings and Questioned Costs

Findings and questioned costs for Federal Awards as defined in 2 CFR §200.516(a):

Finding 2017-001 – Unauthorized expenditures, potential fraud, waste and abuse. CFDA No. 14.850
Noncompliance & Significant Deficiency; Allowable Cost Principles

(This finding is stated above and is not again repeated here)

RUSTON HOUSING AUTHORITY

The Housing Authority of the Town of Ruston, Louisiana
A Stronger America Through Better Housing

ROBERT WILEY, CHAIRMAN
PASTOR DAVID BUCKLEY, VICE CHAIRMAN
SANDRA COOPER, COMMISSIONER
LAURA HARTT, COMMISSIONER

TELEPHONE 318-255-3644
615 N. FARMERVILLE STREET
P.O. DRAWER 2288
RUSTON, LOUISIANA 71273

E. WOODROW WHITTINGTON, JR. EXECUTIVE DIRECTOR

CORRECTIVE ACTION PLAN

***Finding 2017-001 – Unauthorized expenditures, potential fraud, waste and abuse. CFDA No. 14.850
Noncompliance & Significant Deficiency; Allowable Cost Principles***

Corrective Action Plan: The Housing Authority has amended its policies and procedures to incorporate a review and approval process of all overtime payroll.

Access to the Executive Directors signature stamp is controlled by the executive director who keeps it locked in his office. Use of his signature stamp will be limited to only occasions when he is out of town or unavailable. If the Executive Directors signature stamp is used, then the Board Chairman's signature must be an original. No check can be issued with two signature stamps, at least one shall be an original signature.

ALL checks issued shall be reviewed by both the Executive Director and the Board Chairman.

The housing authority accounting clerk will record payroll withholding for certain payroll items within the liability section of the general ledger, and that these obligations shall be reviewed and monitored by the Fee Accountant.

Contact Person: E. Woodrow Whittington Jr.
Executive Director

Anticipated Completion Dates: March 24, 2017

**HOUSING AUTHORITY
OF THE TOWN OF RUSTON
Ruston, Louisiana**

SUPPLEMENTAL INFORMATION

YEAR ENDED JUNE 30, 2017

**Housing Authority of the Town of Ruston
Ruston, Louisiana**

**FINANCIAL DATA SUBMISSION SUMMARY
NET POSITION ACCOUNTS
JUNE 30, 2017**

<u>Account Description</u>	<u>Business Activities</u>	<u>Public and Indian Housing 14.850</u>	<u>Central Office Cost Center</u>	<u>Elimination</u>	<u>TOTAL</u>
ASSETS:					
CURRENT ASSETS:					
Cash:					
Cash - unrestricted	\$ 632,852	\$ 618,476	\$ 437,689	\$ 0	\$ 1,689,017
Cash - restricted	0	0	0	0	0
Cash - tenant security deposits	450	56,367	0	0	56,817
Total Cash	633,302	674,843	437,689	0	1,745,834
Accounts and notes receivables:					
Accounts receivable - HUD	0	52,845	0	0	52,845
Accounts receivable - other government	9,502	0	16,712	0	26,214
Accounts receivable - miscellaneous	0	0	0	0	0
Accounts receivable - tenants rents	0	18,646	0	0	18,646
Allowance for doubtful accounts-tenants	0	(1,078)	0	0	(1,078)
Accounts receivable - fraud	0	0	0	0	0
Allowance for doubtful accounts-other	0	0	0	0	0
Notes receivable - current	0	0	0	0	0
Accrued interest receivable	0	95	60	0	155
Total receivables - net	9,502	70,508	16,772	0	96,782
Current investments:					
Investments - unrestricted	0	114,465	142,030	0	256,495
Investments - restricted	0	0	0	0	0
Prepaid expenses and other assets	0	77,837	5,353	0	83,190
Inventories	0	90,110	0	0	90,110
Allowance for obsolete inventories	0	(1)	0	0	(1)
Assets held for sale	0	0	0	0	0
Interprogram due from	0	0	52,845	(52,845)	0
TOTAL CURRENT ASSETS	642,804	1,027,762	654,689	(52,845)	2,272,410
NONCURRENT ASSETS:					
Capital Assets:					
Land	3,000	35,768	0	0	38,768
Buildings	37,000	3,601,846	0	0	3,638,846
Furniture & equipment - dwellings	0	0	0	0	0
Furniture & equipment - admin	0	430,030	44,895	0	474,925
Improvements	0	10,235,982	0	0	10,235,982
Construction in process	0	0	0	0	0
Accumulated depreciation	(15,519)	(9,927,829)	(44,895)	0	(9,988,243)
Total capital assets - net	24,481	4,375,797	0	0	4,400,278
Notes receivable - noncurrent	0	0	0	0	0
Investment in joint ventures	0	0	0	0	0
TOTAL NONCURRENT ASSETS	24,481	4,375,797	0	0	4,400,278
TOTAL ASSETS	\$ 667,285	\$ 5,403,559	\$ 654,689	\$ (52,845)	\$ 6,672,688

**Housing Authority of the Town of Ruston
Ruston, Louisiana**

**FINANCIAL DATA SUBMISSION SUMMARY
NET POSITION ACCOUNTS
JUNE 30, 2017**

<u>Account Description</u>	<u>Business Activities</u>	<u>Public and Indian Housing 14.850</u>	<u>Central Office Cost Center</u>	<u>Elimination</u>	<u>TOTAL</u>
LIABILITIES AND NET POSITION:					
LIABILITIES:					
CURRENT LIABILITIES:					
Cash overdraft	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Accounts payable < 90 days	0	0	43,086	0	43,086
Accrued salaries/payroll withholding	0	0	0	0	0
Accrued compensated absences	0	9,705	5,421	0	15,126
Accrued interest payable	0	0	0	0	0
Accounts payable - HUD PHA programs	0	0	0	0	0
Accounts payable - other gov.	0	0	0	0	0
Tenant security deposits	450	56,367	0	0	56,817
Unearned revenue	0	12,148	0	0	12,148
Current portion of L-T debt - capital borrowings	0	0	0	0	0
Other current liabilities	0	0	0	0	0
Interprogram (due to)	36,200	16,645	0	(52,845)	0
TOTAL CURRENT LIABILITIES	<u>36,650</u>	<u>94,865</u>	<u>48,507</u>	<u>(52,845)</u>	<u>127,177</u>
NONCURRENT LIABILITIES:					
Long-term debt, net of current - capital projects	0	0	0	0	0
Accrued comp. absences - long term	0	20,473	14,909	0	35,382
TOTAL NONCURRENT LIABILITIES	<u>0</u>	<u>20,473</u>	<u>14,909</u>	<u>0</u>	<u>35,382</u>
TOTAL LIABILITIES	<u>36,650</u>	<u>115,338</u>	<u>63,416</u>	<u>(52,845)</u>	<u>162,559</u>
NET POSITION:					
Net investment in capital assets	24,481	4,375,797	0	0	4,400,278
Restricted	0	0	0	0	0
Unrestricted	606,154	912,424	591,273	0	2,109,851
TOTAL NET POSITION	<u>630,635</u>	<u>5,288,221</u>	<u>591,273</u>	<u>0</u>	<u>6,510,129</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 667,285</u>	<u>\$ 5,403,559</u>	<u>\$ 654,689</u>	<u>\$ (52,845)</u>	<u>\$ 6,672,688</u>

**Housing Authority of the Town of Ruston
Ruston, Louisiana**

**FINANCIAL DATA SUBMISSION SUMMARY
REVENUES, EXPENSES, AND CHANGES IN NET POSITION ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2017**

<u>Account Description</u>	<u>Business Activities</u>	<u>Public and Indian Housing 14.850</u>	<u>Central Office Cost Center</u>	<u>Elimination</u>	<u>TOTAL</u>
REVENUES:					
Net tenant rental revenue	\$ 11,920	\$ 789,388	\$ 0	\$ 0	\$ 801,308
Tenant revenue - other	180	253,804	0	0	253,984
Total tenant revenue	12,100	1,043,192	0	0	1,055,292
HUD PHA grants - operating	0	959,088	0	0	959,088
HUD PHA grants - capital	0	392,287	0	0	392,287
Management fee	0	0	227,507	(227,507)	0
Asset management fee	0	0	36,000	(36,000)	0
Bookkeeping fee	0	0	26,003	(26,003)	0
Front line service fee	0	0	0	0	0
Other government grants	0	0	0	0	0
Investment income - unrestricted	1,752	2,198	1,699	0	5,649
Mortgage interest income	0	0	0	0	0
Fraud income	0	0	0	0	0
Other revenue	85,742	2,522	0	0	88,264
Investment income - restricted	0	0	0	0	0
Gain/(loss) on disposition	158,544	0	0	0	158,544
TOTAL REVENUES	\$ 258,138	\$ 2,399,287	\$ 291,209	\$ (289,510)	\$ 2,659,124
EXPENSES:					
Administrative:					
Administrative salaries	\$ 0	\$ 53,116	\$ 107,728	\$ 0	\$ 160,844
Compensated absences	0	0	0	0	0
Auditing fees	7,370	6,240	5,000	0	18,610
Management fees	0	227,507	0	(227,507)	0
Bookkeeping fees	0	26,003	0	(26,003)	0
Advertising & marketing	0	0	0	0	0
Employee benefits - administrative	0	43,124	38,377	0	81,501
Office expense	367	9,672	4,420	0	14,459
Legal expense	0	1,774	0	0	1,774
Travel expense	0	8,731	0	0	8,731
Other operating - administrative	3,070	71,612	58,912	0	133,594
Total Administrative Expense	10,807	447,779	214,437	(253,510)	419,513
Asset management fee	0	36,000	0	(36,000)	0
Tenant services:					
Tenant services - salaries	0	26,509	0	0	26,509
Employee benefits - tenant services	0	8,925	0	0	8,925
Other tenant services	0	57,527	0	0	57,527
Total Tenant Services	0	92,961	0	0	92,961
Utilities:					
Water	0	20,948	0	0	20,948
Electricity	0	198,680	0	0	198,680
Gas	24	4,534	0	0	4,558
Sewer	0	67,354	0	0	67,354
Other utilities	0	2,555	0	0	2,555
Employee benefits - utilities	0	0	0	0	0
Total Utilities Expense	24	294,071	0	0	294,095

**Housing Authority of the Town of Ruston
Ruston, Louisiana**

**FINANCIAL DATA SUBMISSION SUMMARY
REVENUES, EXPENSES, AND CHANGES IN NET POSITION ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2017**

<u>Account Description</u>	<u>Business Activities</u>	<u>Public and Indian Housing 14.850</u>	<u>Central Office Cost Center</u>	<u>Elimination</u>	<u>TOTAL</u>
Ordinary Maintenance & Operation:					
Labor	17,077	278,577	0	0	295,654
Materials	1,350	146,411	0	0	147,761
Employee benefit contributions	2,255	105,360	0	0	107,615
Garbage & trash removal contracts	0	19,148	0	0	19,148
Heating & cooling contracts	0	400	0	0	400
Snow removal contracts	0	0	0	0	0
Elevator maintenance contracts	0	0	0	0	0
Landscape & grounds contracts	0	15,880	0	0	15,880
Unit turnaround contracts	650	9,923	0	0	10,573
Electrical contracts	355	10,068	0	0	10,423
Plumbing contracts	375	10,610	0	0	10,985
Extermination contracts	173	49,712	0	0	49,885
Janitorial contracts	0	0	0	0	0
Routine maintenance contracts	11,243	80,967	0	0	92,210
Contract costs - other	3,116	32,653	0	0	35,769
Total Ordinary Maintenance & Operation	36,594	759,709	0	0	796,303
Protective services:					
Protective services - salaries	0	13,440	0	0	13,440
Employee benefits - protective services	0	1,028	0	0	1,028
Other protective services	0	0	0	0	0
Total Protective Services	0	14,468	0	0	14,468
Insurance Premiums:					
Property insurance	1,404	63,000	0	0	64,404
Liability insurance	0	18,000	0	0	18,000
Workmen's compensation	0	17,507	0	0	17,507
Insurance - other	294	19,429	2,179	0	21,902
Total Insurance Premiums	1,698	117,936	2,179	0	121,813
General Expenses:					
Compensated absence expense	0	23,321	10,511	0	33,832
Other general expense	0	0	0	0	0
Payments in lieu of taxes	0	0	0	0	0
Bad debt - tenant rents	0	59,245	0	0	59,245
Bad debt - mortgages	0	0	0	0	0
Severance expense	0	0	0	0	0
Total General Expenses	0	82,566	10,511	0	93,077
Financial Expenses:					
Interest expense - Mortgage Payable	0	0	0	0	0
Interest expense - Notes Payable	2,010	0	0	0	2,010
Amortization - issuance costs	0	0	0	0	0
Total Financial Expenses	2,010	0	0	0	2,010
TOTAL OPERATING EXPENSE	51,133	1,845,490	227,127	(289,510)	1,834,240
EXCESS OPERATING REVENUE	207,005	553,797	64,082	0	824,884

**Housing Authority of the Town of Ruston
Ruston, Louisiana**

**FINANCIAL DATA SUBMISSION SUMMARY
REVENUES, EXPENSES, AND CHANGES IN NET POSITION ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2017**

<u>Account Description</u>	<u>Business Activities</u>	<u>Public and Indian Housing 14,850</u>	<u>Central Office Cost Center</u>	<u>Elimination</u>	<u>TOTAL</u>
Other Expenses:					
Extraordinary maintenance	0	0	0	0	0
Casualty losses	0	25,085	0	0	25,085
Housing assistance payments	0	0	0	0	0
Depreciation expense	2,298	438,262	0	0	440,560
Total Other Expenses	<u>2,298</u>	<u>463,347</u>	<u>0</u>	<u>0</u>	<u>465,645</u>
TOTAL EXPENSES	<u>\$ 53,431</u>	<u>\$ 2,308,837</u>	<u>\$ 227,127</u>	<u>\$ (289,510)</u>	<u>\$ 2,299,885</u>
EXCESS OF REVENUE OVER EXPENSES	<u>\$ 204,707</u>	<u>\$ 90,450</u>	<u>\$ 64,082</u>	<u>\$ 0</u>	<u>\$ 359,239</u>
Transfer of funds - in	0	50,000	0	0	50,000
Transfer of funds - out	0	(50,000)	0	0	(50,000)
Transfer of equity	0	0	0	0	0
Prior period adjustments	0	0	0	0	0
Beginning Net Position	<u>425,928</u>	<u>5,197,771</u>	<u>527,191</u>	<u>0</u>	<u>6,150,890</u>
Ending Net Position	<u>\$ 630,635</u>	<u>\$ 5,288,221</u>	<u>\$ 591,273</u>	<u>\$ 0</u>	<u>\$ 6,510,129</u>
Units Available	36	3,517	-	-	3,553
Units Leased	36	3,467	-	-	3,503

**Housing Authority of the Town of Ruston
Ruston, Louisiana**

**SCHEDULE OF EXPENDITURES OF FEDERAL FINANCIAL AWARDS
JUNE 30, 2017**

	<u>Type</u>	<u>Federal CFDA #</u>	<u>Expenditures</u>
<u>FEDERAL GRANTOR</u>			
<u>U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT:</u>			
Public Housing:			
Public and Indian Housing	A - Major	14.850	\$ 838,671
Public Housing Capital Fund	B - Nonmajor	14.872	<u>512,704</u>
TOTAL FEDERAL FINANCIAL AWARDS			\$ <u>1,351,375</u>
 Threshold for Type A & Type B			 \$ <u>750,000</u>

HOUSING AUTHORITY OF THE TOWN OF RUSTON
Ruston, Louisiana

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE A - BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Housing Authority of the Town of Ruston and is presented on the full accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Uniform Guidance.

NOTE B - SUBRECIPIENTS:

The Housing Authority of the Town of Ruston provided no federal awards to subrecipients during the fiscal year ending June 30, 2017.

NOTE C - DISCLOSURE OF OTHER FORMS OF ASSISTANCE:

- The Housing Authority of the Town of Ruston received no federal awards of non-monetary assistance that are required to be disclosed for the year ended June 30, 2017.
- The Housing Authority of the Town of Ruston had no loans, loan guarantees, or federally restricted endowment funds required to be disclosed for the fiscal year ended June 30, 2017.
- The Housing Authority of the Town of Ruston maintains the following limits of insurance as of June 30, 2017:

Property	\$ 24,992,280
Liability	\$ 1,000,000
Commercial Auto	\$ 1,000,000
Worker Compensation	Regulatory
Public Officials Liability	\$ 1,000,000
Fidelity Bond	\$ 45,000

Settled claims have not exceeded the above commercial insurance coverage limits over the past three years.

Housing Authority of the Town of Ruston
Ruston, Louisiana

SCHEDULE OF EXPENDITURES OF COMPENSATION, BENEFITS AND OTHER PAYMENTS
TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICE
FOR THE YEAR ENDED JUNE 30, 2017

Agency Head: Woody Whittington, Executive Director

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 87,252
Benefits - insurance	14,937
Benefits - retirement	7,416
Car allowance	4,800
Per diem	479
Registration fees	600
Conference travel	<u>944</u>
	<u>\$ 116,428</u>

**HOUSING AUTHORITY
OF THE TOWN OF RUSTON
Ruston, Louisiana**

**SUPPLEMENTAL INFORMATION
SPECIAL REPORTS**

YEAR ENDED JUNE 30, 2017

Housing Authority of the Town of Ruston
Ruston, Louisiana

STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COSTS

June 30, 2017

LA48PO5450113

- 1 The Actual Modernization Costs of Phase 501-13 were:

Funds Approved	\$	340,261
Funds Expended		<u>340,261</u>
Excess of Funds Approved	\$	<u><u>-</u></u>
Funds Advanced	\$	340,261
Funds Expended		<u>340,261</u>
Excess of Funds Advanced	\$	<u><u>-</u></u>

- 2 All costs were incurred in the prior audit period and accordingly were not reaudited by Rector, Reeder & Lofton, P.C.
- 3 The total program costs as stated on the Annual Statement/Performance and Evaluation Report is in agreement with the Actual Modernization Cost Certificate dated March 22, 2017, as submitted to HUD for approval is in agreement with the PHA's records.
- 4 All Capital Fund Program costs have been paid and all related liabilities have been discharged through payment.



Louisiana Legislative Auditor – Statewide Agreed-Upon Procedures

Housing Authority of the Town of Ruston

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

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

We have performed the procedures enumerated below, which were agreed to by the Housing Authority of the Town of Ruston (Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2016 through June 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

Observation - *Historically the Housing Authority has been required under the annual contributions contract and under the Low-Rent Housing Financial Management Handbook to adopt and obtain an operating budget for the Public Housing Program. This budget was adopted as documented in our working papers (ref. PL-1) along with a revision approved during the year. This is in keeping with the traditional HUD requirements. There is no other policy or procedure written for budgetary controls for the agency.*

Finding/Recommendation - *We are recommending that the Housing Authority adopt a Financial Policy and Procedures document which clearly states the use of the budget and revisions needed. The budget should be used as a vehicle to maintain financial control over the Housing Authority operations.*

- 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.

Observation - The Housing Authority has a procurement policy which is used to determine how to select contractors and purchase materials and supplies. There is no distinct policy or procedure for adding vendors to the vendor list or utilizing purchase orders. Purchase orders are not utilized by the Housing Authority. Given the size of the Town of Ruston there are limited vendors available to do work and provide services.

- 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

Observation - The Housing Authority has a procurement policy which is used to determine how to select contractors and purchase materials and supplies. There is no distinct policy or procedure for adding vendors to the vendor list or utilizing purchase orders. Purchase orders are not utilized by the Housing Authority. Given the size of the Town of Ruston there are limited vendors available to do work and provide services.

- 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 cardusage

Observation - Disbursements, Receipts, Payroll, Credit Cards – There is no specific policy or procedure for these areas apart from the historical HUD guidelines which are now obsolete. We recommend that the Housing Authority adopt a Financial Policy and Procedures document as mentioned above for all these items, along with the requirements mentioned in the new Federal Uniform Administrative Guidance.

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers

Observation - There is no formal travel policy or procedure adopted. However, the Housing Authority is to follow the General Administrative Requirements and has minimal travel which is controlled by the amount of funds budgeted to this category.

Recommendation - We recommend that a formal travel policy be adopted.

- 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.

Observation – There is no formal policy regarding ethics; however, there is mention of conflicts of interest within the personnel policy and within the procurement policy.

Recommendation - We recommend that the Housing Authority adopt an agency wide ethics policy and procedure for all aspects of the agency including governance, occupancy, employment and procurement.

- J) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

N/A – There is no debt service

Board of Commissioners

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.

Observation - As documented in our workpapers (ref. JJ), the Board of Commissioners are scheduled to meet monthly, and they have an annual meeting for election of officers. They also meet to approve the operating budget and the budget revision. Periodically the fee accountant presents financial information for the month or the quarter and updates the Board of Commissioners with pertinent financial information. The minutes also show evidence of approval of major contracts, the five-year annual plan and any major capital improvements. The Board meets monthly as required and approves all contracts and certain disbursements on a consistent monthly basis.

Bank Reconciliations

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

Observation - *As documented with the cash lead in the working papers (ref. A-1), we noted that bank reconciliations are performed by the PHA's fee accountant. This is a part of the monthly service being performed and the contract requirements. Also, the procedure for this is documented in the internal control narrative.*

Collections

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

Observation – *There is only one location for receiving cash collections and our normal audit testing was done as documented in our working papers.*

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.

Observation - *As documented in our working papers with our cash receipts examination (ref. TT-1), we have examined two different weeks from two different months to determine the propriety of collections. We have noted that our normal cash receipts examination is sufficient to satisfy the AUP requirements and nothing additional is required. We also noted that the Housing Authority does not have a policy or procedure to document how collections are to be performed, or the applicable controls over the process.*

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.

***Observation** - There is no specific policy or procedure for the cash collections apart from the historical HUD guidelines which are now obsolete. We recommend that the Housing Authority adopt a Financial Policy and Procedures document as mentioned above for all these items, along with the requirements mentioned in the new Federal Uniform Administrative Guidance.*

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.
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.
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.
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.
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.
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.

Observation - As documented in our working papers in our cash disbursements examination (ref. TT-2), we have examined thirty-eight (38) check vouchers and invoices for examination and compliance with applicable federal requirements. We noted no errors or violation of compliance requirements, and expenditures were within program budgets. As mentioned above the Housing Authority does not have a specific policy or procedure with disbursements and does not utilize purchase orders. Also, as noted in our audit report under "Findings, Recommendations and Replies" Finding no. 2117-001 shows a condition in which a signature stamp was used improperly. The Housing Authority has discontinued this policy and is now requiring manual signatures.

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.
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.
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.

Observation - As documented in our working papers with our cash disbursements examination (ref. TT-2), we have examined thirty-eight (38) check vouchers and invoices for examination and compliance with applicable federal requirements. Of these examined three were for credit cards. We performed the procedures as outlined in the Louisiana Legislative Auditor's procedure. We have also examined the largest monthly charges noted during the year and performed an examination on the charges and the receipts. We noted no deficiencies or violation of regulations.

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.
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.
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.

Observation - As noted in our working papers (ref. PL-8), added for the AUP requirement, we have examined all travel and related expenditures for the year. The Housing Authority typically spends very little in regard to travel and entertainment. Upon examination of these additional procedures we determined that all expenditures are within the Federal and State compliance requirements. Additionally, as recommended in this document a new financial policies and procedures document should be issued which covers the internal controls over travel and expense reimbursement.

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.
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).

Observation - *As documented in our working papers (ref. PL-5), we have examined certain contract payments. We selected five vendors of which only one was of any size and had a contract. We have noted in our exit comments for the agency that the Housing Authority could have more adequately documented the bid tabulation and selection of the contractor. We also noted that the other payments made in which there was no formal contract. The Housing Authority procedure does not necessarily dictate that a formal contract for services is utilized. In every case it was determined that the Housing Authority complied with their procurement policy.*

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.

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 theselected 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.
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.
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.

***Observation** - We have examined the payroll on a test basis as documented in our working papers (ref. TT-3). We have examined seven employees which is more than the one-third required by the State AUP. We noted no deficiencies or areas of noncompliance with payroll and personnel. We have determined that the leave records are appropriately maintained, that the withholding is proper and payment is made within budget. We have also examined all employees who have left the employ during the current audit period to determine that the accrued leave if due and payable was correct and properly supported. We have also determined that the payroll is within the approved budgeted amounts.*

Ethics

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

***Observation** - The Housing Authority on September 28 had ALL employees involved in fair housing and ethics training. There were no ethical violations noted during the current audit period.*

Debt Service

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

N/A – There is no debt service

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.

***Observation** – There was misappropriation of funds noted during the year – we have documented this with the Fraud working papers. The total amount of misappropriation was around \$18,519. The condition for this was the result of too much control over the books and records of account without the appropriate oversight of the PHA personnel or by the contracted fee accountant. We believe that better controls and oversight could have prevented this misappropriation of funds.*

***Finding or Recommendation** - We recommend that the Housing Authority amend its current policies and procedures to incorporate a review and approval process of all overtime payroll. Additionally, we also recommend that no employee be allowed access to both signature stamps, and have the ability to issue a check without the review of an appropriate check signer. We also recommend that the Housing Authority properly record payroll withholding for certain payroll items within the liability section of the general ledger, and that these obligations be reviewed and monitored by the Housing Authority fee accountant.*

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.

***Observation** – We observed the posting in the reception area as required.*

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.

Rector, Reeder & Lofton, P.C.
Rector, Reeder & Lofton, P.C.
Certified Public Accountants

Lawrenceville, Georgia
December 8, 2017