

**HOUSING AUTHORITY OF THE
CITY OF THOMSON
Thomson, Georgia**

AUDIT REPORT

For the Year Ended December 31, 2017

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Phillip C. Jarrell, LLC

Certified Public Accountant

43 N. Tallahassee St.

Hazlehurst, Georgia 31539

(Ph 912-307-4555 Fax 912-375-5559)

Independent Auditor's Report

Board of Commissioners
Housing Authority of the City of Thomson
Thomson, Georgia

Report on the Financial Statements

I have audited the accompanying basic financial statements of the Housing Authority of the City of Thomson, which comprise the statement of net position as of December 31, 2017, and the related statement of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority'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 Authority's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Housing Authority of the City of Thomson as of December 31, 2017, and the changes in its net position and its cash flows for the year then ended in accordance 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 the management's discussion and analysis on pages 3 through 9 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. I 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge I obtained during my audit of the financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements of the Housing Authority of the City of Thomson, taken as a whole. The accompanying financial information listed in the Table of Contents as Supplementary Information and the Financial Data Schedule, as required by the *Uniform Financial Reporting Standards* issued 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. Also, the accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis and is not a required part of the financial statements. The Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report Issued in Accordance with Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued a report dated September 19, 2018 on my consideration of Housing Authority of the City of Thomson's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of my 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 Housing Authority of the City of Thomson's internal control over financial reporting and compliance.



Phillip C. Jarrell, LLC
Certified Public Accountant

Hazlehurst, Georgia
September 19, 2018

**HOUSING AUTHORITY OF THE CITY OF THOMSON
THOMSON, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FYE: DECEMBER 31, 2017**

Management's Discussion and Analysis

The management of the Housing Authority of the City of Thomson offers the readers of the Authority's financial statements this narrative overview and analysis of the Authority's financial activities for the year ended December 31, 2017. This discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the Authority's financial activity, identify changes in the Authority's financial position, and identify individual fund issues or concerns. Readers should consider the information presented here in conjunction with the Authority's financial statements to obtain a full understanding of its financial position.

This management discussion and analysis is presented in accordance with the requirements of the Governmental Accounting Standards Board Statement No. 34 (GASB 34). We have made every effort to provide data that allows the reader to gain an adequate understanding of the Authority's annual operating results and financial position as of December 31, 2017.

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

Programs

Conventional Public Housing – Under the Conventional Public Housing Program, the Authority rents units that it owns to low-income households. The Conventional Public Housing Program is operating under an Annual Contributions Contract (ACC) with HUD, and HUD provides operating subsidy and capital grant funding to enable the Authority to provide the housing at a rent that is based upon 30% of household income (as defined in the HUD regulations).

Capital Fund Grants – The Authority's capital funds are received from the federal government through a formula driven computation. These funds are used to upgrade our facilities at various developments to give our residents the decent and safe living environment they need. Each year's grant funds must be entirely obligated within two years of inception of the grant, and entirely expended within four years.

Financial Highlights

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$ 3,404,088 (net position) compared to \$ 3,932,656 for the prior fiscal year.
- The Authority's cash and investments balance as of December 31, 2017 was \$ 497,704 representing a decrease of \$ 354,072 from December 31, 2016.

- The Authority had total revenues of \$ 1,160,651 and total expenses of \$ 1,689,219 for the year ended December 31, 2017.
- The Authority administers 200 units of Low-Rent Public Housing.

Overview of the Financial Reports

The following outline describes the integral parts of this financial presentation and is a guideline for understanding its components:

- I. MD&A
Serves as an introduction to the Authority's basic financial statements
- II. Basic Financial Statements
Financial Statements
Notes to the financial statements
- III. Other Required Supplementary Information

The financial statements in this report are those of a special purpose government entity engaged in a business type activity. The following statements are included:

- Statement of Net Position (Balance Sheet) – presents information about the Authority's assets and liabilities and is similar to a balance sheet. The Statement of Net Position reports all financial and capital resources for the Authority. The statement is presented in the format where assets, minus liabilities, equal "Net Position," formerly known as equity. Assets and liabilities are presented in order of liquidity and are classified as "current" (convertible to cash within one year), and "non-current." Increases or decreases in net position will serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.
- Statement of Revenues, Expenses and Changes in Net Position – reports the authority's revenues by source and type and its expenses by category to substantiate the change in net position for the fiscal year.
- Statement of Cash Flows – discloses net cash provided by, or used for operating activities, non-capital financing activities, capital and related financing activities, and investing activities.

Our analysis of the Authority as a whole follows with the most important question, "Has the Authority's financial health improved or worsened as a result of the year's activities?" The following analysis of entity-wide net position, revenues, and expenses is provided to assist with answering the above question. This analysis includes all assets and liabilities using the accrual method of accounting, which recognizes revenue when earned and expenses when incurred regardless of when cash is received or paid.

Statement of Net Position

	<u>2017</u>	<u>2016</u>	<u>Change</u>
ASSETS			
Current Assets and Deferred Outflows of Resources	635,281	999,583	(364,302)
Net Capital Assets	2,949,634	3,117,545	(167,911)
Total Assets	3,584,915	4,117,128	(532,213)
LIABILITIES			
Current Liabilities and Deferred Inflows of Resources	158,236	164,805	(6,569)
Non-Current Liabilities	22,591	19,667	2,924
Total Liabilities	180,827	184,472	(3,645)
NET POSITION			
Investment in Capital Assets	2,949,634	3,117,545	(167,911)
Unrestricted Net Position	454,454	815,111	(360,657)
Total Net Position	3,404,088	3,932,656	(528,568)
Total Liabilities and Net Position	3,584,915	4,117,128	(532,213)

The Statement of Net Position reflects a decrease of \$ 528,568 for the year ended December 31, 2017. This decrease is based on the net effect of operations which includes depreciation expense on capital assets for the year.

Net Capital Assets decreased based on capital expenditures of \$ 105,748 less depreciation expense of \$ 273,659 for the year.

Total Liabilities had a net decrease based on the accrual of accounts payable and compensated absences at December 31, 2017.

Analysis of Entity-Wide Revenue and Expenses

The following table illustrates changes in revenue from FY 2016 to FY 2017.

	<u>2017</u>	<u>2016</u>	<u>Change</u>
REVENUES AND GRANTS			
Tenant Revenue	536,887	512,395	24,492
HUD Operating Grants	620,507	612,856	7,651
Other Government Grants	2,072	-	2,072
Investment Income	530	6,756	(6,226)
Gain on Sale of Capital Assets	-	1,200	(1,200)
Other Revenue	655	3,692	(3,037)
Total Revenues and Grants	1,160,651	1,136,899	23,752

Total Revenues and Grants increased \$ 23,752 for the year ended December 31, 2017. The Authority received approximately 54% of total revenue from the Department of Housing and Urban Development for the year. The Authority's Operating and Capital Fund budgets fluctuate on an annual basis depending on the Authority's agency plan and Congressional approval of funding levels for the year.

Tenant Revenue represents approximately 47% of total revenue and increased \$ 24,492 for the year. Tenant revenue includes tenant dwelling rental charges and other tenant related charges for late fees and repairs.

Investment Income decreased based on the availability of funds for investment.

The following table illustrates changes in expenses from FY 2016 to FY 2017.

EXPENSES	<u>2017</u>	<u>2016</u>	<u>Change</u>
Administration and Tenant Services	442,443	369,595	72,848
Utilities	181,000	180,655	345
Ordinary Maintenance	636,785	575,220	61,565
General Expenses	155,332	102,397	52,935
Depreciation Expense	273,659	267,971	5,688
Total Expenses	1,689,219	1,495,838	193,381

Total Expenses increased \$ 193,381 or 13% for the year ended December 31, 2017.

Administration and Tenant Services increased based on the following activity for the year:

Increase in administrative salaries / benefits	\$ 43,953
Decrease in tenant services – other	(301)
Decrease in legal expense	(135)
Increase in travel expense	11,043
Increase in office expenses / sundry	<u>18,288</u>
Total	<u>\$ 72,848</u>

Utility expenses remained basically the same due to mild weather conditions for the year.

Ordinary Maintenance and General Expenses had a combined net increase of \$ 114,500 for the year. These costs include all costs incurred by the Authority to maintain the tenant dwelling units and property in a safe sanitary manner. Costs include maintenance salaries and benefits, materials used to maintain the units and various contracts for waste management and other maintenance services. General expenses include insurance costs (property, liability, workers' compensation, public officials' liability, auto, bond, etc.), collection losses, compensated absences and the payment in lieu of taxes to the County and local municipalities.

Depreciation represents the cost of all capital additions which are expensed over their estimated useful life and recorded as depreciation expense. This expense increased \$ 5,688 based on standard calculations for the year.

Capital Assets

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Land	575,715	574,824	891
Buildings and Equipment	9,093,448	9,000,351	93,097
Construction in Progress	11,760	-	11,760
Accumulated Depreciation	(6,731,289)	(6,457,630)	(273,659)
Net Capital Assets	2,949,634	3,117,545	(167,911)

Net Capital Assets decreased \$ 167,911 for the year ended December 31, 2017.

This decrease was created by the following activity for the year.

Construction in progress	\$ 11,760
Installation of vinyl siding	55,290
Purchase of maintenance vehicle	28,569
Purchase of property	10,129
Depreciation expense	<u>(273,659)</u>
Total	<u>\$ (167,911)</u>

Economic Factors

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

- Congressional funding of the Department of Housing and Urban Development
- 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.

Financial Contact

Questions concerning any of the information provided in this Management Discussion & Analysis should be addressed to:

Ms. Kelly Evans, Executive Director
Housing Authority of the City of Thomson
219 Pecan Avenue
Thomson, Georgia 30824
706-595-4878

HOUSING AUTHORITY OF THE CITY OF THOMSON
Thomson, Georgia

STATEMENT OF NET POSITION – PROPRIETARY FUND TYPE

As of December 31, 2017

ASSETS AND DEFERRED OUTFLOW OF RESOURCES	
Current Assets:	
Cash and cash equivalents	\$ 213,115
Restricted cash	29,390
Investments	255,199
Accounts receivable - other government	58,287
Accounts receivable - miscellaneous (net of \$13,240 allowance)	-
Tenant rents receivable (net of \$1 allowance)	7,627
Accrued interest receivable	166
Prepaid expenses	45,565
Supplies inventory (net of \$3,425 allowance)	25,932
Total current assets	635,281
Noncurrent Assets:	
Capital Assets:	
Nondepreciable capital assets	587,475
Depreciable capital assets, net	2,362,159
Total noncurrent assets	2,949,634
Total assets	3,584,915
Deferred outflow of resources	-
Total assets and deferred outflow of resources	3,584,915
LIABILITIES AND DEFERRED INFLOW OF RESOURCES	
Current Liabilities:	
Accounts payable/accrued liabilities	67,075
Accrued payroll/ payroll taxes payable	34,380
Accounts payable - other government	18,879
Tenant security deposits	29,390
Accrued compensated absences payable	7,531
Unearned revenues	981
Total current liabilities	158,236
Noncurrent Liabilities:	
Accrued compensated absences payable	22,591
Total noncurrent liabilities	22,591
Total liabilities	180,827
Deferred inflow of resources	-
NET POSITION	
Investment in capital assets	2,949,634
Unrestricted net position	454,454
Total net position	\$ 3,404,088

The notes to the financial statements are an integral part of this statement.

HOUSING AUTHORITY OF THE CITY OF THOMSON
Thomson, Georgia

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION – PROPRIETARY FUND TYPE

For the Year Ended December 31, 2017

Operating revenues:	
Tenant rental revenue (net)	\$ 536,887
HUD operating grants	620,507
Other government grants	2,072
Other revenue	655
Total operating revenues	<u>1,160,121</u>
Operating expenses:	
Administration	441,923
Tenant services	520
Utilities	181,000
Ordinary maintenance	636,785
Insurance	70,771
General expenses	84,561
Depreciation	273,659
Total operating expenses	<u>1,689,219</u>
Operating income (loss)	<u>(529,098)</u>
Nonoperating revenue (expenses):	
Interest income	<u>530</u>
Total nonoperating revenue (expenses)	<u>530</u>
Net income (Loss) before contributions	(528,568)
Contributions – capital grants	<u>-</u>
Increase (decrease) in net position	(528,568)
Net position, beginning of year	<u>3,932,656</u>
Net position, end of year	<u>\$ 3,404,088</u>

The accompanying notes are an integral part of this statement.

HOUSING AUTHORITY OF THE CITY OF THOMSON
Thomson, Georgia

STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE

For the Year Ended December 31, 2017

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Cash flows provided from/(used by) operating activities:	
Cash received from tenants and others	\$ 545,478
Cash paid for goods and services	(1,081,657)
Cash paid to employees for services	(353,308)
Cash paid to EGHAP for prior year overpayments	29,096
HUD operating grants	620,507
Other government grants	-
Net cash provided from/(used by) operating activities	<u>(239,884)</u>
Cash flows from noncapital financing activities	<u>-</u>
Cash flows provided from/(used by) capital and related financing activities:	
Acquisition of capital assets	<u>(114,800)</u>
Net cash provided from/(used by) capital and related financing activities	<u>(114,800)</u>
Cash flows provided from/(used by) investing activities:	
Interest on investments	612
Proceeds from maturities of investments	359,015
Purchase of investments	<u>(255,199)</u>
Net cash flows provided from/(used by) investment activities	<u>104,428</u>
Net increase (decrease) in cash and cash equivalents	(250,256)
Cash and cash equivalents, beginning of year	<u>492,761</u>
Cash and cash equivalents, end of year	<u>\$ 242,505</u>
Reconciliation of cash/cash equivalents:	
Cash - operating	\$ 213,115
Restricted cash - tenant security deposits	29,390
Total cash and cash equivalents	<u>242,505</u>
Reconciliation of operating income (loss) to net cash provided from/ (used by) operating activities:	
Operating income (loss)	<u>\$ (529,098)</u>
Adjustments to reconcile operating income (loss) to net cash provided from/(used by) operating activities:	
Depreciation	273,659
Changes in assets and liabilities:	
(Increase) decrease in tenants accounts receivable	7,023
(Increase) decrease in accounts receivable - EGHAP	29,096
(Increase) decrease in accounts receivable - other government	(2,072)
(Increase) decrease in inventory and prepaid insurance	(23,899)
Increase (decrease) in accounts payable and accrued liabilities	(17,996)
Increase (decrease) in accrued payroll/payroll taxes payable	18,590
Increase (decrease) in accounts payable other government	-
Increase (decrease) in security deposits	563
Increase (decrease) in unearned revenues	350
Increase (decrease) in accrued compensated absences	3,900
Total adjustments	<u>289,214</u>
Net cash provided from/(used by) operating activities	<u>\$ (239,884)</u>

The notes to the financial statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 1: Summary of Significant Accounting Policies:

A. Reporting Entity

The Housing Authority of the City of Thomson is a public body created under the General Statutes of Georgia. The Authority was created for the purpose of providing safe and sanitary housing for the low-income citizens of Thomson, Georgia.

In determining how to define the reporting entity, management has considered all potential component units. Management considered criteria established by the Governmental Accounting Standards Board for inclusion of the Housing Authority of the City of Thomson's financial statements. These criteria include manifestation of oversight responsibility including financial accountability, appointment of a voting majority, imposition of will, financial benefit or burden on a primary organization, financial accountability as a result of fiscal dependency, potential for dual inclusion, and organizations included in the reporting entity although the primary government is not financially accountable. The Board of Commissioners of the Housing Authority is appointed by the Mayor of the City of Thomson but the Authority designates its own management. The City of Thomson provides no financial support to the Authority and is not responsible for the debts or entitled to the surpluses of the Authority. The Authority has the power to approve its own budget and maintains its own accounting system. Although the Board is appointed by the Mayor of the City of Thomson, no other criterion is met. Therefore, a separate financial report is prepared for the Authority. All of the operations of the Authority are included in the audited financial statements and there are no operations or activities which have been excluded.

B. Description of a Public Housing Authority

Funding for public housing authorities is received from the United States Department of Housing and Urban Development (HUD) and from participants in public housing programs. Under the Public Housing Program, low income tenants pay monthly rents which are determined by their need for assistance. HUD pays the annual debt service contributions directly to a fiscal or paying agent under the terms of the annual contributions contract. HUD also pays operating subsidies to the housing authority to enable the authority to maintain the low-income character of the neighborhood while providing adequate services and maintaining adequate reserves.

The Authority's capital funds are received from the Federal Government through a formula driven computation. These funds are used to upgrade the facilities at various developments to give the residents the decent and safe living environment they need. Each year's grant funds must be entirely obligated within two years of inception of the grant, and entirely expended within four years.

The Authority was also a recipient of a \$720,000 YouthBuild grant awarded by U.S. Department of Labor under the authority of the Workforce Innovation and Opportunity Act, P.L. 113-28. The program is designed to provide disadvantaged youth with: the education and employment skills necessary to achieve economic self sufficiency in occupations in high demand and post secondary education and training opportunities; opportunities for meaningful work and service to their communities; and opportunities to develop employment and leadership skills and a commitment to community development among youth in low-income communities.

The Authority had 200 units in management and was administering a capital fund program and a YouthBuild grant.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 1: Summary of Significant Accounting Policies: (Continued)

C. Basis of Presentation

The accounts of the Authority are organized and operated on a fund basis. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts recording its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses.

The Authority accounts for its operation in one fund type, the enterprise fund that reflects all activities of the Authority. An enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Housing Authority of the City of Thomson maintains one enterprise fund which includes the following programs: Public Housing Program and a Capital Fund Program.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The enterprise fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the statement of net position. Net position is the result of deducting all the liabilities and deferred inflows of resources from all the assets and deferred outflows of resources. Total net position is segregated into three components: 1) net investment in capital assets, 2) restricted assets, and 3) unrestricted assets. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

The fund of the Authority is maintained on the modified accrual basis during the year. The financial statements for the Authority have been presented on the accrual basis. Under this basis, revenues are recorded when earned and expenses are recorded when incurred. In converting from the modified accrual basis to the full accrual basis, the changes required may include adjustments for unpaid interest, depreciation, prepaid tenant rents, payments of principal on outstanding debt, and capital outlay. Payments of outstanding debt and accrued interest by HUD which have been earned by the Authority, but not yet realized, are recorded as revenue. Operating income reported includes rental income, other tenant charges, operating grants, and other revenue for the continuing operations of the fund. Operating expenses are the costs of providing goods and services. Other revenues and expenses are classified as non-operating in the financial statements.

E. Budgetary Data

The Authority maintains budgetary controls over its fund, as required by the terms of the Authority's annual contributions contract with HUD. An annual budget is adopted for the enterprise fund. Expenses may not legally exceed appropriations at the departmental level for the enterprise fund. All increases in appropriation to administration and capital expenditures must be approved by the Board. The budget was prepared on the modified accrual basis of accounting. The capital fund budgets are prepared on a "project length" basis.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 1: Summary of Significant Accounting Policies: (Continued)

F. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position

Deposits and Investments

All deposits of the Authority are made in board-designated official depositories and are secured as required by HUD regulations. The Authority may designate as an official depository any bank or savings and loan association whose principal office is located in Georgia. Also, the Authority may establish time deposit accounts such as NOW and Super NOW accounts, money accounts and certificates of deposit. Section 401(e) of the annual contribution contract authorizes the Authority to invest in the following types of securities:

1. Obligations of the Federal Government which are backed by the full faith and credit of the Federal Government.
2. Obligations of any agency or instrumentality of the Federal Government if the payment of interest and principal on such obligations is fully guaranteed by the Federal Government.
3. Obligations of the Federal Intermediate Credit Banks, the Federal Home Loan Banks, the Federal National Mortgage Association, the Banks for Cooperatives, and the Federal Land Banks which mature no later than 18 months after the date of purchase.

As required by the annual contributions contract, the Authority prepares cash forecasts for each program to determine the amount of funds available for investment and to maximize investment earnings. During the fiscal year and at year-end, all cash was held in the form of interest bearing accounts. The deposits and the above described investments with an original maturity of ninety days or less are considered cash and cash equivalents for the Statement of Cash Flows.

Disclosures about fair value of assets and liabilities

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Authority also follows a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard's three level of inputs that may be used to measure fair value:

Level 1: Observable prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full-term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Authority currently recognizes all assets and liabilities at Level 1 of the valuation hierarchy unless stated otherwise.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 1: Summary of Significant Accounting Policies: (Continued)

F. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (continued)

Accounts Receivable – Tenants

Charges to tenants are recorded as revenue at the first of each month. Balances in this account represent amounts that have been charged to tenants for which the Authority has not received payment. The Authority estimates that some of the carrying balance of this account will not be collected.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond the fiscal year-end are recorded as prepaid.

Inventories

Inventories are valued at the average cost method. The costs of inventories are recorded as expenses when consumed rather than when purchased. If inventory falls below cost due to damage, deterioration, or obsolescence, the Authority establishes an allowance for obsolete inventory.

Capital Assets

Donated capital assets received prior to December 31, 2015 are stated at their estimated fair value on the date donated. This included site acquisition and improvement, structures, and equipment. Donated capital assets received after January 1, 2016 are recorded at amortized cost, the price is adjusted for transportation costs, but would not otherwise be adjusted for transaction costs. Other capital assets are recorded at historical cost at the date of acquisition. This includes site acquisition and improvement, structures, and equipment. Assets are depreciated on a straight-line basis over the following years:

Dwelling structures	20 years
Non-dwelling structures	20 years
Dwelling structures improvements	10-20 years
Dwelling equipment	3-7 years
Office furniture and equipment	3-7 years
Maintenance equipment	3-7 years
Automobiles and vehicles	3-7 years

The Authority capitalizes assets with an initial cost greater than \$1,000 and a useful life greater than one year. Maintenance and repairs expenditures are charged to operations when incurred.

Unearned Revenue

Unearned revenues consist of rental payments made by tenants in advance of their due date.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 1: Summary of Significant Accounting Policies: (Continued)

F. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (continued)

Accrued Compensated Absences

The Housing Authority of the City of Thomson allows each of the Consortium full time employees to accumulate earned vacation leave, and such leave is fully vested when earned. Full-time employees earn annual leave as follows: 6.67 hours per month employed – 80 hours each year through the fifth year of employment, 10 hours per month for each month employed from the sixth to fifteenth year of employment – 120 hours per year, 13.33 hours per month for each month employed after the tenth year of employment, or 160 hours per year. No more than 320 hours may be carried over into the following year. Sick leave is accrued by employees and is not paid at separation but can be used to determine retirement age at a rate of two days of sick leave to one day of service. The amount of accrued compensated absences is allocated by the “lead” Authority in the Consortium as all employees are employees of Thomson Housing Authority, the “lead” Authority. Based on this allocation, the Authority records compensated absences in the period they are earned and uses a systematic allocation process to allocate between short-term and long-term liability classifications.

Deferred outflows/inflows of resources

In accordance with GASB 63, in addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Authority has no items that meet this criterion. Also, in addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Authority has no items that meet this criterion.

Operating Revenues

Subsidies received from the Department of Housing and Urban Development or other grantor agencies for operating purposes, are recorded as operating revenues. Those that are received for capital purposes are recorded as a capital contribution.

Net Position

Investment in capital assets

Investment in capital assets represents funds received for development and modernization of the Authority’s dwelling units. In addition, this amount represents capital assets purchased through operations and grant programs net of accumulated depreciation and related debt. The Authority has no related debt.

Unrestricted Net Position

Unrestricted net position include assets remaining after deducting liabilities and investment in capital assets and provides a basis of assessing the liquidity and financial flexibility of the Authority.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 2: Stewardship, Compliance, and Accountability

The Authority appeared to have met its responsibilities regarding stewardship, compliance, and accountability for its fund.

NOTE 3: Detail Notes on All Programs

A. ASSETS

Deposits and Investments

The Authority's funds are maintained in bank deposits or in investments in debt securities. The Authority is permitted to invest funds in deposit accounts at federally insured financial institutions; in obligations of the U.S. Treasury or U.S. Government agencies; Local or State Government Investment Pools; and Repurchase Agreements with financial institutions (as long as the entire balance is collateralized by specifically identified securities of the U.S. Government or its agencies). Investments in debt securities that have a remaining maturity at the time of purchase of more than one year and that have a determinable market value are valued at market value as of year-end. The market values are based on quoted market prices at year-end. Certificates of deposit are stated at cost as they are not traded in any market and are held for longer terms. Securities with a remaining maturity at the time of purchase of one year or less are reported at amortized cost.

Bank Deposits

Deposits include amounts held in accounts that qualify for federal depository insurance and include demand deposits such as checking accounts, saving accounts and NOW accounts, as well as time deposits such as nonnegotiable certificates of deposit. In the financial statements, amounts held in demand deposits accounts and in time deposits with initial maturities of 90 days or less are classified as cash and cash equivalents.

As of December 31, 2017, the Authority's deposits consist of the following:

	Total
Demand deposit accounts (checking, savings, and money market account)	\$ 242,405
Time deposits - certificates of deposit	201,808
	\$ 444,213

Deposits are required to be either covered by federal depository insurance or be collateralized with securities held by a third-party custodian in the Authority's name. At December 31, 2016, the Authority's deposits with financial institutions for all fund types had a carrying amount of \$444,213 and a bank balance of \$481,078. Of these bank balances, \$451,808 was covered by federal depository insurance and \$29,270 was collateralized with security held by a third party custodian in the Authority's name.

As of December 31, 2017, the Authority's deposits are classified in the financial statements as follows:

	Total
Cash and cash equivalents	\$ 213,015
Restricted cash	29,390
Investments	201,808
	\$ 444,213

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 3: Detail Notes on All Programs (continued)

A. ASSETS (continued)

Deposits and Investments (continued)

In summary, as of December 31, 2017, the Authority's cash and cash equivalents consist of the following:

	Total
Demand deposit accounts (checking, savings, and money market account)	\$ 242,405
Petty cash and change fund	100
Total cash and cash equivalents	242,505
Less : restricted cash and cash equivalents	(29,390)
Unrestricted cash and cash equivalents	\$ 213,115

In summary, as of December 31, 2017, the Authority's investments consist of the following:

	Total
Time deposits - certificates of deposit	\$ 201,808
Met-Life Shares	53,391
Total	\$ 255,199

The Authority received 1,056 of MetLife shares on April 4, 2000 due to MetLife's demutualization. The shares are valued at the closing share price on December 31, 2017.

Interest rate risk – the Authority's formal investment policy does not specifically address the exposure to this risk.

Credit risk – the Authority's formal investment policy does not specifically address credit risk. Credit risk is generally evaluated based on the credit ratings issued by nationally recognized statistical rating organizations.

Custodial credit risk – investments – For investments, this is the risk that, in the event of failure of a counterparty, the Authority would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority has no policy on custodial credit risk for investments.

Custodial credit risk – deposits – For deposits, this is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority has no policy on custodial credit risk for deposits.

Concentration of credit risk – the Authority's investment policy does not restrict the amount that the Authority may invest in any one issuer.

Restricted cash and investments:

The Authority has reported certain portions of their cash balances as restricted. These are either account balances where the subject account is subject to externally imposed restrictions or funds held in otherwise unrestricted accounts but that are subject to regulatory restrictions that limit the use of such funds. These are described by fund as follows:

Public Housing Fund:

The Authority holds funds totaling \$29,390 in tenant security deposits in the general checking account.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 3: Detail Notes on All Programs (continued)

A. ASSETS (continued)

Accounts Receivable – Other Government

The Authority had receivables from other governments as follows at December 31, 2017:

Warrenton Housing Authority	\$ 29,333
Harlem Housing Authority	25,240
Crawfordville Housing Authority	1,642
US Department of Labor	<u>2,072</u>
Total	<u>\$ 58,287</u>

The amounts are due from the respective Authorities' for expenses paid for on behalf of the Authorities by the Thomson Housing Authority but not reimbursed as of December 31, 2017. The amount due from the US Department of Labor is for cost incurred under the Authority's YouthBuild grant but not yet received as of December 31, 2017.

Accounts Receivable – Miscellaneous

The Authority had receivable from a contractor at December 31, 2017:

Contract Overpayments	\$ 13,240
Less Allowance for Uncollectibility	<u>(13,240)</u>
Net receivable	<u>\$ -</u>

The amounts are due from a contractor that was contracted during the year to make repairs to the Authority's public housing units. The contractor was advanced \$55,290 for stored materials. The contractor did not complete the work under the contract and it was determined that the contractor was overpaid \$13,240. It has also been determined that the contractor is unlikely to repay the overpayment to the Authority.

Capital Assets

The capital assets (at cost) of the Housing Authority of the City of Thomson at December 31, 2017 consisted of the following:

	Balance at Dec. 31, 2016	Additions	Deletions/ Adjustments	Transfers	Balance at Dec. 31, 2017
Nondepreciable Capital Assets:					
Land (nondepreciable)	\$ 574,824	\$ 891	\$ -	\$ -	\$ 575,715
Construction in progress	-	11,760	-	-	11,760
Total Nondepreciable Assets	<u>574,824</u>	<u>12,651</u>	<u>-</u>	<u>-</u>	<u>587,475</u>
Depreciable capital assets:					
Buildings and improvements	8,685,101	64,526	-	-	8,749,627
Furniture, equip., vehicles	315,250	28,569	2	-	343,821
Total Depreciable Assets	<u>9,000,351</u>	<u>93,095</u>	<u>2</u>	<u>-</u>	<u>9,093,448</u>
Less accumulated depreciation for:					
Buildings and improvements	6,202,553	249,848	-	-	6,452,401
Furniture, equip., vehicles	255,077	23,811	-	-	278,888
Total Accumulated Depreciation	<u>6,457,630</u>	<u>273,659</u>	<u>-</u>	<u>-</u>	<u>6,731,289</u>
Total Depreciable Assets, net	<u>2,542,721</u>	<u>(180,564)</u>	<u>2</u>	<u>-</u>	<u>2,362,159</u>
Total Capital Assets, Net	<u>\$ 3,117,545</u>	<u>\$ (167,913)</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ 2,949,634</u>

Depreciation expense was \$273,659 for the year ended December 31, 2017.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 3: Detail Notes on All Programs (continued)

A. ASSETS (continued)

Capital Assets (continued)

A summary of capital assets at December 31, 2017 is as follows:

	Low-Rent	Total
Land	\$ 575,715	\$ 575,715
Construction in progress	11,760	11,760
Buildings and improvements	8,749,627	8,749,627
Equipment	343,821	343,821
	9,680,923	9,680,923
Less: accumulated depreciation	(6,731,289)	(6,731,289)
Capital assets, net	\$ 2,949,634	\$ 2,949,634

B. LIABILITIES

Accounts Payable

The Authority had the following accounts payable at December 31, 2017:

Vendors	\$ 27,659
Utilities	19,494
Due to resident association	19,922
	\$ 67,075

Accounts Payable – Other Government

The Authority had the following accounts payable- other government at December 31, 2017:

City of Thomson (PILOT)	\$ 18,879
Total	\$ 18,879

Unearned Revenues

The Authority had unearned revenues as follows at December 31, 2017:

Prepaid rents	\$ 981
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Pension Plan Obligation

The Authority provides a defined contribution pension plan through Metropolitan Life for eligible full-time employees. The Board of Commissioners authorized participation in the pension plan. The pension plan was adopted on January 1, 1970. Employees are eligible for the plan after six months of service.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account and the returns earned on investments of those contributions.

As all employees are employees of the East Georgia Housing Authorities Partnership (EGHAP), EGHAP contributes an amount equal to 13.5% of each employee's annual compensation to the plan, with each member of EGHAP covering their share of the costs based on a percentage of units methodology. Pension expense totaled \$42,799 for the year ended December 31, 2017. Employees are not required to make, nor did they make, any contributions to the plan.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 3: Detail Notes on All Programs (continued)

B. LIABILITIES (continued)

Noncurrent Liabilities

Changes in noncurrent liabilities are as follows:

	Balance 12/31/16	Additions	Reductions	Balance 12/31/17	Due Within One Year	Balance 12/31/17
Accrued compensated absences	\$ 26,222	\$ 20,970	\$ (17,070)	\$ 30,122	\$ (7,531)	\$ 22,591
Total	<u>\$ 26,222</u>	<u>\$ 20,970</u>	<u>\$ (17,070)</u>	<u>\$ 30,122</u>	<u>\$ (7,531)</u>	<u>\$ 22,591</u>

C. NET POSITION

Schedule of Changes in Net Position:

	Investment In Capital Assets	Unrestricted Net Position	Total
Balance - beginning of year	\$ 3,117,545	\$ 815,111	\$ 3,932,656
Decrease in net position	-	(528,568)	(528,568)
Changes in investment in capital assets	(167,911)	167,911	-
Balance - end of year	<u>\$ 2,949,634</u>	<u>\$ 454,454</u>	<u>\$ 3,404,088</u>

NOTE 4: Risk Management

The Authority is exposed to various risks of losses related to torts; theft of, or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority has mitigated this risk by participating and obtaining insurance coverage from commercial insurance companies. Premiums paid for insurance coverage are recorded as expenses of the fund where the coverage is required. Insurance coverage provided includes property and casualty, general liability, fidelity bond, workers compensation. During the current or subsequent period there were no claims made or paid that were not covered by the Authority's insurance providers. There were no significant coverage decreases in the current or subsequent audit period.

The Authority participates in the Housing Authority Risk Retention Group. The Group was established for the purposes of providing each member with indemnification and financial protection against, and risk management services with respect to, any risk of loss as may be agreed upon by the Member and the Group. The Group is required to assess an initial reserve contribution and periodic contributions, to establish a self insured retention fund and to arrange for reinsurance contracts for any excess insurance needed. The Group is allowed to assess retrospective increases in the periodic contributions to all members as a group based on the experience of all members as a group. The members of this Group are required to remit to the Group any required initial reserve contribution and the periodic contributions to comply with the terms of any risk management program developed by the Group.

The Authority has also joined together with other municipalities in the state as part of the Georgia Municipal Association Group Self-Insurance Workers Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for member local governments.

HOUSING AUTHORITY OF THE CITY OF THOMSON
Thomson, Georgia

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 4: Risk Management (continued)

As part of these risk pools, the Authority is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The Authority is also to allow the pool's agents and attorneys to represent the Authority in investigation, settlement discussions and all levels of litigation arising out of any claim made against the Authority within the scope of loss protection furnished by the funds.

If funds are to defend and protect the members of the funds against liability or loss as prescribed in the member government contract and in accordance with the worker's compensation law of Georgia. The funds are to pay all cost taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

NOTE 5: Claims and Judgments

At December 31, 2017, the Authority was not a defendant to any lawsuit whose outcome would be material to the financial statements. No provision was made in the audited financial statements for any contingent liabilities. In the opinion of management and the Authority's attorney, there is no legal matter that will have a materially adverse affect on the Authority's financial position.

NOTE 6: Affiliated Authority

The Authority is affiliated with the East Georgia Housing Authorities Partnership (EGHAP). EGHAP is comprised of the Housing Authority of the City of Thomson, the Housing Authority of the City of Warrenton, the Housing Authority of the City of Crawfordville, and the Housing Authority of the City of Harlem. This partnership provides for centralized administrative and maintenance staff to run all authorities. Shared costs are allocated on a percentage of number of units methodology and charged monthly to the members. This affiliation does not meet the criteria under GASB 61 for the inclusion in the reporting entity of the Authority, nor does it represent a related party. As of December 31, 2017, the Authority had \$56,215 due from Warrenton, Harlem, and Crawfordville Housing Authorities for payments made for operating expenses paid by the Housing of the City of Thomson on behalf of the Authorities. See Note 3B.

NOTE 7: Conduit Type Debt

Debt related to the original acquisition and early modernization of the public housing developments is funded, guaranteed and serviced by the United States Department of HUD. There is no debt or pledge of faith and credit on part of the Authority. Accordingly, this debt has not been recorded in the financial statements of the Housing Authority. HUD no longer provides the Authority with debt service information since the Authority has no obligation for the debt.

NOTE 8: Concentrations

For the year ended December 31, 2017, approximately 53.46% of revenues are received from the Department of Housing and Urban Development through various grants.

The Authority operates in a heavily regulated environment. The operations of the Authority are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to HUD. Such administrative directives, rules and regulations are subject to change by an act of congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related costs and the additional administrative burden to comply with the changes.

HOUSING AUTHORITY OF THE CITY OF THOMSON
Thomson, Georgia

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 9: Subsequent Events

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management has evaluated the activity of the Authority through September 19, 2018 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

NOTE 10: Commitments and Contingencies

Examinations: The Authority is subject to possible examinations made by federal and state authorities who determine compliance with terms, conditions, laws, and regulations governing grants given to the Authority in the current and prior years. During the year ended December 31, 2017, the Authority did not have any reviews performed by federal and state agencies.

Grant Disallowances: Amounts received or receivable from HUD are subject to audit and adjustment by grantor agencies. If expenses are disallowed as a result of these audits, the claims for reimbursement to the grantor agency would become a liability of the Authority. In the opinion of management, any such adjustments would not be significant.

Construction Commitments: The Authority may have major construction projects in progress from time to time. These may include modernizing rental units at the project sites. As of December 31, 2017, the Authority did not have any construction related commitments.

SUPPLEMENTAL INFORMATION SECTION

HOUSING AUTHORITY OF THE CITY OF THOMSON
Thomson, Georgia

STATEMENT AND CERTIFICATION OF ACTUAL
CAPITAL FUND PROGRAM COSTS

December 31, 2017

1. The actual capital fund program costs of GA 128-501 (2010) are as follows:

	<u>GA 128-501 (2010)</u>
Funds approved	\$ 344,282
Funds expended	<u>(344,282)</u>
Excess (deficiency) of funds approved	<u>\$ -</u>
Funds advanced	\$ 344,282
Funds expended	<u>(344,282)</u>
Excess (deficiency) of funds advanced	<u>\$ -</u>

2. Costs incurred during the current audit period totaled \$0.
3. All costs have been paid and all related liabilities have been discharged through payment.
4. The Actual Modernization Cost Certificate, submitted to HUD, is in agreement with the Authority's records.

See auditor's report.

HOUSING AUTHORITY OF THE CITY OF THOMSON
Thomson, Georgia

STATEMENT AND CERTIFICATION OF ACTUAL
CAPITAL FUND PROGRAM COSTS

December 31, 2017

1. The actual capital fund program costs of GA 128-501 (2011) are as follows:

	<u>GA 128-501 (2011)</u>
Funds approved	\$ 293,705
Funds expended	<u>(293,705)</u>
Excess (deficiency) of funds approved	<u>\$ -</u>
Funds advanced	\$ 293,705
Funds expended	<u>(293,705)</u>
Excess (deficiency) of funds advanced	<u>\$ -</u>

2. Costs incurred during the current audit period totaled \$0.
3. All costs have been paid and all related liabilities have been discharged through payment.
4. The Actual Modernization Cost Certificate, submitted to HUD, is in agreement with the Authority's records.

See auditor's report.

HOUSING AUTHORITY OF THE CITY OF THOMSON
Thomson, Georgia

STATEMENT AND CERTIFICATION OF ACTUAL
CAPITAL FUND PROGRAM COSTS

December 31, 2017

-
-
1. The actual capital fund program costs of GA 128-501 (2012) are as follows:

	<u>GA 128-501 (2012)</u>
Funds approved	\$ 247,955
Funds expended	<u>(247,955)</u>
Excess (deficiency) of funds approved	<u><u>\$ -</u></u>
Funds advanced	\$ 247,955
Funds expended	<u>(247,955)</u>
Excess (deficiency) of funds advanced	<u><u>\$ -</u></u>

2. Costs incurred during the current audit period totaled \$0.
3. All costs have been paid and all related liabilities have been discharged through payment.
4. The Actual Modernization Cost Certificate, submitted to HUD, is in agreement with the Authority's records.

See auditor's report.

Issuing Authority of the City of Thomson
Thomson, Georgia

Schedule of Expenditures of Federal Awards

For the Twelve Months Ended December 31, 2017

FEDERAL GRANTOR	Federal CFDA Number	Program or Award Amount	Federal Expenditures
U. S. Department of HUD			
Public Housing Program	14.850	\$ 620,507	<u>\$ 620,507</u>
U. S. Department of Labor			
YouthBuild	17.274	\$ 720,000	<u>2,072</u>
TOTAL			<u><u>\$ 622,579</u></u>

Note 1 – Basis of Presentation

The accompanying schedule of expenditure of federal awards (the “Schedule”) includes the federal grant activity of the Authority under programs of the federal government for the year ended December 31, 2017. Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior year.

Note 3 – Indirect Cost Rate

The Authority is not reimbursed for indirect costs under any of its federal Awards and does not use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance or any other indirect cost rate.

See auditor's report.

Housing Authority of the City of Thomson (GA128)

THOMSON, GA

Entity Wide Balance Sheet Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 12/31/2017

	Project Total	17.274 YouthBuild Program	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$213,115		\$213,115		\$213,115
112 Cash - Restricted - Modernization and Development					
113 Cash - Other Restricted					
114 Cash - Tenant Security Deposits	\$29,390		\$29,390		\$29,390
115 Cash - Restricted for Payment of Current Liabilities					
100 Total Cash	\$242,505	\$0	\$242,505	\$0	\$242,505
121 Accounts Receivable - PHA Projects	\$56,215		\$56,215		\$56,215
122 Accounts Receivable - HUD Other Projects					
124 Accounts Receivable - Other Government		\$2,072	\$2,072		\$2,072
125 Accounts Receivable - Miscellaneous	\$13,240		\$13,240		\$13,240
126 Accounts Receivable - Tenants	\$7,628		\$7,628		\$7,628
126.1 Allowance for Doubtful Accounts - Tenants	-\$1		-\$1		-\$1
126.2 Allowance for Doubtful Accounts - Other	-\$13,240	\$0	-\$13,240		-\$13,240
127 Notes, Loans, & Mortgages Receivable - Current					
128 Fraud Recovery					
128.1 Allowance for Doubtful Accounts - Fraud					
129 Accrued Interest Receivable	\$166		\$166		\$166
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$64,008	\$2,072	\$66,080	\$0	\$66,080
131 Investments - Unrestricted	\$255,199		\$255,199		\$255,199
132 Investments - Restricted					
135 Investments - Restricted for Payment of Current Liability					
142 Prepaid Expenses and Other Assets	\$45,565		\$45,565		\$45,565
143 Inventories	\$28,812		\$28,812		\$28,812
143.1 Allowance for Obsolete Inventories	-\$2,880		-\$2,880		-\$2,880
144 Inter Program Due From	\$2,072		\$2,072	-\$2,072	\$0
145 Assets Held for Sale					
150 Total Current Assets	\$635,281	\$2,072	\$637,353	-\$2,072	\$635,281

161 Land	\$575,715	\$575,715	\$575,715	\$575,715
162 Buildings	\$8,749,627	\$8,749,627	\$8,749,627	\$8,749,627
163 Furniture, Equipment & Machinery - Dwellings				
164 Furniture, Equipment & Machinery - Administration	\$343,821	\$343,821	\$343,821	\$343,821
165 Leasehold Improvements				
166 Accumulated Depreciation	-\$6,731,289	-\$6,731,289	-\$6,731,289	-\$6,731,289
167 Construction in Progress	\$11,760	\$11,760	\$11,760	\$11,760
168 Infrastructure				
160 Total Capital Assets, Net of Accumulated Depreciation	\$2,949,634	\$2,949,634	\$0	\$2,949,634
171 Notes, Loans and Mortgages Receivable - Non-Current				
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due				
173 Grants Receivable - Non Current				
174 Other Assets				
176 Investments in Joint Ventures				
180 Total Non-Current Assets	\$2,949,634	\$2,949,634	\$0	\$2,949,634
200 Deferred Outflow of Resources				
290 Total Assets and Deferred Outflow of Resources	\$3,584,915	\$3,586,987	\$2,072	\$3,584,915
311 Bank Overdraft				
312 Accounts Payable <= 90 Days	\$26,164	\$26,164	\$26,164	\$26,164
313 Accounts Payable >90 Days Past Due				
321 Accrued Wage/Payroll Taxes Payable	\$34,380	\$34,380	\$34,380	\$34,380
322 Accrued Compensated Absences - Current Portion	\$7,531	\$7,531	\$7,531	\$7,531
324 Accrued Contingency Liability				
325 Accrued Interest Payable				
331 Accounts Payable - HUD PHA Programs				
332 Account Payable - PHA Projects				
333 Accounts Payable - Other Government	\$18,879	\$18,879	\$18,879	\$18,879
341 Tenant Security Deposits	\$29,390	\$29,390	\$29,390	\$29,390
342 Unearned Revenue	\$981	\$981	\$981	\$981
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue				
344 Current Portion of Long-term Debt - Operating Borrowings				
345 Other Current Liabilities	\$21,417	\$21,417	\$21,417	\$21,417
346 Accrued Liabilities - Other	\$19,494	\$19,494	\$19,494	\$19,494

347	Inter Program - Due To		\$2,072	\$2,072			
348	Loan Liability - Current						\$0
310	Total Current Liabilities	\$158,236	\$2,072	\$160,308			\$158,236
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue						
352	Long-term Debt, Net of Current - Operating Borrowings						
353	Non-current Liabilities - Other						
354	Accrued Compensated Absences - Non Current	\$22,591		\$22,591			\$22,591
355	Loan Liability - Non Current						
356	FASB 5 Liabilities						
357	Accrued Pension and OPEB Liabilities						
350	Total Non-Current Liabilities	\$22,591	\$0	\$22,591		\$0	\$22,591
300	Total Liabilities	\$180,827	\$2,072	\$182,899			\$180,827
400	Deferred Inflow of Resources						
508.4	Net Investment in Capital Assets	\$2,949,634	\$0	\$2,949,634			\$2,949,634
511.4	Restricted Net Position	\$0	\$0	\$0			\$0
512.4	Unrestricted Net Position	\$454,454	\$0	\$454,454			\$454,454
513	Total Equity - Net Assets / Position	\$3,404,088	\$0	\$3,404,088		\$0	\$3,404,088
600	Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$3,584,915	\$2,072	\$3,586,987			\$3,584,915

Housing Authority of the City of Thomson (GA128)

THOMSON, GA

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 12/31/2017

	Project Total	17.274 YouthBuild Program	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$497,503		\$497,503		\$497,503
70400 Tenant Revenue - Other	\$39,384		\$39,384		\$39,384
70500 Total Tenant Revenue	\$536,887	\$0	\$536,887		\$536,887
70600 HUD PHA Operating Grants	\$620,507		\$620,507		\$620,507
70610 Capital Grants					
70710 Management Fee					
70720 Asset Management Fee					
70730 Book Keeping Fee					
70740 Front Line Service Fee					
70750 Other Fees					
70700 Total Fee Revenue					
70800 Other Government Grants	\$2,072	\$2,072	\$2,072		\$2,072
71100 Investment Income - Unrestricted	\$530		\$530		\$530
71200 Mortgage Interest Income					
71300 Proceeds from Disposition of Assets Held for Sale					
71310 Cost of Sale of Assets					
71400 Fraud Recovery					
71500 Other Revenue	\$655		\$655		\$655
71600 Gain or Loss on Sale of Capital Assets					
72000 Investment Income - Restricted					
70000 Total Revenue	\$1,158,579	\$2,072	\$1,160,651		\$1,160,651
91100 Administrative Salaries	\$197,744		\$197,744		\$197,744
91200 Auditing Fees	\$6,800		\$6,800		\$6,800
91300 Management Fee					
91310 Book-keeping Fee					
91400 Advertising and Marketing					
91500 Employee Benefit contributions - Administrative	\$94,923		\$94,923		\$94,923

91600 Office Expenses	\$113,127	\$2,072	\$115,199	\$115,199
91700 Legal Expense	\$640		\$640	\$640
91800 Travel	\$26,617		\$26,617	\$26,617
91810 Allocated Overhead				
91900 Other				
91000 Total Operating - Administrative	\$439,851	\$2,072	\$441,923	\$441,923
92000 Asset Management Fee				
92100 Tenant Services - Salaries				
92200 Relocation Costs				
92300 Employee Benefit Contributions - Tenant Services				
92400 Tenant Services - Other	\$520		\$520	\$520
92500 Total Tenant Services	\$520	\$0	\$520	\$520
93100 Water	\$47,353		\$47,353	\$47,353
93200 Electricity	\$13,306		\$13,306	\$13,306
93300 Gas	\$84,744		\$84,744	\$84,744
93400 Fuel				
93500 Labor				
93600 Sewer	\$35,597		\$35,597	\$35,597
93700 Employee Benefit Contributions - Utilities				
93800 Other Utilities Expense				
93000 Total Utilities	\$181,000	\$0	\$181,000	\$181,000
94100 Ordinary Maintenance and Operations - Labor	\$135,811		\$135,811	\$135,811
94200 Ordinary Maintenance and Operations - Materials and Other	\$139,840		\$139,840	\$139,840
94300 Ordinary Maintenance and Operations Contracts	\$284,918		\$284,918	\$284,918
94500 Employee Benefit Contributions - Ordinary Maintenance	\$76,216		\$76,216	\$76,216
94000 Total Maintenance	\$636,785	\$0	\$636,785	\$636,785
95100 Protective Services - Labor				
95200 Protective Services - Other Contract Costs				
95300 Protective Services - Other				
95500 Employee Benefit Contributions - Protective Services				
95000 Total Protective Services	\$0	\$0	\$0	\$0
96110 Property Insurance	\$30,029		\$30,029	\$30,029
96120 Liability Insurance	\$11,786		\$11,786	\$11,786
96130 Workmen's Compensation	\$23,518		\$23,518	\$23,518

96140 All Other Insurance	\$5,438		\$5,438	\$5,438
96100 Total Insurance Premiums	\$70,771	\$0	\$70,771	\$70,771
96200 Other General Expenses	\$13,240		\$13,240	\$13,240
96210 Compensated Absences	\$20,970		\$20,970	\$20,970
96300 Payments in Lieu of Taxes	\$18,879		\$18,879	\$18,879
96400 Bad debt - Tenant Rents	\$31,472		\$31,472	\$31,472
96500 Bad debt - Mortgages				
96600 Bad debt - Other				
96800 Severance Expense				
96000 Total Other General Expenses	\$84,561	\$0	\$84,561	\$84,561
96710 Interest of Mortgage (or Bonds) Payable				
96720 Interest on Notes Payable (Short and Long Term)				
96730 Amortization of Bond Issue Costs				
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$1,413,488	\$2,072	\$1,415,560	\$1,415,560
97000 Excess of Operating Revenue over Operating Expenses	-\$254,909	\$0	-\$254,909	-\$254,909
97100 Extraordinary Maintenance				
97200 Casualty Losses - Non-capitalized				
97300 Housing Assistance Payments				
97350 HAP Portability-In				
97400 Depreciation Expense	\$273,659		\$273,659	\$273,659
97500 Fraud Losses				
97600 Capital Outlays - Governmental Funds				
97700 Debt Principal Payment - Governmental Funds				
97800 Dwelling Units Rent Expense				
90000 Total Expenses	\$1,687,147	\$2,072	\$1,689,219	\$1,689,219
10010 Operating Transfer In				
10020 Operating transfer Out				
10030 Operating Transfers from/to Primary Government				
10040 Operating Transfers from/to Component Unit				
10050 Proceeds from Notes, Loans and Bonds				
10060 Proceeds from Property Sales				
10070 Extraordinary Items, Net Gain/Loss				

10080	Special Items (Net Gain/Loss)							
10091	Inter Project Excess Cash Transfer In							
10092	Inter Project Excess Cash Transfer Out							
10093	Transfers between Program and Project - In							
10094	Transfers between Project and Program - Out							
10100	Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$528,568	\$0	-\$528,568				-\$528,568
11020	Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11030	Beginning Equity	\$3,932,656	\$0	\$3,932,656				\$3,932,656
11040	Prior Period Adjustments, Equity Transfers and Correction of Errors							
11050	Changes in Compensated Absence Balance							
11060	Changes in Contingent Liability Balance							
11070	Changes in Unrecognized Pension Transition Liability							
11080	Changes in Special Term/Severance Benefits Liability							
11090	Changes in Allowance for Doubtful Accounts - Dwelling Rents							
11100	Changes in Allowance for Doubtful Accounts - Other							
11170	Administrative Fee Equity							
11180	Housing Assistance Payments Equity							
11190	Unit Months Available	2400	0	2400				2400
11210	Number of Unit Months Leased	2378	0	2378				2378
11270	Excess Cash	\$287,798		\$287,798				\$287,798
11610	Land Purchases	\$0		\$0				\$0
11620	Building Purchases	\$0		\$0				\$0
11630	Furniture & Equipment - Dwelling Purchases	\$0		\$0				\$0
11640	Furniture & Equipment - Administrative Purchases	\$0		\$0				\$0
11650	Leasehold Improvements Purchases	\$0		\$0				\$0
11660	Infrastructure Purchases	\$0		\$0				\$0
13510	CFFP Debt Service Payments	\$0		\$0				\$0
13901	Replacement Housing Factor Funds	\$0		\$0				\$0

OTHER INFORMATION SECTION

Phillip C. Jarrell, LLC

Certified Public Accountant

43 N. Tallahassee St.

Hazlehurst, Georgia 31539

(Ph 912-307-4555 Fax 912-375-5559)

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

Board of Commissioners
Housing Authority of the City of Thomson
Thomson, Georgia

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Housing Authority of the City of Thomson, which comprise the statement of net position as of December 31, 2017, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements and have issued my report thereon September 19, 2018.

Internal Control Over Financial Reporting

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

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, I identified certain deficiencies in internal control that I consider to be material weaknesses.

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 Housing Authority of the City of Thomson's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiencies described in the accompanying Schedule of Findings and Responses as 2017-001- 2017-008 to be material weaknesses.

A *significant deficiency* is a deficiency, or 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Housing Authority of the City of Thomson's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as 2017-001-2017-008.

Housing Authority of the City of Thomson's Response to Findings

The Housing Authority of the City of Thomson's response to the findings identified in my audit is described in the accompanying Schedule of Findings and Responses. The Housing Authority of the City of Thomson's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Housing Authority of the City of Thomson's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Housing Authority of the City of Thomson's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Phillip C. Jarrell, LLC
Certified Public Accountant

Hazlehurst, Georgia
September 19, 2018

HOUSING AUTHORITY OF THE CITY OF THOMSON
Thomson, Georgia

December 31, 2017

SCHEDULE OF FINDINGS AND RESPONSES

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?	Yes
Significant deficiencies identified not considered to be material weaknesses?	No
Noncompliance material to the financial statements noted?	Yes

Section II - Financial Statement Findings:

The following audit findings relating to this area for the period ended December 31, 2017:

Finding

No.
2017-001

East Georgia Housing Authorities Partnership (EGHAP) Allocation of Expenses

Criteria: The Housing Authority of the City of Thomson is a member of the East Georgia Housing Authorities Partnership "EGHAP", a consortium of the Housing Authority of the City of Thomson, the Housing Authority of the City of Warrenton, the Housing Authority of the City of Harlem, and the Housing Authority of the City of Crawfordville. In accordance with Section 13 of the Consortium Agreement, all operating expenses are to be paid by Thomson Housing Authority, the "lead agency" in the consortium, but charged out appropriately to the other three authorities based on a percentage of units for each Authority or if the costs are direct cost to a specific Authority be charged there directly.

Condition: It was determined during review of expenses paid for during the year that costs had not been consistently charged to the respective Authority. It was determined that 8 of the checks tested were not appropriately charged to each Authority.

Questioned
Costs:

None.

Effect: The Authority is not in compliance with Section 13 of the Consortium Agreement, which states that costs should be charged to the appropriate Authority based upon which Authority benefited from the underlying transaction. As a result, each Authority did not reflect the correct expenses for the year.

HOUSING AUTHORITY OF THE CITY OF THOMSON
Thomson, Georgia

December 31, 2017

SCHEDULE OF FINDINGS AND RESPONSES (continued)

Section II - Financial Statement Findings (continued):

Finding

No.

2017-001

East Georgia Housing Authorities Partnership (EGHAP) Allocation of Expenses (continued)

Cause:

Internal controls were not in place to ensure compliance with Section 13 of the Consortium Agreement.

Recommendation:

It is my recommendation that the Authority strengthen internal controls over financial reporting for the Consortium. This should include procedures which include monthly review and approval of expenses incurred in accordance with Section 13 of the Consortium Agreement. Additionally, this process should include reviewing the financials as prepared by the Authority's Fee Accountant to ensure the monthly expenses are properly accounted for among EGHAP members.

Management

Response: We will implement controls to ensure that all expense allocations are properly made.

Finding

No.

2017-002

Budget in Public Housing not approved until February 2, 2017

Criteria:

Under Section 11 of the Annual Contributions Contract (ACC), the Authority is required to prepare the Public Housing operating budget and have its operating budget approved before the beginning of its fiscal year.

Condition:

The Authority's Board did not approve its operating budget for fiscal year 2017 until February 2, 2017.

Questioned

Costs:

None.

Effect:

The Authority's operating budget was not approved and in place at the beginning of the Authority's fiscal year. Thereby, Authority staff was not able to ensure operating expenses were within Board approved budgets.

Cause:

The Board of Commissioners did not approve the operating budget until February 2, 2017.

December 31, 2017

SCHEDULE OF FINDINGS AND RESPONSES (continued)

Section II - Financial Statement Findings (continued):

Finding

No.

2017-002 Budget in Public Housing not approved until February 2, 2017

Recommendation: The Authority should have the Board of Commissioners approve the operating budget before the beginning of its fiscal year.

Management

Response: We will implement controls to ensure that the operating budgets are approved before the beginning of the Authority's fiscal year.

2017-003 Noncompliance with procurement policy

Criteria: In accordance with the Authority's procurement policy, the Authority is required to have written contracts for all services provided to the Authority. For all purchases made above the Micro purchase threshold, the Authority is required to perform an internal cost estimate. The Authority is also required to maintain a system of contract administration to ensure that contractors perform in accordance with their contracted agreements.

Condition: 4 out of the 4 purchases of ongoing services tested did not have any written contracts in place nor were any internal cost estimates performed to determine if costs were reasonable.

Questioned

Costs: None.

Effect: The Authority is not in compliance with its procurement policy.

Cause: The Authority does not maintain a system of contract administration to ensure that contractors perform in accordance with their contracted agreements nor does the Authority perform internal cost estimates to ensure services provided are reasonable.

Recommendation: The Authority should implement a system of contract administration to oversee all agreed services provided to the Authority, including having written contracts that document the requirements of both parties. The Authority should also perform internal cost estimates for all purchases above the Micro purchase threshold to ensure cost of services received are reasonable.

HOUSING AUTHORITY OF THE CITY OF THOMSON
Thomson, Georgia

December 31, 2017

SCHEDULE OF FINDINGS AND RESPONSES (continued)

Section II - Financial Statement Findings (continued):

Finding
No.

2017-003

Noncompliance with procurement policy (continued)

Management
Response:

We will implement a system of contract administration to oversee all agreed services provided to the Authority.

2017-004

Personal use of Authority Vehicles

Criteria:

Federal Code of Regulations, Title 2 CFR 200.431(f) deems the portion of automobile costs furnished by an entity that relates to personal use by employees (including transportation to and from work) is unallowable as fringe benefits.

Condition:

It was determined that all maintenance employees use the Authority's vehicles to commute to and from home each day.

Questioned
Costs:

\$9,123

Effect:

The Authority had unallowed costs charged to its Public Housing program.

Cause:

The Authority did not properly adhere to Title 2 Part 200 Uniform Administrative Requirements.

Recommendation:

The Authority should review Title 2 Part 200 to have a better understanding as to the allowable costs for its federal programs.

Management
Response:

We will ensure that the personal use of Authority vehicles is discontinued.

2017-005

Noncompliance with personnel policy

Criteria:

In accordance with the Authority's personnel policy Section 3 sub-section 036.02 Compensatory Time, employees classified as "exempt" by the Fair Labor Standards Act shall not accumulate compensatory time.

Condition:

The Executive Director and the Maintenance Director accumulated compensatory time during the year ended December 31, 2017 totaling 365.13 hours and 85.5 hours, respectively.

Housing Authority of the City of Thomson
Thomson, Georgia

December 31, 2017

SCHEDULE OF FINDINGS AND RESPONSES (continued)

Section II - Financial Statement Findings (continued):

Finding
No.

2017-005 Noncompliance with personnel policy (continued)

Questioned

Costs: None.

Effect: The Authority is not in compliance with its personnel policy and did not have procedures in place to discover noncompliance.

Cause: The Authority's staff did not have a proper understanding of its personnel policy in relation to compensatory time.

Recommendation: The Authority's staff should gain a better understanding of its personnel policy to ensure policy is followed in relation to accumulating compensatory time.

Management

Response: We will provide training to staff to ensure Authority's employees have an understanding of all Authority's policies and implement a system of oversight to ensure policies are being adhered to.

2017-006 IRS Quarterly Form 941's not properly filed for the year

Criteria: The Authority is required to prepare and remit all payroll made to employees during each quarter of the calendar year to the Internal Revenue Service on IRS Form 941.

Condition: The Authority did not properly report all compensation paid to employees on its IRS Form 941 for each quarter during calendar year 2017. This condition will result in fines and penalties for late payments and underreported wages by employees.

Questioned

Costs: None.

Effect: Underreported wages and tax payments to taxing agencies will result in fines and penalties which are considered unallowed costs under Title 2 CFR 200.441.

Cause: The Authority has not implemented procedures whereby wages are reconciled from wage reports to payroll tax filings.

Recommendation: The Authority should implement procedures to reconcile wages paid to employees each quarter to payroll tax filings.

HOUSING AUTHORITY OF THE CITY OF THOMSON
Thomson, Georgia

December 31, 2017

SCHEDULE OF FINDINGS AND RESPONSES (continued)

Section II - Financial Statement Findings (continued):

Finding

No.

2017-006 IRS Quarterly Form 941's not properly filed for the year (continued)

Management

Response: We have implemented controls to ensure that all wages paid to employees will be reported to the IRS on quarterly Form 941's.

2017-007 Unapproved purchase of real estate

Criteria: Under Section 9(3) of the Housing Act of 1937, the Authority is provided Operating Funds for the operation and management of public housing.

Condition: The Authority purchased real estate on November 20, 2015 in the amount of \$10,127.66 that included a dwelling structure and land by signing a loan agreement with the City of Thomson. This loan agreement required the Authority to make payment to the City for the full amount of the loan by December 31, 2016. The Authority made payment to the City of Thomson on December 14, 2017 for the original purchase price. This loan agreement had not been previously reported in the Authority's financial statements. The Authority also paid for asbestos testing during the current year in the amount of \$195. The Authority also paid a Maintenance employee overtime during the year to perform maintenance on the dwelling structure in the amount of \$114.06.

Questioned

Costs: \$10,440

Effect: The Authority had unallowed costs charged to its Public Housing program.

Cause: The Authority did not properly adhere to Section 9(3) of the Housing Act of 1937 eligible costs for Public Housing.

Recommendation: The Authority should review allowable costs for each of its federal programs to ensure only allowable costs are charged.

Management

Response: We will attend additional training seminars to gain a better understanding as to allowable costs for each of the Authority's federal programs.

HOUSING AUTHORITY OF THE CITY OF THOMSON
Thomson, Georgia

December 31, 2017

SCHEDULE OF FINDINGS AND RESPONSES (continued)

Section II - Financial Statement Findings (continued):

Finding

No.

2017-008 Unallowed use of Public Housing funds

Criteria: Under Section 9(3) of the Housing Act of 1937, the Authority is provided Operating Funds for the operation and management of public housing. Further, Federal Code of Regulations Title 2 CFR 200 establishes cost principles for federal awards.

Condition: During the examination of costs paid for and charged to the Authority's public housing program, eleven transactions included unallowed costs. The unallowed costs included the following: payments for meals - \$825.17, payments for decorations for office - \$1,113.14, payment for grant writer for YouthBuild grant - \$6,000, late fees and interest - \$100.05, unreimbursed personal travel costs - \$219.97, payment for rental of minibus and chauffeur - \$940, payment for gift bags for tenants - \$457.92, purchase of 7 spy pens for video recording - \$348.17, payment for annual registration for nonprofit - \$30, payment for ROKU services - \$79.98, payment to University of Georgia for participating in Community Partnership - \$5,000, purchase of laptop costing \$3,523.92 and unsupported costs totaling \$1,364.24.

Questioned

Costs: \$20,003

Effect: The Authority had unallowed costs charged to its Public Housing program.

Cause: The Authority did not properly adhere to Section 9(3) of the Housing Act of 1937 eligible costs for Public Housing.

Recommendation: The Authority should review allowable costs for each of its federal programs to ensure only allowable costs are charged.

Management

Response: We will attend additional training seminars to gain a better understanding as to allowable costs for each of the Authority's federal programs.

HOUSING AUTHORITY OF THE CITY OF THOMSON
Thomson, Georgia

December 31, 2017

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

The prior audit report for the period ended December 31, 2016 contained the following audit findings:

2016-001 Unaudited Financial Data Schedule submission contained material errors
Audit fieldwork disclosed this condition no longer exists.

HOUSING AUTHORITY OF THE CITY OF THOMSON
Thomson, Georgia

December 31, 2017

CORRECTIVE ACTION PLAN

The following is the corrective action planned by the Authority regarding the current audit findings for the year ended December 31, 2017:

<u>Finding</u> <u>No.</u>	
2017-001	<u>East Georgia Housing Authorities Partnership (EGHAP) Allocation of Expenses</u> We will implement controls to ensure that all expense allocations are properly made. Date of completion: Ongoing
2017-002	<u>Budget in Public Housing not approved until February 2, 2017</u> We will implement controls to ensure that operating budgets are approved before the beginning of the Authority's fiscal year. Date of completion: Ongoing
2017-003	<u>Noncompliance with procurement policy</u> We will implement a system of contract administration to oversee all agreed services provided to the Authority. Date of completion: Ongoing
2017-004	<u>Personal use of Authority Vehicles</u> We will ensure that the personal use of Authority vehicles is discontinued. Date of completion: Ongoing
2017-005	<u>Noncompliance with personnel policy</u> We will provide training to staff to ensure Authority's employees have an understanding of all Authority's policies and implement a system of oversight to ensure policies are being adhered to. Date of completion: Ongoing

HOUSING AUTHORITY OF THE CITY OF THOMSON
Thomson, Georgia

December 31, 2017

CORRECTIVE ACTION PLAN (continued)

<u>Finding No.</u>	
2017-006	<p><u>IRS Quarterly Form 941's not properly filed for the year</u> We have implemented controls to ensure that all wages paid to employees will be reported to the IRS on quarterly Form 941's.</p> <p>Date of completion: September 19, 2018</p>
2017-007	<p><u>Unapproved purchase of real estate</u> We will attend additional training seminars to gain a better understanding as to allowable costs for each of the Authority's federal programs.</p> <p>Date of completion: Ongoing</p>
2017-007	<p><u>Unallowed use of Public Housing funds</u> We will attend additional training seminars to gain a better understanding as to allowable costs for each of the Authority's federal programs.</p> <p>Date of completion: Ongoing</p>

Contact person
Kelly Evans, Executive Director
Housing Authority of the City of Thomson
219 Pecan Avenue
Thomson, Georgia 30824
(706) 595-4878