

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

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

YEAR ENDED JUNE 30, 2014

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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, 2014



**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, 2014, 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.

Opinions

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, 2014, 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 opinions 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 Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as well as the Financial Data Schedules and Special Reports required by the U.S. Department of Housing and Urban Development, 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 17, 2014 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 17, 2014

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

MANAGEMENT DISCUSSION & ANALYSIS

YEAR ENDED JUNE 30, 2014

HOUSING AUTHORITY OF THE TOWN OF RUSTON MANAGEMENT'S DISCUSSION & ANALYSIS FISCAL YEAR ENDED JUNE 30, 2014

This section of the Authority's annual financial report presents Management's analysis of the Authority's financial performance during the Fiscal Year Ended June 30, 2014.

FINANCIAL HIGHLIGHTS AND CONCLUSIONS:

The Housing Authority of the Town of Ruston had a good year as illustrated by the outcome of its fiscal year operations. Total Net Position increased by \$47,832 or 0.83%. The financial indicators continue to maintain an above average score as established by the Real Estate Assessment Center (REAC). Based on our calculation of the financial score, the Authority should receive a designation of "standard performer" under the Financial Assessment Sub System (FASS).

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 Change 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 Change 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.

**Housing Authority of the Town of Ruston
Comparative Statement of Net Position
TABLE I**

	2014	2013	Total Change	% Change
Current Assets	\$ 1,396,004	\$ 1,389,116	\$ 6,888	0.50%
Capital Assets	4,664,248	4,617,407	46,841	1.01%
Total Assets	\$ 6,060,252	\$ 6,006,523	\$ 53,729	0.89%
Current Liabilities	\$ 109,164	\$ 203,979	\$ (94,815)	-46.48%
Noncurrent Liabilities	153,114	52,402	100,712	192.19%
Total Liabilities	262,278	256,381	5,897	2.30%
Net Investment in Capital Assets	4,564,935	4,514,511	50,424	1.12%
Unrestricted	1,233,039	1,235,631	(2,592)	-0.21%
Total Net Position	5,797,974	5,750,142	47,832	0.83%
Total Liabilities & Net Position	\$ 6,060,252	\$ 6,006,523	\$ 53,729	0.89%

Total assets increased by \$53,729 or 0.89%. This was a result of increases in current assets of \$6,888 or 0.50% and an increase of \$46,841 or 1.01% in capital assets. The overall increase in current assets is due to increases in accounts receivables of \$184,668 or 135.78%, primarily due to increases in HUD receivables of \$193,789 or 220.09%. This increase was mainly due to delays in drawing funds related to the capital fund grant program. Inventory also increased by \$15,574 or 29.93%. These increases were offset by decreases in cash and investments of \$191,394 or 16.84%, as illustrated in the Statement of Cash Flows in the audited financial statements. Capital assets increased due to additions from the capital fund grants in excess of current depreciation expense. This change is explained further in the capital assets section of this report.

Total liabilities increased by \$5,897 or 2.30%. Current liabilities decreased by \$94,815 or 46.48%, due to a significant decrease of \$97,908 or 95.15% in the current portion of capital debt. This significant decrease in capital debt is due to the reclassification of all capital debt as current in FY2013, as the full balance of the note came due during FY2014. With the refinancing of this note, the current capital debt as of June 30, 2014 is \$4,988 and long-term debt is \$94,325. This also helps to explain the significant increase in noncurrent liabilities of \$100,712 or 192.19%. Overall, the total debt liability decreased by \$3,583 or 3.48%. Decreases were also experienced in payroll accrual liabilities of \$6,578 or 78.20%, tenant security deposits of \$71 or 0.13%, and unearned revenue of \$99 or 1.80%. These decreases

were offset by increases in accounts payable of \$8,245 or 47.40% due to normal timing/reporting differences and total accrued compensated absences of \$7,983 or 12.19%.

As illustrated in the above Comparative Statement of Net Position, the overall Net Position of the Authority increased by \$47,832 or 0.83%. Net Investment in Capital Assets increased by \$50,424 or 1.12%. This change was due current period capital asset additions in excess of current depreciation expense and is explained further within this document. Unrestricted Net Position decreased by \$2,592 or 0.21%, representing a decrease in net working capital and available resources for future programs and expenditures.

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

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

	<u>2014</u>	<u>2013</u>	<u>Total Change</u>	<u>% Change</u>
Tenant Revenue	\$ 907,317	\$ 872,595	\$ 34,722	3.98%
Grant Funding	1,076,851	1,093,752	(16,901)	-1.55%
Interest Income	1,196	6,822	(5,626)	-82.47%
Other Income	104,705	160,291	(55,586)	-34.68%
Total Revenue	<u>2,090,069</u>	<u>2,133,460</u>	<u>(43,391)</u>	<u>-2.03%</u>
Administration	450,784	391,182	59,602	15.24%
Tenant Services	96,393	106,136	(9,743)	-9.18%
Utilities	285,383	285,313	70	0.02%
Maintenance	815,095	866,537	(51,442)	-5.94%
General	150,085	134,356	15,729	11.71%
Interest	6,251	8,115	(1,864)	-22.97%
Depreciation	238,246	204,874	33,372	16.29%
Total Expenses	<u>2,042,237</u>	<u>1,996,513</u>	<u>45,724</u>	<u>2.29%</u>
Change in Net Position	47,832	136,947	(89,115)	-65.07%
Beginning Net Position	5,750,142	5,613,195	136,947	2.44%
Ending Net Position	<u>\$ 5,797,974</u>	<u>\$ 5,750,142</u>	<u>\$ 47,832</u>	<u>0.83%</u>

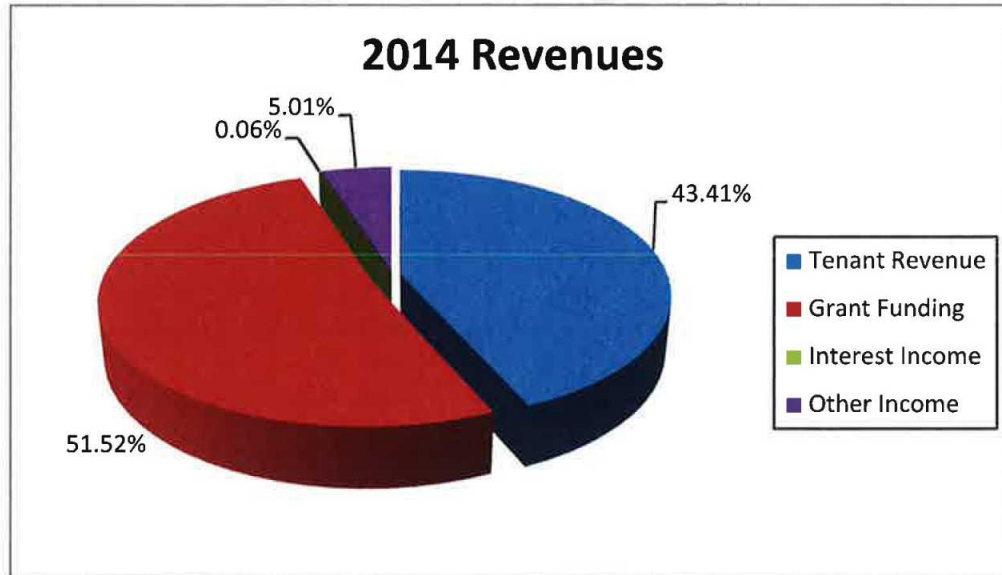
Housing Authority of the Town of Ruston
Statement of Revenues, Expenses, and Change in Net Position - By Program
For Year Ended June 30, 2014

TABLE III

	Low-Rent	Central Office	Business Type Activity	Eliminations	Total
Tenant Revenue	\$ 886,282	\$ -	\$ 21,035	\$ -	\$ 907,317
Grant Funding	1,076,851	-	-	-	1,076,851
Interest Income	10	1,186	-	-	1,196
Other Income	7,766	211,577	96,679	(211,317)	104,705
Total Revenue	1,970,909	212,763	117,714	(211,317)	2,090,069
Administration	464,631	162,600	2,750	(179,197)	450,784
Asset Management	32,120	-	-	(32,120)	-
Tenant Services	96,365	28	-	-	96,393
Utilities	285,383	-	-	-	285,383
Maintenance	793,663	-	21,432	-	815,095
General	145,255	2,870	1,960	-	150,085
Interest	-	-	6,251	-	6,251
Depreciation	234,459	-	3,787	-	238,246
Total Expenses	2,051,876	165,498	36,180	(211,317)	2,042,237
Change in Net Position	(80,967)	47,265	81,534	-	47,832
Transfer of Funds	150,000	(75,000)	(75,000)	-	-
Beginning Net Position	4,802,771	663,896	283,475	-	5,750,142
Ending Net Position	\$ 4,871,804	\$ 636,161	\$ 290,009	\$ -	\$ 5,797,974

REVENUES

In reviewing the Statement of Revenues, Expenses, and Change in Net Position, you will find that 51.52% 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 43.41% of total revenue. Other Revenue, including Interest from Investments, and Property, Grant, and Asset Management Fees to the Central office comprises the remaining 5.07%. Compared to the Fiscal Year Ended June 30, 2013, revenues showed an overall decrease of \$43,391 or 2.03%.



Tenant Revenue - Tenant Revenue increased from \$872,595 to \$907,317, an increase of \$34,722 or 3.98%. Dwelling rent revenue typically changes in relation to changes in the number of working family tenants and changes in dwelling unit occupancy. This year even though the number of units occupied decreased slightly, tenant revenue increased due to higher paying rents throughout the year as well as increases in other charges to tenants.

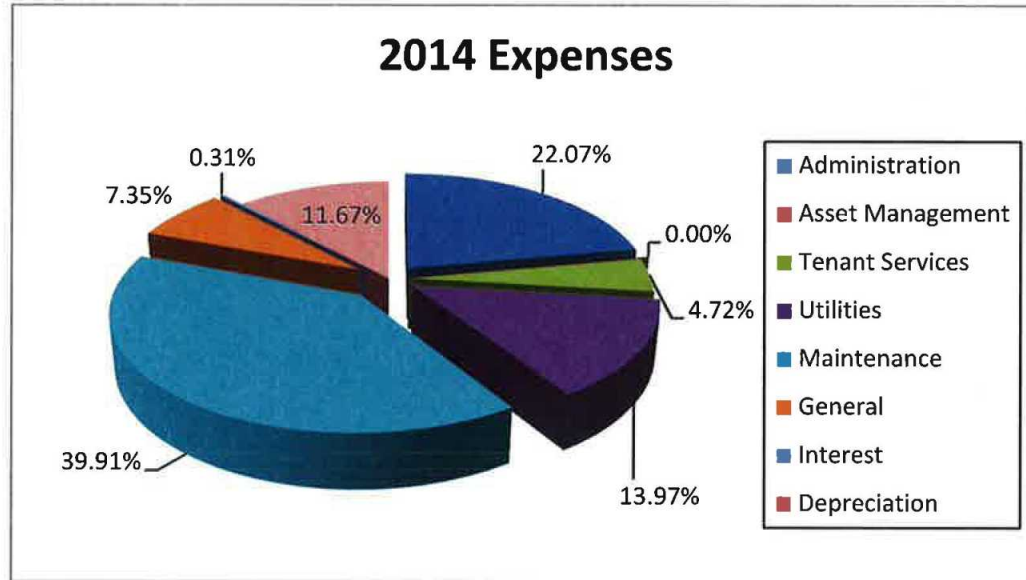
Program Grants/Subsidies - The Authority experienced a decrease of \$16,901 or 1.55% in Grant Funding from \$1,093,752 in FY2013 to \$1,076,851 in FY2014. The reason for change is a temporary decrease of spending of the Capital Fund grants which can be expended and earned over several years. The Capital Fund Programs ordinarily remains fairly consistent from program year to program year. Public Housing operating subsidy revenue for this year was down by \$108,094 or 13.02%, primarily due to an overestimation of 2013 subsidy funding proration. This decrease was partially offset by an increase in HUD capital fund grants of \$91,193 or 34.57% compared to the previous year as more capital fund projects were undertaken.

Interest Income - Interest income decreased by \$5,626 or 82.47% as a result of lower interest rates earned on deposits as well as a correction to the calculation of accrued interest in the current year.

Other Income - Other income decreased by \$55,586 or 34.68% which was primarily due to decreases in the amount of work done for Farmerville Housing Authority and other managed entities, reflected in the Business Type Activities fund. These decreases were offset by an increase of \$5,966 or 100.00% in tenant fraud revenue due to unreported tenant income, and a \$1,700 gain on the sale of disposed capital assets.

EXPENSES

The Housing Authority of the Town of Ruston experienced an increase in expenses for the current year from \$1,996,513 to \$2,042,237, an increase of \$45,724 or 2.29%.



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 2013, administrative costs increased by \$59,602 or 15.24%. The primary cause of this increase was the 12.13% or \$34,652 increase in administrative salaries and benefits. Other administrative expenses increased by \$22,719 or 30.96%, primarily due to the classification of capital fund 'soft' costs. Auditing fees, office expenses, and legal expenses also increased by \$490 or 6.18%, \$2,165 or 24.69%, and \$5,563 or 210.72%, respectively. These increases were offset by a decrease in travel expenses of \$5,987 or 46.55%.

Tenant Services - Tenant services costs include all costs incurred by the Authority to provide social services to the residents. Tenant Services costs decreased from \$106,136 to \$96,393, a decrease of \$9,743 or 9.18%. This is due to decreases in tenant service salaries of \$2,388 or 10.90%, employee benefits of \$626 or 5.96%, and other tenant services of \$6,729 or 9.13%. Payroll decreases were mainly due to more staff time allocated to administrative duties in the current year.

Utilities - The total utilities expense for the Authority increased by \$70 or 0.02%. This increase is due to the increases in both electricity and gas expenses of \$3,269 or 1.65% and \$1,002 or 15.74%, respectively. However, these increases were offset by decreases in water and sewer expenses of \$4,201 or 5.17%.

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 from \$866,537 to \$815,095, a decrease of \$51,442 or 5.94%. This was mainly due to decreases of \$48,472 or 14.15% in labor, \$20,901 or 13.21% in employee benefits, and \$30,610 or 22.12% in materials. The main driver of the decrease in payroll expenses was the capitalization of salaries and benefits related to capital fund improvements projects. Total contract costs increased by \$48,541 or 21.36%, mainly due to increased spending on unit turnarounds.

General Expenses - General expenses include insurance costs (property, auto, liability, workers' compensation, public officials' liability, lead based paint insurance, etc.), collection losses. General expenses for the Authority increased from \$134,356 to \$150,085, an increase of \$15,729 or 11.71%. This increase is primarily due to an increase in bad debt expenses of \$30,688 or 187.21% as more tenants moved out owing balances than in prior years. Insurance expenses, PILOT, and other general expenses decreased by \$11,768 or 10.50%, \$22 or 1.68%, and \$3,169 or 69.34%, respectively.

Interest Expense - Interest expense on capital notes decreased from \$8,115 to \$6,251 in the current year, a decrease of \$1,864 or 22.97%. This was due to the refinancing of the capital note into a lower interest rate instrument.

Depreciation - Because the costs of all capitalized additions are spread over the estimated useful life of an asset, the estimated current year costs of capitalized items is recorded as depreciation. Depreciation expense for the current year increased by \$33,372 or 16.29% as completed capital fund projects were placed into service and began the depreciation process.

CAPITAL ASSETS

As of June 30, 2014, the Authority experienced an increase in its capital assets of \$46,841 or 1.01% to \$4,664,248. The following chart illustrates the Capital Asset values for 2013 and 2014.

**Housing Authority of the Town of Ruston
Comparative Statement of Capital Assets
TABLE IV**

	2014	2013	Total Change	% Change
Land	\$ 67,146	\$ 67,146	\$ -	0.00%
Buildings & improvements	12,779,087	12,226,889	552,198	4.52%
Equipment	397,433	395,481	1,952	0.49%
Construction in Progress	338,508	626,666	(288,158)	-45.98%
	<u>13,582,174</u>	<u>13,316,182</u>	265,992	2.00%
Accumulated Depreciation	(8,917,926)	(8,698,775)	(219,151)	2.52%
Total Capital Assets	<u><u>\$ 4,664,248</u></u>	<u><u>\$ 4,617,407</u></u>	<u><u>\$ 46,841</u></u>	<u><u>1.01%</u></u>

Major changes in the capital asset accounts are summarized below:

Balance at July 1, 2013	\$ 4,617,407
Current period additions – capital fund	285,086
Adjustment to accumulated depreciation	1
Current period depreciation expense	<u>(238,246)</u>
Balance at June 30, 2014	<u><u>\$ 4,664,248</u></u>

The change in Capital Assets was due to capital asset additions from the Capital Fund program of \$285,086 which were offset by current depreciation expense of \$238,246.

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. Monthly payments including principal and interest total \$820 with a balloon payment due at maturity on September 19, 2016, and the Authority plans to refinance this obligation into another long-term instrument at that time. As disclosed in Note G & H to the financial statements this loan was refinanced during the year. The activity is shown in the notes and therefore not duplicated in this narrative. The outstanding balance as of June 30, 2014 was \$99,313, with \$4,988 classified as a current liability.

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 are expected to increase dramatically over the next several years especially 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, 2014

Housing Authority of the Town of Ruston
Ruston, Louisiana

STATEMENT OF NET POSITION

JUNE 30, 2014

ASSETS

Current Assets

Cash & cash equivalents - unrestricted	\$	633,404
Cash & cash equivalents - restricted		56,605
Investments - unrestricted		255,229
Accounts receivable		320,678
Prepaid expenses		62,477
Inventories		<u>67,611</u>
Total Current Assets		<u>1,396,004</u>

Noncurrent Assets

Capital Assets:

Land		67,146
Buildings & improvements		12,779,087
Furniture & equipment		397,433
Construction in progress		<u>338,508</u>
		13,582,174
Less: Accumulated depreciation		<u>(8,917,926)</u>
Total Capital Assets		<u>4,664,248</u>
Total Noncurrent Assets		<u>4,664,248</u>

TOTAL ASSETS \$ 6,060,252

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

LIABILITIES & NET POSITION

Current Liabilities

Accounts payable	\$	25,638
Accrued liabilities		16,532
Unearned revenue		5,401
Long-term debt - current portion		4,988
Tenant security deposits/escrow deposits		<u>56,605</u>
Total Current Liabilities		<u>109,164</u>

Noncurrent Liabilities

Long-term debt, net of current		94,325
Accrued liabilities - noncurrent		<u>58,789</u>
Total Noncurrent Liabilities		<u>153,114</u>
TOTAL LIABILITIES		<u>262,278</u>

Net Position

Net investment in capital assets		4,564,935
Unrestricted		<u>1,233,039</u>
TOTAL NET POSITION		<u>5,797,974</u>
TOTAL LIABILITIES & NET POSITION	\$	<u><u>6,060,252</u></u>

Housing Authority of the Town of Ruston
Ruston, Louisiana

STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014

Operating Revenues

Tenant revenue	\$	907,317
Governmental grants & subsidy		791,765
Other income		104,705
Total Operating Revenue		<u>1,803,787</u>

Operating Expenses

Administration		450,784
Tenant services		96,393
Utilities		285,383
Maintenance & operations		815,095
General expense		150,085
Depreciation expense		238,246
Total Operating Expense		<u>2,035,986</u>

Net Operating Income/(Loss) **(232,199)**

Nonoperating Revenues/(Expenses)

Investment income		1,196
Interest expense		<u>(6,251)</u>

Net Nonoperating Revenues/(Expenses) **(5,055)**

Net Income/(Loss) before capital grants **(237,254)**

Capital grants		<u>285,086</u>
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Increase/(Decrease) in Net Position **47,832**

Total Net Position - beginning		<u>5,750,142</u>
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Total Net Position - ending	\$	<u><u>5,797,974</u></u>
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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, 2014

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 1,012,022
Governmental grants & subsidy - operations	791,765
Payments to suppliers	(1,205,404)
Payments to employees	<u>(781,139)</u>
 NET CASH PROVIDED/(USED) FROM OPERATING ACTIVITIES	 <u>(182,756)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments	(1,222)
Interest received	<u>1,196</u>
 NET CASH PROVIDED/(USED) FROM INVESTING ACTIVITIES	 <u>(26)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Governmental capital grant fund received	285,086
Additions to capital assets - capital funds	(285,086)
Interest paid	(6,251)
Payments on notes payable	(106,656)
Proceeds from note payable	<u>103,073</u>
 NET CASH PROVIDED/(USED) FROM CAPITAL AND RELATED FINANCING ACTIVITIES	 <u>(9,834)</u>

NET INCREASE/(DECREASE) IN CASH	(192,616)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>882,625</u>
 CASH AND CASH EQUIVALENTS AT END OF PERIOD	 <u><u>\$ 690,009</u></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, 2014

CASH FLOWS FROM OPERATING ACTIVITIES

Net Income/(Loss) from operations	\$ (232,199)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation	238,246
Decrease (Increase) in accounts receivable	(184,668)
Decrease (Increase) in prepaid expenses	1,960
Decrease (Increase) in inventory	(15,574)
Increase (Decrease) in accounts payable	8,244
Increase (Decrease) in accrued liabilities	1,405
Increase (Decrease) in unearned revenue	(99)
Increase (Decrease) in security/trust deposits	<u>(71)</u>
 NET CASH PROVIDED/(USED) FROM OPERATING ACTIVITIES	 \$ <u><u>(182,756)</u></u>

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, 2014

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 accounting policies of the Housing Authority of Town of Ruston conform to generally accepted accounting principles as applicable to governments. The financial statements are presented in accordance with Generally Accepted Accounting Principle (GAAP). In applying the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds," the Authority applies all GASB pronouncements and all Financial Accounting Standards Board pronouncements, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989 which do not conflict with or contradict GASB pronouncements.

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:

HOUSING AUTHORITY OF THE TOWN OF RUSTON
Ruston, Louisiana

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)

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

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:

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. Low Income Public 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. 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.

HOUSING AUTHORITY OF THE TOWN OF RUSTON
Ruston, Louisiana

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)

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

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.

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.

HOUSING AUTHORITY OF THE TOWN OF RUSTON
Ruston, Louisiana

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)

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

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.

9. New Accounting Pronouncements:

During FY2014, the Authority implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. As of June 30, 2014, the Authority had no items to be reclassified or adjustments made to the financial statements as a result of this pronouncement.

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, 2014, the Authority's cash and cash equivalent deposits had a carrying amount of \$689,732 and bank balances of \$732,346. Of the bank balances held in various financial institutions, \$622,955 was covered by federal depository insurance and the remainder was covered by collateral held under the dedicated method. At June 30, 2014, the Authority's petty cash/change funds totaled \$277.

Investments - At June 30, 2014, the Authority's investment balances were as follows:

Investment Type	Market Value	Maturity	Rating
Certificates of Deposit	\$ 255,229	Greater than 3 months	N/A

HOUSING AUTHORITY OF THE TOWN OF RUSTON
Ruston, Louisiana

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)

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

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 four 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.

Cash & Investments at June 30, 2014 are as follows:

Checking accounts	\$ 689,732
Certificates of Deposit	255,229
Petty cash	<u>277</u>
	<u>\$ 945,238</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>\$ 56,605</u>
Tenant security deposit – liability	<u>\$ 56,605</u>

HOUSING AUTHORITY OF THE TOWN OF RUSTON
Ruston, Louisiana

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)

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

Collateralization:

As of June 30, 2014 the following securities were pledged as collateral to secure the deposits of the Housing Authority of the Town of Ruston:

Security	CUSIP	Maturity Date	Interest Rate	Market Value
Community Trust Bank				
Caddo Parish LA GO	127269GY8	03/01/26	3.000%	\$ 100,000
Calcasieu Parish LA School Dist GO	128506DX7	02/15/20	4.000%	50,000
Calcasieu Parish LA School Dist GO	128506DX7	02/15/20	4.000%	50,000
Central LA Cmnty Sch Sys Rev	153136CF1	01/01/26	4.000%	100,000
FNMA	31397QL22	05/25/40	4.000%	305,001
LaFourche Parish LA Rev	50700NAR8	11/01/27	5.375%	35,000
Lincoln Parish LA Sch GO	534490EA1	03/01/30	4.125%	<u>25,000</u>
				<u>\$ 665,001</u>

NOTE C - ACCOUNTS RECEIVABLE AND ACCRUED RECEIVABLES:

Accounts Receivable and Accrued Receivables at June 30, 2014, consisted of the following:

Tenants Accounts Receivable (Net of Allowance - \$301)	\$ 5,382
Accounts Receivable – HUD	281,840
Accounts Receivable – Miscellaneous	17,585
Accounts Receivable – Other Government	15,712
Accrued Interest Receivable	<u>159</u>
	<u>\$ 320,678</u>

The consolidated Statement of Net Position presented in the financial statements does not include the interfund receivables and payables of \$242,736 which have been eliminated in the consolidation.

NOTE D - PREPAID EXPENSES:

Prepaid expenses at June 30, 2014, consisted of the following:

Prepaid insurance & expenses	\$ 62,477
Inventory materials	<u>67,611</u>
	<u>\$ 130,088</u>

HOUSING AUTHORITY OF THE TOWN OF RUSTON
Ruston, Louisiana

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)

NOTE E - CAPITAL ASSETS:

The following is a summary of changes in the net capital assets during the fiscal year ended June 30, 2014:

	Beginning Balances	Additions/ Depreciation	Transfers/ Adjustments	Dispositions	Ending Balances
Enterprise Activities					
Capital assets not being depreciated:					
Land	\$ 67,146	\$ -	\$ -	\$ -	\$ 67,146
Construction in progress	626,666	285,086	(573,244)		338,508
Total capital assets not being depreciated	<u>693,812</u>	<u>285,086</u>	<u>(573,244)</u>	<u>-</u>	<u>405,654</u>
Buildings & improvements	12,226,889	-	552,198	-	12,779,087
Furniture & equipment	395,481	-	21,046	(19,094)	397,433
Total capital assets being depreciated	<u>12,622,370</u>	<u>-</u>	<u>573,244</u>	<u>(19,094)</u>	<u>13,176,520</u>
Less accumulated depreciation for:					
Buildings & improvements	(8,396,914)	(208,910)	(14,545)	-	(8,620,369)
Furniture & equipment	(301,861)	(29,336)	14,546	19,094	(297,557)
Total accumulated depreciation	<u>(8,698,775)</u>	<u>(238,246)</u>	<u>1</u>	<u>19,094</u>	<u>(8,917,926)</u>
Total capital assets being depreciated	<u>3,923,595</u>				<u>4,258,594</u>
Enterprise activity capital assets, net	<u>\$ 4,617,407</u>				<u>\$ 4,664,248</u>

Balance at July 1, 2013	\$ 4,617,407
Current period additions – capital fund	285,086
Adjustment to accumulated depreciation	1
Current period depreciation expense	<u>(238,246)</u>
Balance at June 30, 2014	<u>\$ 4,664,248</u>

NOTE F - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES:

Accounts Payable and Accrued liabilities at June 30, 2014, consisted of the following:

Vendors & contractors	\$ 25,638
Accrued compensated absences-current	14,698
Tenant security deposits	56,605
Accrued payroll/taxes	1,834
Unearned revenue	5,401
Long-term debt – current portion	<u>4,988</u>
	<u>\$ 109,164</u>

The consolidated Statement of Net Position presented in the financial statements does not include the interfund receivables and payables of \$242,736 which have been eliminated in the consolidation.

HOUSING AUTHORITY OF THE TOWN OF RUSTON
Ruston, Louisiana

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)

NOTE G - OTHER NONCURRENT LIABILITIES:

Other noncurrent liabilities at June 30, 2014, consisted of the following:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014	Current Portion of Balance
Compensated absences	\$ 65,504	\$ 38,027	\$ (30,044)	\$ 73,487	\$ 14,698
Notes payable	102,896	103,073	(106,656)	99,313	4,988
Total Noncurrent Liabilities	\$ 168,400	\$ 141,100	\$ (136,700)	\$ 172,800	\$ 19,686

NOTE H - LONG-TERM DEBT - MORTGAGE NOTES PAYABLE:

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. Monthly payments on the note total \$820 with a balloon payment due at maturity on September 19, 2016, at which time RCC plans to refinance into another note. The balance as of June 30, 2014 was \$99,313, with a current amount due of \$4,988. Annual maturities and payments are detailed below.

	Payment	Interest	Principal
2015	\$ 9,840	\$ 4,852	\$ 4,988
2016	9,840	4,597	5,243
2017	90,190	1,108	89,082
	\$ 109,870	\$ 10,557	\$ 99,313

NOTE I - 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, 2014.

NOTE J - 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, 2014
(Continued)

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, 2014 was \$466,653.

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, 2014 was \$39,665 and the total pension contribution for the year was \$88,967.

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.

The Authority participates in public entity risk pool (Louisiana Municipal League Risk Management Pool) for General Liability, 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.

HOUSING AUTHORITY OF THE TOWN OF RUSTON
Ruston, Louisiana

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)

NOTE N - SUPPLEMENTARY INFORMATION:

The supplementary information has been included in order to show the financial statements of the Housing Authority on the GAAP basis of accounting but in the format of the HUD Handbook 7476.3, *Audit Guide*. This is due to the fact that some supplementary information is reviewed by the field office and provides greater detail concerning the operations of the Authority.

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

SINGLE AUDIT SECTION

YEAR ENDED JUNE 30, 2014



**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, 2014, 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 17, 2014.

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 opinions 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.

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*.

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.

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

Lawrenceville, Georgia
December 17, 2014



REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB A-133
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) Circular A-133 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, 2014. 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 OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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.

Opinion on Each Major Federal Program

In our opinion, 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 each of its major federal programs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2014-001. Our opinion on each major federal program is not modified with respect to these matters.

The Housing Authority of the Town of Ruston's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Housing Authority of the Town of Ruston's response is not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 OMB Circular A-133, 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, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2014-001 that we consider to be significant deficiencies.

The Authority's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 OMB Circular A-133. 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.
Rector, Reeder & Lofton, P.C.
Certified Public Accountants

Lawrenceville, Georgia
December 17, 2014

HOUSING AUTHORITY OF THE TOWN OF RUSTON
Ruston, Louisiana

STATUS OF PRIOR AUDIT FINDINGS

The prior audit report for the period ended June 30, 2013, contained one formal audit finding, relative to the maintenance of Low Rent Public Housing resident files. We feel that sufficient progress in this area has been made to downgrade this issue from a finding to a management letter comment. ***This finding is cleared.***

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?	None reported
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:	Unmodified
Any audit findings disclosed that are required to be reported in Accordance with Circular A-133, Section .510(a)?	Yes
Identification of major program(s):	
CFDA #14.850 - Low-Rent Public Housing Program	
CFDA #14.872 - Capital Fund Program	
Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Did the Authority qualify as a low-risk auditee?	No

Section II – Financial Statement Findings

Findings related to financial statements in accordance with GAGAS:

NONE REPORTED

HOUSING AUTHORITY OF THE TOWN OF RUSTON
Ruston, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III – Federal Award Findings and Questioned Costs
Findings and questioned costs for Federal Awards as defined in Section .510:

Finding 2014-001 - Low Rent Public Housing Waiting List
CFDA 14.850, Noncompliance & Significant Deficiency

Condition:

Our review of the Low Rent Public Housing waiting list determined that the internal controls over the waiting list are not operating effectively and could potentially lead to housing applicants out of turn. The Authority places applicants on a waiting list by bedroom size and with preferences in the PHA software module but does not utilize the software for actually selecting applicants or tracking notes on individual applicants. The Authority places each application into its own folder sorted by bedroom size, date and time. When a unit becomes available, staff manually goes through the folders and calls the applicants in order. Notes as to why otherwise eligible tenants are not housed are placed in that applicant's file but not into the waiting list software module.

Criteria:

Regulations at 24 CFR Part 960.202 require that PHAs establish and adopt written policies for admission of tenants. These should include objective and reasonable policies for selection by the PHA among otherwise eligible applicants, including requirements for applications and waiting lists (see 24 CFR 1.4), and for verification and documentation of information relevant to acceptance or rejection of an applicant, including documentation and verification of citizenship and eligible immigration status under 24 CFR part 5. Specifically, 24 CFR 960.206 (e)(2) states, *the method for selecting applicants must leave a clear audit trail that can be used to verify that each applicant has been selected in accordance with the method specified in the PHA plan.* The Authority's Annual Contributions Contract with HUD states that PHAs will comply with all federal and HUD regulations.

Cause:

Failure to fully utilize the waiting list software and performing tenant selection procedures manually leads to the potential for housing applicants out of turn.

Effect:

Since the waiting list folders are sorted by bedroom size but not by preference points the potential exists for applicants to be ordered improperly. The Authority is also unable to produce a clear audit trail of the order in which it houses tenants as required by the CFR cited above, because it does not track tenant movement on the actual waiting list and notes as to why eligible tenants are skipped are not entered into the software module.

Recommendation:

We recommend that the Authority staff responsible for tenant selection receive appropriate training in the full usage of the waiting list software module and that any notes relating to eligible applicants passed over for housing are entered into the software. Automating the process and moving away from manual procedures will help ensure that all applicable local preference points are considered for potential tenants, and will provide a clear, verifiable audit trail for any reviews.

HOUSING AUTHORITY OF THE TOWN OF RUSTON
Ruston, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III – Federal Award Findings and Questioned Costs
Findings and questioned costs for Federal Awards as defined in Section .510:

Finding 2014-001 - Low Rent Public Housing Waiting List
CFDA 14.850, Noncompliance & Significant Deficiency (Cont'd)

Corrective Action Plan:

The Project Manager(s) assigned this duty will receive additional training from the software vendor, Housing Pro (HAPPY), in order to utilize the computerized version of the waiting list.

Upon completion of the application with all necessary documents and the return of criminal histories from the police department, the Project Manager(s) assigned this duty will input applicants into the waiting list software program according to bedroom size, based on time and date of application; preference, if any, such as elderly, disabled, or working. When the family is eligible, the Project Manager(s) assigned this duty will record into the application record on the software the correct unit size and type; the priority rating; the date, unit location and reason for rejection for any offer refused by the applicant.

The waiting list shall be updated as applicants report changes in income and family circumstances. All modifications to applications shall be properly documented on hard copy and to the computer systems and the transaction initialed by the staff member making the change. Every six (6) months, the Authority shall purge the application pool of applications no longer actively seeking housing. This shall be performed by removing applicants from the waiting list who fail to respond to a "still interested" notice mailed to the last known address on the application. It shall be the sole responsibility of the applicant to inform the Authority in writing of changes in address or other family circumstances which might affect the status of the application.

Contact Person: Woody Whittington, Executive Director

Anticipated Completion Date:

Additional training shall be completed by January 31, 2015. Implementation shall be immediately.

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

SUPPLEMENTAL INFORMATION

YEAR ENDED JUNE 30, 2014

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

**FINANCIAL DATA SUBMISSION SUMMARY
NET POSITION ACCOUNTS
JUNE 30, 2014**

<u>Account Description</u>	Business Activities	Low-Rent Public Hsg 14.850	Central Office Cost Center	Elimination	TOTAL
ASSETS:					
CURRENT ASSETS:					
Cash:					
Cash - unrestricted	\$ 333,307	\$ 103,283	\$ 196,814	\$ 0	\$ 633,404
Cash - restricted	0	0	0	0	0
Cash - tenant security deposits	1,875	54,730	0	0	56,605
Total Cash	<u>335,182</u>	<u>158,013</u>	<u>196,814</u>	<u>0</u>	<u>690,009</u>
Accounts and notes receivables:					
Accounts receivable - HUD	0	281,840	0	0	281,840
Accounts receivable - other government	15,712	0	0	0	15,712
Accounts receivable - miscellaneous	0	0	17,585	0	17,585
Accounts receivable - tenants rents	0	5,683	0	0	5,683
Allowance for doubtful accounts-tenants	0	(301)	0	0	(301)
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	157	2	0	159
Total receivables - net	<u>15,712</u>	<u>287,379</u>	<u>17,587</u>	<u>0</u>	<u>320,678</u>
Current investments:					
Investments - unrestricted	0	34,296	220,933	0	255,229
Investments - restricted	0	0	0	0	0
Prepaid expenses and other assets	0	60,511	1,966	0	62,477
Inventories	0	67,611	0	0	67,611
Allowance for obsolete inventories	0	0	0	0	0
Assets held for sale	0	0	0	0	0
Interprogram due from	0	0	242,736	(242,736)	0
TOTAL CURRENT ASSETS	<u>350,894</u>	<u>607,810</u>	<u>680,036</u>	<u>(242,736)</u>	<u>1,396,004</u>
NONCURRENT ASSETS:					
Capital Assets:					
Land	31,378	35,768	0	0	67,146
Buildings	113,622	3,601,846	0	0	3,715,468
Furniture & equipment - dwellings	0	0	0	0	0
Furniture & equipment - admin	0	352,538	44,895	0	397,433
Improvements	0	9,063,619	0	0	9,063,619
Construction in process	0	338,508	0	0	338,508
Accumulated depreciation	(29,697)	(8,843,334)	(44,895)	0	(8,917,926)
Total capital assets - net	<u>115,303</u>	<u>4,548,945</u>	<u>0</u>	<u>0</u>	<u>4,664,248</u>
Notes receivable - noncurrent	0	0	0	0	0
Investment in joint ventures	0	0	0	0	0
TOTAL NONCURRENT ASSETS	<u>115,303</u>	<u>4,548,945</u>	<u>0</u>	<u>0</u>	<u>4,664,248</u>
TOTAL ASSETS	<u>\$ 466,197</u>	<u>\$ 5,156,755</u>	<u>\$ 680,036</u>	<u>\$ (242,736)</u>	<u>\$ 6,060,252</u>

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

**FINANCIAL DATA SUBMISSION SUMMARY
NET POSITION ACCOUNTS
JUNE 30, 2014**

<u>Account Description</u>	<u>Business Activities</u>	<u>Low-Rent Public Hsg 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	25,638	0	25,638
Accrued salaries/payroll withholding	0	0	1,834	0	1,834
Accrued compensated absences	0	11,417	3,281	0	14,698
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	1,875	54,730	0	0	56,605
Unearned revenue	0	5,401	0	0	5,401
Current portion of L-T debt - capital projects	4,988	0	0	0	4,988
Other current liabilities	0	0	0	0	0
Interprogram (due to)	75,000	167,736	0	(242,736)	0
TOTAL CURRENT LIABILITIES	81,863	239,284	30,753	(242,736)	109,164
NONCURRENT LIABILITIES:					
Long-term debt, net of current - capital projects	94,325	0	0	0	94,325
Accrued comp. absences - long term	0	45,667	13,122	0	58,789
TOTAL NONCURRENT LIABILITIES	94,325	45,667	13,122	0	153,114
TOTAL LIABILITIES	176,188	284,951	43,875	(242,736)	262,278
NET POSITION:					
Net investment in capital assets	15,990	4,548,945	0	0	4,564,935
Restricted	0	0	0	0	0
Unrestricted	274,019	322,859	636,161	0	1,233,039
TOTAL NET POSITION	290,009	4,871,804	636,161	0	5,797,974
TOTAL LIABILITIES AND NET POSITION	\$ 466,197	\$ 5,156,755	\$ 680,036	\$ (242,736)	\$ 6,060,252

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

**FINANCIAL DATA SUBMISSION SUMMARY
REVENUES, EXPENSES, AND CHANGE IN NET POSITION ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2014**

<u>Account Description</u>	<u>Business Activities</u>	<u>Low-Rent Public Hsg 14,850</u>	<u>Central Office Cost Center</u>	<u>Elimination</u>	<u>TOTAL</u>
REVENUES:					
Net tenant rental revenue	\$ 20,870	\$ 635,257	\$ 0	\$ 0	\$ 656,127
Tenant revenue - other	165	251,025	0	0	251,190
Total tenant revenue	21,035	886,282	0	0	907,317
HUD PHA grants - operating	0	791,765	0	0	791,765
HUD PHA grants - capital	0	285,086	0	0	285,086
Management fee	0	0	155,107	(155,107)	0
Asset management fee	0	0	32,120	(32,120)	0
Bookkeeping fee	0	0	24,090	(24,090)	0
Front line service fee	0	0	0	0	0
Other government grants	0	0	0	0	0
Investment income - unrestricted	0	10	1,186	0	1,196
Mortgage interest income	0	0	0	0	0
Fraud income	0	5,966	0	0	5,966
Other revenue	96,679	100	260	0	97,039
Investment income - restricted	0	0	0	0	0
Gain/(loss) on disposition	0	1,700	0	0	1,700
TOTAL REVENUES	\$ 117,714	\$ 1,970,909	\$ 212,763	\$ (211,317)	\$ 2,090,069
EXPENSES:					
Administrative:					
Administrative salaries	\$ 0	\$ 110,568	\$ 110,043	\$ 0	\$ 220,611
Compensated absences	0	0	0	0	0
Auditing fees	0	8,420	0	0	8,420
Management fees	0	155,107	0	(155,107)	0
Bookkeeping fees	0	24,090	0	(24,090)	0
Advertising & marketing	0	0	0	0	0
Employee benefits - administrative	0	48,742	50,903	0	99,645
Office expense	10	9,269	1,654	0	10,933
Legal expense	0	8,203	0	0	8,203
Travel expense	324	6,550	0	0	6,874
Other operating - administrative	2,416	93,682	0	0	96,098
Total Administrative Expense	2,750	464,631	162,600	(179,197)	450,784
Asset management fee	0	32,120	0	(32,120)	0
Tenant services:					
Tenant services - salaries	0	19,513	0	0	19,513
Employee benefits - tenant services	0	9,875	0	0	9,875
Other tenant services	0	66,977	28	0	67,005
Total Tenant Services	0	96,365	28	0	96,393
Utilities:					
Water	0	19,178	0	0	19,178
Electricity	0	200,928	0	0	200,928
Gas	0	7,368	0	0	7,368
Sewer	0	57,909	0	0	57,909
Other utilities	0	0	0	0	0
Employee benefits - utilities	0	0	0	0	0
Total Utilities Expense	0	285,383	0	0	285,383

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

**FINANCIAL DATA SUBMISSION SUMMARY
REVENUES, EXPENSES, AND CHANGE IN NET POSITION ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2014**

<u>Account Description</u>	<u>Business Activities</u>	<u>Low-Rent Public Hsg 14.850</u>	<u>Central Office Cost Center</u>	<u>Elimination</u>	<u>TOTAL</u>
Ordinary Maintenance & Operation:					
Labor	2,965	291,170	0	0	294,135
Materials	1,410	106,357	0	0	107,767
Employee benefit contributions	0	137,360	0	0	137,360
Garbage & trash removal contracts	0	20,946	0	0	20,946
Heating & cooling contracts	0	4,418	0	0	4,418
Snow removal contracts	0	0	0	0	0
Elevator maintenance contracts	0	0	0	0	0
Landscape & grounds contracts	0	15,452	0	0	15,452
Unit turnaround contracts	0	42,956	0	0	42,956
Electrical contracts	0	14,979	0	0	14,979
Plumbing contracts	0	11,990	0	0	11,990
Extermination contracts	0	31,072	0	0	31,072
Janitorial contracts	0	0	0	0	0
Routine maintenance contracts	17,057	66,558	0	0	83,615
Contract costs - other	0	50,405	0	0	50,405
Total Ordinary Maintenance & Operation	21,432	793,663	0	0	815,095
Protective services:					
Protective services - salaries	0	0	0	0	0
Employee benefits - protective services	0	0	0	0	0
Other protective services	0	0	0	0	0
Total Protective Services	0	0	0	0	0
Insurance Premiums:					
Property insurance	674	24,007	0	0	24,681
Liability insurance	0	61,969	0	0	61,969
Workmen's compensation	0	10,798	2,870	0	13,668
Insurance - other	0	0	0	0	0
Total Insurance Premiums	674	96,774	2,870	0	100,318
General Expenses:					
Other general expense	0	1,401	0	0	1,401
Payments in lieu of taxes	1,286	0	0	0	1,286
Bad debt - tenant rents	0	47,080	0	0	47,080
Bad debt - mortgages	0	0	0	0	0
Severance expense	0	0	0	0	0
Total General Expenses	1,286	48,481	0	0	49,767
Financial Expenses:					
Interest expense - Mortgage Payable	6,251	0	0	0	6,251
Interest expense - Notes Payable	0	0	0	0	0
Amortization - issuance costs	0	0	0	0	0
Total Financial Expenses	6,251	0	0	0	6,251
TOTAL OPERATING EXPENSE	32,393	1,817,417	165,498	(211,317)	1,803,991
EXCESS OPERATING REVENUE	85,321	153,492	47,265	0	286,078

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

**FINANCIAL DATA SUBMISSION SUMMARY
REVENUES, EXPENSES, AND CHANGE IN NET POSITION ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2014**

<u>Account Description</u>	<u>Business Activities</u>	<u>Low-Rent Public Hsg 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	0	0	0	0
Housing assistance payments	0	0	0	0	0
Depreciation expense	3,787	234,459	0	0	238,246
Total Other Expenses	<u>3,787</u>	<u>234,459</u>	<u>0</u>	<u>0</u>	<u>238,246</u>
TOTAL EXPENSES	\$ <u>36,180</u>	\$ <u>2,051,876</u>	\$ <u>165,498</u>	\$ <u>(211,317)</u>	\$ <u>2,042,237</u>
EXCESS OF REVENUE OVER EXPENSES	\$ <u>81,534</u>	\$ <u>(80,967)</u>	\$ <u>47,265</u>	\$ <u>0</u>	\$ <u>47,832</u>
Transfer of funds	(75,000)	150,000	(75,000)	0	0
Transfer of equity	0	0	0	0	0
Prior period adjustments	0	0	0	0	0
Beginning Net Position	<u>283,475</u>	<u>4,802,771</u>	<u>663,896</u>	<u>0</u>	<u>5,750,142</u>
Ending Net Position	\$ <u>290,009</u>	\$ <u>4,871,804</u>	\$ <u>636,161</u>	\$ <u>0</u>	\$ <u>5,797,974</u>
Units Available	48	3,600	-	-	3,648
Units Leased	48	3,526	-	-	3,574

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

**FINANCIAL DATA SUBMISSION SUMMARY
NET POSITION ACCOUNTS - AMPs
JUNE 30, 2014**

<u>Account Description</u>	<u>LA054 - 1</u>	<u>Other Project</u>	<u>TOTAL</u>
ASSETS:			
CURRENT ASSETS:			
Cash:			
Cash - unrestricted	\$ 103,283	\$ 0	\$ 103,283
Cash - restricted	0	0	0
Cash - tenant security deposits	54,730	0	54,730
Total Cash	158,013	0	158,013
Accounts and notes receivables:			
Accounts receivable - HUD	281,840	0	281,840
Accounts receivable - other government	0	0	0
Accounts receivable - miscellaneous	0	0	0
Accounts receivable - tenants rents	5,683	0	5,683
Allowance for doubtful accounts-tenants	(301)	0	(301)
Accounts receivable - fraud	0	0	0
Allowance for doubtful accounts-other	0	0	0
Accrued interest receivable	157	0	157
Total receivables - net	287,379	0	287,379
Current investments:			
Investments - unrestricted	34,296	0	34,296
Prepaid expenses and other assets	60,511	0	60,511
Inventories	67,611	0	67,611
Allowance for obsolete inventories	0	0	0
Interprogram due from	0	0	0
TOTAL CURRENT ASSETS	607,810	0	607,810
NONCURRENT ASSETS:			
Capital Assets:			
Land	35,768	0	35,768
Buildings	3,601,846	0	3,601,846
Furniture & equipment - dwellings	0	0	0
Furniture & equipment - admin	352,538	0	352,538
Improvements	9,063,619	0	9,063,619
Construction in Progress	338,508	0	338,508
Accumulated depreciation	(8,843,334)	0	(8,843,334)
Total capital assets - net	4,548,945	0	4,548,945
Notes receivable - noncurrent	0	0	0
Investment in joint ventures	0	0	0
TOTAL NONCURRENT ASSETS	4,548,945	0	4,548,945
TOTAL ASSETS	\$ 5,156,755	\$ 0	\$ 5,156,755

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

**FINANCIAL DATA SUBMISSION SUMMARY
NET POSITION ACCOUNTS - AMPs
JUNE 30, 2014**

<u>Account Description</u>	<u>LA054 - 1</u>	<u>Other Project</u>	<u>TOTAL</u>
LIABILITIES AND NET POSITION:			
LIABILITIES:			
CURRENT LIABILITIES:			
Cash overdraft	\$ 0	\$ 0	0
Accounts payable < 90 days	0	0	0
Accrued salaries/payroll withholding	0	0	0
Accrued compensated absences	11,417	0	11,417
Accrued interest payable	0	0	0
Accounts payable - HUD PHA programs	0	0	0
Accounts payable - other gov.	0	0	0
Tenant security deposits	54,730	0	54,730
Unearned revenue	5,401	0	5,401
Current portion of L-T debt - capital projects	0	0	0
Other current liabilities	0	0	0
Interprogram (due to)	167,736	0	167,736
TOTAL CURRENT LIABILITIES	239,284	0	239,284
NONCURRENT LIABILITIES:			
Long-term debt, net of current - capital projects	0	0	0
Accrued comp. absences - long term	45,667	0	45,667
Noncurrent liabilities - other	0	0	0
TOTAL NONCURRENT LIABILITIES	45,667	0	45,667
TOTAL LIABILITIES	284,951	0	284,951
NET POSITION:			
Net investment in capital assets	4,548,945	0	4,548,945
Restricted	0	0	0
Unrestricted	322,859	0	322,859
TOTAL NET POSITION	4,871,804	0	4,871,804
TOTAL LIABILITIES AND NET POSITION	\$ 5,156,755	\$ 0	\$ 5,156,755

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

**FINANCIAL DATA SUBMISSION SUMMARY
REVENUES, EXPENSES, AND CHANGE IN
NET POSITION ACCOUNTS - COMBINED SCHEDULE - AMP's
FOR THE YEAR ENDED JUNE 30, 2014**

<u>Account Description</u>	<u>LA054 - 1</u>		
	<u>Operating</u>	<u>Capital</u>	<u>Total</u>
REVENUES:			
Net tenant rental revenue	\$ 635,257	\$ 0	\$ 635,257
Tenant revenue - other	251,025	0	251,025
Total tenant revenue	<u>886,282</u>	<u>0</u>	<u>886,282</u>
HUD PHA grants - operating	721,858	69,907	791,765
HUD PHA grants - capital	0	285,086	285,086
Management fee	0	0	0
Asset management fee	0	0	0
Bookkeeping fee	0	0	0
Front line service fee	0	0	0
Other government grants	0	0	0
Investment income - unrestricted	10	0	10
Mortgage interest income	0	0	0
Fraud income	5,966	0	5,966
Other revenue	100	0	100
Investment income - restricted	0	0	0
Gain/(loss) on disposition	1,700	0	1,700
TOTAL REVENUES	\$ <u>1,615,916</u>	\$ <u>354,993</u>	\$ <u>1,970,909</u>
EXPENSES:			
Administrative:			
Administrative salaries	\$ 110,568	\$ 0	\$ 110,568
Auditing fees	7,420	1,000	8,420
Management fees	155,107	0	155,107
Bookkeeping fees	24,090	0	24,090
Advertising & marketing	0	0	0
Employee benefits - administrative	48,742	0	48,742
Office expense	9,269	0	9,269
Legal expense	8,203	0	8,203
Travel expense	6,550	0	6,550
Other operating - administrative	<u>69,703</u>	<u>23,979</u>	<u>93,682</u>
Total Administrative Expense	<u>439,652</u>	<u>24,979</u>	<u>464,631</u>
Asset management fee	<u>32,120</u>	<u>0</u>	<u>32,120</u>
Tenant services:			
Tenant services - salaries	19,513	0	19,513
Employee benefits - tenant services	9,875	0	9,875
Other tenant services	<u>23,477</u>	<u>43,500</u>	<u>66,977</u>
Total Tenant Services	<u>52,865</u>	<u>43,500</u>	<u>96,365</u>

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

**FINANCIAL DATA SUBMISSION SUMMARY
REVENUES, EXPENSES, AND CHANGE IN
NET POSITION ACCOUNTS - COMBINED SCHEDULE - AMP's
FOR THE YEAR ENDED JUNE 30, 2014**

<u>Account Description</u>	LA054 - 1		
	<u>Operating</u>	<u>Capital</u>	<u>Total</u>
Utilities:			
Water	19,178	0	19,178
Electricity	200,928	0	200,928
Gas	7,368	0	7,368
Sewer	57,909	0	57,909
Other utilities	0	0	0
Employee benefits - utilities	0	0	0
Total Utilities Expense	285,383	0	285,383
Ordinary Maintenance & Operation:			
Labor	291,170	0	291,170
Materials	105,715	642	106,357
Employee benefit contributions	137,360	0	137,360
Garbage & trash removal contracts	20,946	0	20,946
Heating & cooling contracts	4,418	0	4,418
Snow removal contracts	0	0	0
Elevator maintenance contracts	0	0	0
Landscape & grounds contracts	15,452	0	15,452
Unit turnaround contracts	42,956	0	42,956
Electrical contracts	14,567	412	14,979
Plumbing contracts	11,990	0	11,990
Extermination contracts	31,072	0	31,072
Janitorial contracts	0	0	0
Routine maintenance contracts	66,184	374	66,558
Contract costs - other	50,405	0	50,405
Total Ordinary Maintenance & Operation	792,235	1,428	793,663
Protective services:			
Protective services - salaries	0	0	0
Employee benefits - protective services	0	0	0
Other protective services	0	0	0
Total Protective Services	0	0	0
Insurance Premiums:			
Property insurance	24,007	0	24,007
Liability insurance	61,969	0	61,969
Workmen's compensation	10,798	0	10,798
Insurance - other	0	0	0
Total Insurance Premiums	96,774	0	96,774
General Expenses:			
Other general expense	1,401	0	1,401
Payments in lieu of taxes	0	0	0
Bad debt - tenant rents	47,080	0	47,080
Bad debt - mortgages	0	0	0
Severance expense	0	0	0
Total General Expenses	48,481	0	48,481

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

**FINANCIAL DATA SUBMISSION SUMMARY
REVENUES, EXPENSES, AND CHANGE IN
NET POSITION ACCOUNTS - COMBINED SCHEDULE - AMP's
FOR THE YEAR ENDED JUNE 30, 2014**

<u>Account Description</u>	LA054 - 1		
	<u>Operating</u>	<u>Capital</u>	<u>Total</u>
Financial Expenses:			
Interest expense - Mortgage Payable	0	0	0
Interest expense - Notes Payable	0	0	0
Amortization - issuance costs	0	0	0
Total Financial Expenses	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL OPERATING EXPENSE	<u>1,747,510</u>	<u>69,907</u>	<u>1,817,417</u>
EXCESS OPERATING REVENUE	<u>(131,594)</u>	<u>285,086</u>	<u>153,492</u>
Other Expenses:			
Extraordinary maintenance	0	0	0
Casualty losses	0	0	0
Housing assistance payments	0	0	0
Depreciation expense	234,459	0	234,459
Total Other Expenses	<u>234,459</u>	<u>0</u>	<u>234,459</u>
TOTAL EXPENSES	<u>\$ 1,981,969</u>	<u>\$ 69,907</u>	<u>\$ 2,051,876</u>
EXCESS OF REVENUE OVER EXPENSES	<u>\$ (366,053)</u>	<u>\$ 285,086</u>	<u>\$ (80,967)</u>
Transfer of funds	150,000	0	150,000
Transfer of equity	285,086	(285,086)	0
Prior period adjustments	0	0	0
Beginning Net Position	<u>4,802,771</u>	<u>0</u>	<u>4,802,771</u>
Ending Net Position	<u>\$ 4,871,804</u>	<u>\$ 0</u>	<u>\$ 4,871,804</u>
Units Available	3,600	-	3,600
Units Leased	3,526	-	3,526

Housing Authority of the Town of Ruston
Ruston, Louisiana

SCHEDULE OF EXPENDITURES OF FEDERAL FINANCIAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

	<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:			
Low Rent Public Housing - subsidy	A - Major	14.850	\$ 721,858
Capital Fund Program	A - Major	14.872	<u>354,993</u>
TOTAL FEDERAL FINANCIAL AWARDS			\$ <u><u>1,076,851</u></u>
Threshold for Type A & Type B			\$ <u><u>300,000</u></u>

HOUSING AUTHORITY OF THE TOWN OF RUSTON
Ruston, Louisiana

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

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 Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

NOTE B - SUBRECIPIENTS:

The Housing Authority of the Town of Ruston provided no federal awards to subrecipients during the fiscal year ending June 30, 2014.

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, 2014.
- 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, 2014.
- The Housing Authority of the Town of Ruston maintains the following limits of insurance as of June 30, 2014:

Property	\$ 25,327,710
Liability	\$ 2,000,000
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**

**SUPPLEMENTAL INFORMATION
SPECIAL REPORTS**

YEAR ENDED JUNE 30, 2014

Housing Authority of the Town of Ruston
Ruston, Louisiana

STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COSTS
June 30, 2014

LA48PO5450110

- 1 The Actual Modernization Costs of Phase 501-10 were:

Funds Approved	\$	442,055
Funds Expended		<u>442,055</u>
Excess of Funds Approved	\$	<u><u>-</u></u>
Funds Advanced	\$	442,055
Funds Expended		<u>442,055</u>
Excess of Funds Advanced	\$	<u><u>-</u></u>

- 2 All audit period additions 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 October 30, 2013, 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.

Housing Authority of the Town of Ruston
Ruston, Louisiana

STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COSTS
June 30, 2014

LA48PO5450111

- 1 The Actual Modernization Costs of Phase 501-11 were:

Funds Approved	\$	414,331
Funds Expended		<u>414,331</u>
Excess of Funds Approved	\$	<u><u>-</u></u>
Funds Advanced	\$	414,331
Funds Expended		<u>414,331</u>
Excess of Funds Advanced	\$	<u><u>-</u></u>

- 2 All audit period additions 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 November 25, 2013, 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.



December 17, 2014

To the Board of Commissioners
Housing Authority of the Town of Ruston

We have audited the financial statements of the Housing Authority of the Town of Ruston for the year ended June 30, 2014, and have issued our report thereon dated December 17, 2014. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As a part of our audit, we considered the internal control structure of the Housing Authority of the Town of Ruston. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Housing Authority of the Town of Ruston are described in Note A to the financial statements. Currently as a result of federal regulations the Housing Authority has adopted the generally accepted accounting principles.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the Housing Authority that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. We proposed no audit adjustments that could, in our judgment, either individually or in the aggregate, have a significant effect on the Housing Authority's financial reporting process.

Disagreements with Management

For the purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Significant Deficiencies

Our audit included obtaining an understanding of internal control sufficient to plan the audit and to determine the nature, timing, and extent of audit procedures to be performed. Our audit was not specifically designed and cannot be relied on to provide assurance on internal control or to identify deficiencies in internal control. As required under professional standards, we are required to report any significant deficiencies encountered during our audit. Our review identified certain significant deficiencies as noted in the current audit findings section of the audit report.

Additional Comment and Observations

1. **Low Rent Public Housing Resident Files** – Our review of twenty (20) resident files revealed the following errors/discrepancies:
 - One (1) income verification error.
 - One (1) immaterial miscalculation of tenant income.
 - Two (2) instances of incomplete HUD Form 9886 release of information.
 - One (1) instance of missing HUD Form 214 citizenship verification
 - One (1) file lacking documentation of compliance with community service requirements.

We feel that while enough progress has been made to clear last year's audit finding relating to tenant income calculation errors, the preceding issues still merit disclosure to and correction by Authority management.

2. **General Internal Control Issues** – The following internal control issues, while not rising to the level of an audit finding, should be corrected or improved in the current year.
 - **Purchase Orders** – We noted that while purchase orders are used by the Authority, the information contained therein is not sufficient to function as a control over receipt of ordered goods or provide a reviewable audit trail. The information typically contained is simply the date, vendor name and a brief description of the ordered item(s), without estimated prices or quantities listed. We recommend that staff record prices and quantities on purchase orders so that a comparison can be made to receiving reports, prior to payment.
 - **Procurement** – We noted that written documentation was not always maintained for procurement of purchases above the Authority's small-purchase threshold. For example, the Authority purchased two vehicles during the year, but no written documentation of quotes was available for review. While discussions with staff determined that verbal quotes were solicited and reviewed (as allowed by the Authority's procurement policy), and our review of online valuation services determined that prices paid were reasonable, we recommend that in all applicable procurement situations, written documentation of the quoting vendors, dates and amounts of quotes be maintained on file for review.
3. **Financial Statements/Accounting** – We noted the following issues related to accounting and related functions in the course of the audit:
 - **Accounts Receivable from HUD** – Due to delays in requesting funds in a timely fashion through HUD's eLOCCS system, the A/R related to the capital fund grant program has increased from \$39,610 in FY2013 to \$206,766 as of June 30, 2014. Failure to request these reimbursements in a timely manner can cause cash management issues, as other PHA funds must cover these expenses until funds are requested and reimbursements made. We recommend that capital fund draws be made as expenses are incurred, to avoid an overreliance on the COCC to cover these costs until draws are made, and to avoid running large interfund balances between PHA programs.

- **Capital Fund Accounting Structure** – Due to the manner in which the capital fund grant ledgers were originally set up, these grant accounts ‘close’ each year, rather than continuously carrying forward until fully expended and approved for final close-out by HUD. This has led to difficulties in review and minor misstatements in the reported balances of HUD CFP grant receivables, income and expenses, due to errors in the re-posting of beginning account balances. We have recommended a revised grant accounting structure to the fee accountant which will enable the Authority to more accurately and efficiently track the cumulative activity in the capital fund grants, and should alleviate any future confusion regarding the accounting for capital grants.

This information is intended solely for the use of the Audit Committee, the Finance Committee, the Board of Commissioners, the management agent, and management of the Housing Authority of the Town of Ruston and should not be used for any other purpose.

Very truly yours,



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