

**HOUSING AUTHORITY OF THE CITY OF FORT SMITH
Fort Smith, Arkansas**

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

DECEMBER 31, 2018

TABLE OF CONTENTS

	Page
Unmodified Opinions on Basic Financial Statements Accompanied by Required Supplementary Information and Other Information – State or Local Governmental Entity	1-2
Management’s Discussion & Analysis	3-10
FINANCIAL STATEMENTS	
Statement of Net Position	11
Statement of Revenues, Expenses, & Changes in Net Position	12
Statement of Cash Flows	13-14
Notes to Financial Statements	15-27
SINGLE AUDIT SECTION	
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	28-29
Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance	30-31
Status of Prior Audit Findings	32
Schedule of Findings and Questioned Costs	32
SUPPLEMENTAL INFORMATION	
Financial Data Schedule - Net Position Accounts	33-34
Financial Data Schedule – Revenues, Expenses, & Changes in Net Position Accounts	35-37
Schedule of Expenditures of Federal Financial Awards	38
Notes to Schedule of Expenditures of Federal Awards	39

**HOUSING AUTHORITY OF THE CITY OF FORT SMITH
Fort Smith, Arkansas**

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

DECEMBER 31, 2018



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

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the City of Fort Smith
Fort Smith, Arkansas 72904

Fort Worth Regional Office
Public Housing Division
801 Cherry Street, Unit #45, Suite 2500
Fort Worth, Texas 76102

Report on Financial Statements

We have audited the accompanying financial statements of the Housing Authority of the City of Fort Smith as of and for the fifteen months ended December 31, 2018, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Housing Authority of the City of Fort Smith, as of December 31, 2018, and the respective changes in financial position and, where appropriate, cash flows for the fifteen months then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, as listed in the table of contents, should be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedure did not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2019 on our consideration of the Housing Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of the testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Rector, Reeder & Lofton, P.C.

Rector, Reeder & Lofton, P.C.

Certified Public Accountants

Lawrenceville, Georgia
May 13, 2019

HOUSING AUTHORITY OF THE CITY OF FORT SMITH
Fort Smith, Arkansas

MANAGEMENT'S DISCUSSION & ANALYSIS

DECEMBER 31, 2018

**HOUSING AUTHORITY OF THE CITY OF FORT SMITH
FORT SMITH, ARKANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FYE: DECEMBER 31, 2018**

Management's Discussion and Analysis

The management of the Housing Authority of the City of Fort Smith offers the readers of the Authority's financial statements this narrative overview and analysis of the Authority's financial activities for the fifteen months ended December 31, 2018. 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's 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 current and prior year data that allows the reader to gain an adequate understanding of the Authority's annual operating results and financial position as of December 31, 2018.

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

Financial Highlights

- During the year, the Authority has changed its fiscal year end from September 30th to December 31st. Consequently, this discussion and analysis, as well as the accompanying financial statements will include fifteen months' worth of data.
- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$14,555,057 (net position) as opposed to \$14,121,888 for the prior fiscal year.
- The Authority's cash and investments as of December 31, 2018 totaled \$4,024,757 representing an increase of \$1,070,162 or 36.22% from September 30, 2017.
- The Authority had total revenues of \$12,870,080 and total expenses of \$12,436,911 for the fifteen months ended December 31, 2018.

Authority-Wide Financial Statements

The Authority-wide financial statements are designed to be corporate-like in that all business type activities are consolidated into columns that add to a total for the entire Authority.

These financial statements include a Statement of Net Position, which is similar to a Balance Sheet. The Statement of Net Position reports all financial and capital resources for the Authority. The Statement of Net Position is presented in a 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 into cash within one year), and "Non-current."

The Statement of Net Position represents the available liquid (non-capital) assets minus liabilities for the entire Authority. Net Position is reported in three broad categories:

Net Investment in Capital Assets: This component of Net Position consists of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position: This component of Net Position consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

Unrestricted Net Position: This component consists of Net Position that does not meet the definition of "Net Investment in Capital Assets," or "Restricted Net Position."

The Authority-wide financial statements also include a Statement of Revenues, Expenses, and Changes in Net Position (similar to an Income Statement). This Statement includes Operating Revenues, such as rental income, Operating Expenses, such as administrative, utilities, maintenance, and depreciation, and Non-Operating Revenue and Expenses, such as grant revenue, investment income and interest expense.

The focus of the Statement of Revenues, Expenses and Changes in Net Position is the "Change in Net Position," which is similar to Net Income or Loss.

Finally, a Statement of Cash Flow is included, which discloses net cash provided by, or used for operating activities, non-capital financing activities, and from capital and related financing activities.

Program Financial Statements

The Authority is engaged in several different business type activities. A description of those activities follows.

Rental Assistance Demonstration (RAD): On August 1, 2014, the Authority completed the Rental Assistance Demonstration (RAD) closing, converting the 288 public housing units into a Section 8 Project-Based Rental Assistance Program. This program allows for private ownership and management with project based Housing Choice Voucher subsidies. The Authority expects that this conversion will allow for the continued preservation and improved flexibility of managing these properties.

Housing Choice Voucher Program: Under the Housing Choice Voucher Program, the Authority administers contracts with landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure a lease that sets the participants' rents at 30% of household income.

Moderate Rehabilitation Program (Mod Rehab): Under the Mod Rehab program, the Authority administers a project based contract with an independent landlord to assist low-income families with Section 8 Project based vouchers. We have an ACC Contract with HUD for 67 units of Mod Rehab. We have been involved with this program since 1983.

Other Federal Programs: The Housing Authority maintains other federal programs which are primarily designed to facilitate the mission of providing affordable housing in the Fort Smith area. This historically included a community development block grant which was funded from the City on certain properties. Currently the Housing Authority operates a Home Investment Partnership program as granted through the City of Fort Smith. Various properties are acquired and then sold to qualified recipients.

Home Investment Partnership: Our affordable housing program began in 1996 with a contribution of \$150,000 from Low Rent reserves which has now been reimbursed. To date we have constructed 82 homes with all of those being sold. Our goal is to assist as many low- to median-income families as possible to achieve self-sufficiency through homeownership. We do not currently receive these funds directly. We are a sub-recipient of funds as a result of partnership agreements with Crawford Sebastian Community Development Council and Next Step Homeless Services for the construction and sale of affordable housing.

Component Units: The Authority administers three development corporations, known as North Pointe, Inc., North Pointe II, Inc., and Clayton Heights Inc. for the purposes of providing affordable housing to residents of the Fort Smith area. These entities act as conduits for financing agreements between the Authority and various development partners. Affordable Housing Realty is another component unit, created for the purpose of better carrying out the Authority's real estate and

construction services activities. Strategic Community Investments is a new blended component unit that operates for the furtherance of affordable housing and any other community or economic development initiative.

Analysis of Authority-wide Net Position (Statement of Net Position)

	2018	2017	Change
ASSETS			
Cash and Investments	\$ 4,024,757	\$ 2,954,595	\$ 1,070,162
Other Current Assets	410,707	1,425,347	(1,014,640)
Assets Held for Sale	468,358	430,140	38,218
Other Noncurrent Assets	2,498,652	2,098,105	400,547
Capital Assets	7,767,306	7,840,677	(73,371)
Total Assets	\$ 15,169,780	\$ 14,748,864	\$ 420,916
LIABILITIES			
Current Liabilities	\$ 493,240	\$ 380,168	\$ 113,072
Noncurrent Liabilities	121,483	246,808	(125,325)
Total Liabilities	614,723	626,976	(12,253)
NET POSITION			
Invested in Capital Assets	7,627,306	7,700,677	(73,371)
Restricted	285,482	591,395	(305,913)
Unrestricted	6,642,269	5,829,816	812,453
Total Net Position	14,555,057	14,121,888	433,169
Total Liabilities and Net Position	\$ 15,169,780	\$ 14,748,864	\$ 420,916

Total Assets increased by \$420,916 or 2.85% from the prior year. Cash and investments increased by \$1,070,162 or 36.22%, which was due to the repayment of \$625,000 loan to Housing Choice Vouchers and increased activity in the Blended Component Unit. Other current assets decreased by \$1,014,640 or 71.19% primarily due to decreases in accounts receivable of \$989,994 or 71.78% due to amounts due from the Hope Campus and Clayton Heights. Assets held for sale increased by \$38,218 or 8.89%.

Other noncurrent assets increased by \$400,547 or 19.09% due to increases in noncurrent notes receivable. The Housing Authority loaned money to Hope Campus and it had previously been classified as a general receivable. During the year, it was reclassified as a noncurrent note. Capital assets decreased by \$73,371 or less than one percent due to depreciation exceeding additions during the year.

Total Liabilities decreased by \$12,253 or 1.95%. Current liabilities increased by \$113,072 or 29.74%, due to increases in the noncurrent portion of debt as described in the debt section of this report. Accounts payable to HUD also increased by \$109,790, due to increased vacancies in the

Mod Rehab program. These increases were offset by decreases in other current liabilities of \$116,042 or 39.84%, which was due to the pay off of a large payable. Noncurrent liabilities decreased by \$125,325 or 50.78% due to the noncurrent debt moving to current.

Total Net Position increased by \$433,169 or 3.07%. Investment in Capital Assets decreased slightly by \$73,371 or 0.95%. Restricted Net Position also decreased by \$305,913 or 51.73%. Unrestricted Net Position increased by \$812,453 or 13.94%. These changes are outlined in further detail on the Statement of Revenues, Expenses, and Changes in Net Position.

Analysis of Entity-Wide Revenue and Expenses (Statement of Revenues, Expenses, and Changes in Net Position)

The following table illustrates changes in revenue from FY 2017 to FY 2018.

	2018	2017	Change
REVENUE			
Tenant Revenue	\$ 973,484	\$ 735,067	\$ 238,417
HUD Operating Grants	10,418,339	7,741,102	2,677,237
HUD Capital Grants	0	0	0
Other Governmental Grants	0	0	0
Proceeds from Disposition of Assets	3,059,935	940,025	2,119,910
Costs of Sale of Assets	(2,453,274)	(900,962)	(1,552,312)
Gain/(Loss) on Sale of Fixed Assets	56,181	0	56,181
Investment Income	46,051	37,936	8,115
Other Revenue	769,364	511,185	258,179
Total Revenue	\$ 12,870,080	\$ 9,064,353	\$ 3,805,727

Total Revenue increased by \$3,805,727 or 41.99% to \$12,870,080 during FY 2018. This increase was due largely in part to an increase in HUD operating grants of \$2,677,237 or 34.58%, which was caused by an increase in HCV funding due to increased utilization. Proceeds from the disposition of assets held for sale netted an increase of \$567,598. Other revenue also increased by \$249,982 or 53.30% due to increase in real estate commissions and to higher management fee income from increased construction and real estate operations.

The following table illustrates changes in expenses from FY 2017 to FY 2018.

EXPENSES	<u>2018</u>	<u>2017</u>	<u>Change</u>
Administration	\$ 2,161,378	\$ 1,710,537	\$ 450,841
Tenant Services	4,328	4,582	(254)
Utilities	398,325	269,919	128,406
Maintenance	580,984	409,812	171,172
General	331,309	346,281	(14,972)
Financial	6,384	3,836	2,548
Housing Assistance Payments	8,349,444	5,757,091	2,592,353
Depreciation	<u>604,759</u>	<u>531,330</u>	<u>73,429</u>
Total Expenses	\$ <u>12,436,911</u>	\$ <u>9,033,388</u>	\$ <u>3,403,523</u>

Total Expenses, across all Authority programs, decreased by \$3,403,523 or 37.68%.

Administrative expenses increased by \$450,841 or 26.36%, which is primarily due to increases in salaries and benefits due to merit increases and personnel changes, as well as having three additional months of expenses recorded in the fiscal year.

Tenant services decreased by \$254 or 5.54%.

Utilities increased by \$128,406 or 47.57% due to continued increases in the city sewer bills.

Maintenance costs increased by \$171,172 or 41.77%, which was due to increase in most categories, with the largest in labor and benefits due to fifteen months' charges recorded this year.

General expenses decreased by \$14,972 or 4.32% due to a large decrease in bad debt expenses as fewer write-offs were needed in the current year.

Interest expense was recorded this year in the amount of \$6,384, which was an increase of 66.42% from the prior year.

Housing Assistance Payments expense increased by \$2,592,353 or 45.03% due to increased utilization.

Depreciation expense increased by \$73,429 or 13.82%.

Capital Assets

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Land	\$ 659,376	\$ 629,196	\$ 30,180
Buildings	12,218,870	12,164,659	54,211
Equipment	1,212,744	945,967	266,777
Construction in Progress	0	0	0
Accumulated Depreciation	<u>(6,323,684)</u>	<u>(5,899,145)</u>	<u>(424,539)</u>
Net Capital Assets	\$ <u>7,767,306</u>	\$ <u>7,840,677</u>	\$ <u>(73,371)</u>

Total Capital assets decreased during the year to \$7,767,306, a decrease of \$73,371 or 0.94%.

The following reconciliation summarizes changes in capital asset balances during FY 2018.

Balance as of October 1, 2017	\$ 7,840,677
Capital additions – Blended Component Units	344,591
Capital additions – Business Activities, HCV	296,143
Net disposition of assets	(109,346)
Depreciation expense	<u>(604,759)</u>
Balance as of December 31, 2018	\$ <u>7,767,306</u>

Debt Outstanding

During FY2017, the Authority acquired a loan in the amount of \$140,000 to acquire Electric Park for future residential development. This loan accrues interest at 3.60%, where interest only payments began in January 2017 and the entire unpaid principal amount due in December 2019. Therefore, the entire principal amount is considered current in the next fiscal year.

Economic Factors

Several significant economic and regulator factors are present that may impact the Authority in the future:

- Federal funding of the Department of Housing and Urban Development
- Local labor supply and demand, which can affect salary and wage rates
- 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

Financial Contact

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

Executive Director
Housing Authority of the City of Fort Smith
2100 North 31st Street
Fort Smith, AR 72904
479-782-4991 ext. 15

HOUSING AUTHORITY OF THE CITY OF FORT SMITH
Fort Smith, Arkansas

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2018

HOUSING AUTHORITY OF THE CITY OF FORT SMITH
Fort Smith, Arkansas

STATEMENT OF NET POSITION

December 31, 2018

ASSETS

Current Assets

Cash & cash equivalents - unrestricted	\$ 3,650,295
Cash & cash equivalents - restricted	374,462
Accounts receivable, net	389,219
Prepaid expenses	21,488
Assets held for sale	<u>468,358</u>
 Total Current Assets	 <u>4,903,822</u>

Noncurrent Assets

Capital Assets:

Land & improvements	659,376
Buildings	12,218,870
Furniture & equipment	<u>1,212,744</u>
	14,090,990
Less: Accumulated depreciation	<u>(6,323,684)</u>

Total Capital Assets	7,767,306
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Other Noncurrent Assets:

Notes receivable	1,517,690
Investment in joint venture	<u>980,962</u>

Total Noncurrent Assets	<u>10,265,958</u>
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TOTAL ASSETS	\$ <u>15,169,780</u>
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The accompanying notes are an integral part of the financial statements.

LIABILITIES & NET POSITION

Current Liabilities

Accounts payable	\$	124,482
Accrued liabilities		22,194
Other current liabilities		175,236
Noncurrent debt - current portion		140,000
Unearned revenue		612
Tenant security deposits/escrow deposits		<u>30,716</u>
Total Current Liabilities		<u>493,240</u>

Noncurrent Liabilities

Accrued compensated absences		63,219
Trust deposits		<u>58,264</u>
Total Noncurrent Liabilities		<u>121,483</u>
TOTAL LIABILITIES		<u>614,723</u>

NET POSITION

Investment in Capital Assets		7,627,306
Restricted		285,482
Unrestricted		<u>6,642,269</u>
TOTAL NET POSITION		<u>14,555,057</u>
TOTAL LIABILITIES & NET POSITION	\$	<u><u>15,169,780</u></u>

HOUSING AUTHORITY OF THE CITY OF FORT SMITH
Fort Smith, Arkansas

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2018

Operating Revenues

Dwelling rent	\$ 973,484
Governmental grants & subsidy	10,418,339
Other income	1,376,025
Total Operating Revenues	<u>12,767,848</u>

Operating Expenses

Administration	2,161,378
Tenant services	4,328
Utilities	398,325
Maintenance & operations	580,984
General expense	331,309
Housing assistance payments	8,349,444
Depreciation expense	604,759
Total Operating Expense	<u>12,430,527</u>

Net Operating Income/(Loss)	<u>337,321</u>
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Nonoperating Revenues/(Expenses)

Investment income	1,872
Notes Receivable - interest income	44,179
Gain/(Loss) on disposition of assets	56,181
Interest expense	(6,384)

Net Nonoperating Revenues/(Expenses)	<u>95,848</u>
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Increase/(Decrease) in Net Position	433,169
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Total Net Position - beginning	<u>14,121,888</u>
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Total Net Position - ending	<u>\$ 14,555,057</u>
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The accompanying notes are an integral part of the financial statements.

HOUSING AUTHORITY OF THE CITY OF FORT SMITH
Fort Smith, Arkansas

STATEMENT OF CASH FLOWS
FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 2,349,509
Governmental grants & subsidy - operations	10,418,339
Payments to suppliers	(951,004)
Payments for housing assistance	(8,349,444)
Payments to employees	<u>(2,147,933)</u>
NET CASH PROVIDED/(USED) FROM OPERATING ACTIVITIES	<u>1,319,467</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	46,051
Proceeds from investments	99,980
Proceeds from notes receivable	224,398
Investment in joint venture - net	55
Invested in assets held for sale - net	<u>(38,218)</u>
NET CASH PROVIDED/(USED) FROM INVESTING ACTIVITIES	<u>332,266</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of capital assets - Blended Component Units	(344,591)
Acquisition of capital assets - Business Activities	(30,180)
Acquisition of capital assets - HCV	(265,963)
Proceeds from disposition of capital assets	165,527
Interest expense	<u>(6,384)</u>
NET CASH PROVIDED/(USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(481,591)</u>

NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,170,142
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>2,854,615</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>\$ 4,024,757</u></u>

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

HOUSING AUTHORITY OF THE CITY OF FORT SMITH
Fort Smith, Arkansas

STATEMENT OF CASH FLOWS
FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Net Income/(Loss) from operations	\$ 337,321
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation	604,759
Decrease (Increase) in accounts receivable, net	364,994
Decrease (Increase) in prepaid expenses	24,646
Increase (Decrease) in accounts payable	110,928
Increase (Decrease) in accrued liabilities	(19,642)
Increase (Decrease) in other current liabilities	(119,883)
Increase (Decrease) in security/trust deposits	<u>16,344</u>
NET CASH PROVIDED/(USED) FROM OPERATING ACTIVITIES	<u>\$ 1,319,467</u>

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

HOUSING AUTHORITY OF THE CITY OF FORT SMITH
Fort Smith, Arkansas

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

1. Introduction:

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

2. Organization:

The Housing Authority of the City of Fort Smith ("The Authority") is a public body and a body corporate and politic organized under the laws of the State of Arkansas for the purpose of providing adequate housing for qualified low-income individuals. To accomplish this purpose, the Mayor appoints a Governing Board, the Board of Commissioners, to designate its own management. The Board also appoints members to the Commission subject to the approval of the City Board of Directors. Additionally, the Authority has entered into annual contribution contracts with the U. S. Department of Housing and Urban Development ("HUD") to be the administrator of the housing and housing related programs described herein. The Authority is not subject to Federal or State income taxes and is not required to file Federal or State income tax returns.

3. Reporting Entity:

In determining how to define the reporting entity, management has considered all potential component units by applying the criteria set forth in Section 2100 and 2600 of the *Codification of Government Accounting Standards Board and Financial Accounting Standards Board and Statement Number 14 and 61 of the Government Accounting Standards Board, the Financial Reporting Entity*.

Financial Accountability - The Authority is responsible for its debts, does not impose a financial burden on the City of Fort Smith and is entitled to all surpluses. No separate agency receives a financial benefit nor imposes a financial burden on the Authority.

Appointment of a Voting Majority - The Authority is governed by a Board of Commissioners with governance responsibilities over all activities related to all housing activities within the City of Fort Smith. The Board of Commissioners has decision making authority and the power to designate management. The members do not serve at the discretion of the City; i.e., they can be removed only for cause. The Authority's Board elects its own chairperson.

Imposition of Will - The City has no influence over the management, budget, or policies of the Authority. The Authority's Board of Commissioners has the responsibility to significantly influence the Authority's operations. This includes, but is not limited to, adoption of the budget, personnel management, sole title to, and residual interest in all assets (including facilities and properties), signing contracts, issuing bonds, and deciding which programs are to be provided.

HOUSING AUTHORITY OF THE CITY OF FORT SMITH
Fort Smith, Arkansas

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018
(Continued)

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

3. Reporting Entity: (Cont'd)

On the basis of the application of these criteria, the Authority is a legally separate entity that is fiscally independent of other governments, and there are no other entities that are to be reported as component units of the Authority, except as stated below, nor should the Authority be included in the City's financial reports therefore, the Authority reports independently. During the review of the Authority's budgets, Annual Contributions Contract (ACC), minutes of the Board of Commissioner's meetings, cash receipts and cash disbursements for the reporting period disclosed that the Authority operated the following programs under ACC:

Rental Assistance Demonstration (RAD) Program – As a result of the Authority's participation in the Congressionally-authorized Rental Assistance Demonstration program, the Low Rent Public Housing Program converted to private non-profit ownership by Nelson Hall Homes, the board of directors of which are also the Commissioners of the Fort Smith Housing Authority. The closing of that transaction was completed on July 29, 2014. Effective August 1, 2014 rental assistance to maintain the units' affordability was provided by 288 Project Based Vouchers to be managed by the Fort Smith Housing Authority. Accordingly, participation in the Capital Fund Program ended on July 29, 2014 and receipt of Operating Subsidy ended on December 31, 2014.

Section 8 Housing Choice Voucher Program – This program provides rental assistance to help low-income families afford decent, safe and sanitary rental housing. The Authority provides rental assistance in the form of a Housing Assistance Payment to a landlord on behalf of the tenant. This program consists of 1,624 units.

Section 8 Moderate Rehabilitation Program – This program is a rental assistance program whereby rental assistance payments are restricted to particular units. The Authority has 67 units in this program.

Home Investment Partnership – This program provides formula grants to States and localities that communities use to fund the purchase and rehabilitation of low income affordable housing.

Component Units – The Authority administers three development corporations, known as North Pointe, Inc., North Pointe II, Inc., and Clayton Heights Inc. for the purposes of providing affordable housing to residents of the Fort Smith area. These entities act as conduits for financing agreements between the Authority and various development partners. A fourth component unit, Nelson Hall Homes, became the owners of our previous Low Rent Public Housing Units effective July 29, 2014. The Authority has a management agreement in-place and continues to operate the 288 units affected by the ownership change.

A fifth component unit, Affordable Housing Realty, was created to assist the Authority in better carrying out its real estate and construction services activities. The Authority's real estate and construction services have historically been accounted for under the Authority's HOME program. Beginning in July 2017 the Authority started the process of transitioning these activities to Affordable Housing Realty. Internally this activity is accounted for separately, but for the purposes of this audit it is included as part of the Authority's blended component unit.

HOUSING AUTHORITY OF THE CITY OF FORT SMITH
Fort Smith, Arkansas

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018
(Continued)

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

3. Reporting Entity: (Cont'd)

Component Units - (Cont'd) Strategic Community Investments was added a blended component unit due to incentive and supervisory management relationships between SCI and other housing authority entities. The mission of SCI is the furtherance of affordable housing and any other community or economic development initiative. Internally this activity is accounted for separately, but for the purposes of this audit it is included as part of the Authority's blended component unit.

4. Basis of Presentation, Basis of Accounting and Measurement Focus:

Basis of Accounting - The Authority uses the accrual basis of accounting in the proprietary funds. Under this method, revenues are recorded when earned, and expenses are recorded when liabilities are incurred, regardless of when the related cash flow takes place.

Basis of Presentation - The financial statements of the Authority are presented from a fund perspective. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Authority functions. The fund is a separate accounting entity with a self-balancing set of accounts. The accounting and financial reporting method applied by a fund is determined by the fund's measurement focus. The accounting objectives are determination of net income, financial position and cash flows. All assets and liabilities associated with the Proprietary Fund's activities are included on the Statement of Net Position. Proprietary fund equity is segregated into three broad components: Net Investment in Capital Assets, Restricted Net Position and Unrestricted Net Position. The Authority uses the following fund:

Enterprise fund - This type of fund is reported using an economic resources measurement focus. Additionally, it is used to account for operations that are financed and operated in a manner similar to private businesses where a fee is charged to external users for services provided.

5. Revenues and Expenses:

Revenues and expenses are recognized in essentially the same manner as used in commercial accounting. Revenues relating to the Authority's operating activities including rental related income, interest income and other sources of revenues are recognized in the accounting period in which they are earned. Other major sources of revenues include the operating subsidy from HUD and other HUD funding for capital and operating expenses.

6. Encumbrances:

Encumbrances represent commitments related to unperformed contracts for goods or services. The Authority does not utilize encumbrance accounting.

HOUSING AUTHORITY OF THE CITY OF FORT SMITH
Fort Smith, Arkansas

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018
(Continued)

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

7. Budgets:

The Authority adopts budgets on the basis of accounting consistent with the basis of accounting for the fund to which the budget applies. The Authority prepares annual operating budgets that are formally adopted by its Governing Board of Commissioners. The budgets for programs funded by HUD form the basis of the Federal Financial Assistance received through HUD.

8. Inventories:

Inventories are recorded at average cost. The consumption method is used to account for inventories. Under the consumption method, inventories are charged to expense when consumed.

9. Capital Assets and Depreciation:

Capital assets are stated at historical cost. Donated capital assets are stated at their market value on the date donated. This includes site acquisition and improvement, structures and equipment. All infrastructure assets were capitalized at the conclusion of development then dedicated to the City for maintenance and repairs. Depreciation of exhaustible capital assets used by proprietary funds is charged as an expense against operations, and accumulated depreciation is reported on the Statement of Net Position. A minimum value of \$5,000 per item is assigned for asset capitalization. The Authority uses the straight-line method for depreciation.

The estimated useful lives for each major class of depreciable capital assets are as follows:

Buildings & improvements	15-30 years
Furniture, fixtures & equipment	5-7 years
Vehicles	5 years

10. Collection Losses:

Collection losses on accounts receivable are expensed, in the appropriate Fund, on the specific write-off method.

11. Insurance:

The primary technique used for risk financing is the purchase of insurance policies from commercial insurers that include a large deductible amount. The use of a large deductible clause reduces the cost of insurance, but, should losses occur, the portion of the uninsured loss is not expected to be significant with respect to the financial position of the Authority. The Authority secures required insurance coverage through the competitive bid process. As of the date of the fieldwork, the Authority had the required coverage in force.

HOUSING AUTHORITY OF THE CITY OF FORT SMITH
Fort Smith, Arkansas

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018
(Continued)

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

12. Cash and Investments:

1. The Authority cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with an original maturity of three months or less when purchased to be cash equivalents.
2. Investments are stated at market value, except for U. S. Treasury Bills, which are reported at amortized cost. Investment securities are normally held to mature at par value and adjustments are made to the investment portfolio to reflect increases/(decreases) in gains made.

13. Compensated Absences:

Compensated absences are absences for which employees will be paid, i.e., sick leave, vacation, and other approved leaves. In accordance with GASB Statement No.16, **Accounting for Compensated Absences**, the Authority accrues the liability for those absences that the employee has earned the rights to the benefits. Accrued amounts are based on the current salary rates. Full-time, permanent employees are granted vacation and sick leave benefits in varying amounts to specified maximums depending on tenure with the Authority. Vacation and sick pay is recorded as an expense and related liability in the year earned by employees.

14. Operating Revenue:

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

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

15. The terms of the Board are as follows:

Richard Griffin, Chairperson	March 2022
Rick Foti, Vice-Chairperson	March 2023
Alex Sanchez	March 2021
Barbara Meadows	March 2019
Rex Terry	March 2020

In addition to the above Commissioners, the Administrator of the Housing Authority is Mitch Minnick, who serves on the Board as Secretary and is the Executive Director. Based upon the above criteria, all the operations of the Authority are included in these financial statements and there are no operations or component units that have been excluded from this report.

HOUSING AUTHORITY OF THE CITY OF FORT SMITH
Fort Smith, Arkansas

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018
(Continued)

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

16. New Pronouncements:

No new pronouncements were implemented in the current fiscal year that would have a material effect on the financial statements.

NOTE B - CASH AND INVESTMENTS:

All the deposits of the Housing Authority of the City of Fort Smith are either insured or collateralized by using the Dedicated Method whereby all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Authority's agents in these units' names.

At December 31, 2018, the Authority's cash deposits had a carrying amount of \$4,024,757 and a bank balance of \$4,082,390. Of the bank balances held, \$1,000,000 was covered by federal depository insurance and the remainder was covered by collateral held under the dedicated method.

Interest rate risk - As a means of limiting its exposure to market value losses arising from rising interest rates, the Authority's typically limits its investment portfolio to Federal Securities with maturities of 12 months or less. The Housing Authority of the City of Fort Smith has no specific policy regarding interest rate risk.

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

Custodial credit risk - For an investment, the custodial risk is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the PHA's deposits are in First National Bank of Fort Smith and BancorpSouth. The Authority has no policy on custodial credit risk.

Concentration of credit risk - The Authority places no limit on the amount that it may invest in any one issuer. All of the Authority's investments are in one-year maturity CD's with First National Bank of Fort Smith and Simmons First National Bank.

Restricted cash:

Reserve for Replacement – Nelson Hall	\$ 267,270
HAP equity	18,212
Tenant security deposits	30,716
FSS Escrow	<u>58,264</u>
	<u>\$ 374,462</u>

The Restricted Net Position at December 31, 2018 was \$285,482 and is made up of the Reserve for Replacement for Nelson Hall Homes of \$267,270 and the HAP equity amount of \$18,212.

HOUSING AUTHORITY OF THE CITY OF FORT SMITH
Fort Smith, Arkansas

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018
(Continued)

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

COLLATERALIZATION:

<u>Security</u>	<u>Cusip</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Market Value</u>
Bancorpsouth Bank				
FHLB	3130ADTD4	03/15/21	2.485%	\$ 2,450,000
FCSB	31331VHA7	10/25/22	5.250%	200,000
First National Bank				
FHLB	3130A7PW9	04/05/19	0.950%	398,330
FHLB	3130A8YM9	02/28/19	1.000%	304,212
FHLB	3130AADC9	12/30/19	1.500%	444,983
FFCB	3133ECGL2	02/28/19	1.160%	498,916
FFCB	3133EGKZ7	07/12/19	1.020%	1,239,659
				<u>\$ 5,536,100</u>

NOTE C - ACCOUNTS & ACCRUED RECEIVABLES:

Accounts and accrued receivable at December 31, 2018, consisted of the following:

Tenants (net of allowance of \$43,005)	\$ 6,614
Accounts receivable – Hope Campus	4,914
Accounts receivable – SCI	46,495
Accounts receivable – Red Barn Development	24,233
Accounts receivable – Bailey Heights LP & Inc.	2,255
Accounts receivable – constructions projects	287,932
Accounts receivable – miscellaneous	<u>16,776</u>
	<u>\$ 389,219</u>

The above payable balance excludes \$89,531 of interfund balances that have been eliminated as a result of financial statement consolidation. Additional details on the composition of these balances are included in Note J.

NOTE D - PREPAID CHARGES & OTHER ASSETS:

Prepaid charges and other assets at December 31, 2018, consisted of the following:

Prepaid insurance and other assets	\$ 21,488
Assets Held for Sale – Strategic Community Investments	341,029
Assets Held for Sale – Business Activities	<u>127,329</u>
	<u>\$ 489,846</u>

HOUSING AUTHORITY OF THE CITY OF FORT SMITH
Fort Smith, Arkansas

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018
(Continued)

NOTE E - CAPITAL ASSETS:

The following is a summary of changes in capital assets during the fifteen months ended December 31, 2018:

	<u>Balance @ 10/1/2017</u>	<u>Transfers/ Additions</u>	<u>Dispositions/ Transfers</u>	<u>Depreciation</u>	<u>Balance @ 12/31/2018</u>
Capital Assets:					
Land	\$ 629,196	\$ 30,180	\$ -	\$ -	\$ 659,376
Buildings	12,164,659	56,190	(1,979)	-	12,218,870
Furniture & Equipment	945,967	554,364	(287,587)	-	1,212,744
Construction in Process	-	-	-	-	-
Total Capital Assets	13,739,822	640,734	(289,566)	-	14,090,990
Accumulated Depreciation	<u>(5,899,145)</u>	<u>-</u>	<u>180,220</u>	<u>(604,759)</u>	<u>(6,323,684)</u>
Net Capital Assets	<u>\$7,840,677</u>	<u>\$ 640,734</u>	<u>\$ (109,346)</u>	<u>\$ (604,759)</u>	<u>\$7,767,306</u>

The following activities affected capital assets during the audit period:

Balance as of October 1, 2017	\$ 7,840,677
Capital additions – Blended Component Units	344,591
Capital additions – Business Activities, HCV	296,143
Net disposition of assets	(109,346)
Depreciation expense	<u>(604,759)</u>
Balance as of December 31, 2018	<u>\$ 7,767,306</u>

DEPRECIATION BY ASSET CLASS

	<u>Balance at 10/1/2017</u>	<u>Depreciation Net Change</u>	<u>Disposition Net Change</u>	<u>Balance at 12/31/2018</u>
Buildings	\$ 5,610,324	\$ 452,672	\$ (1,096)	\$ 6,061,900
Furniture & Equipment	<u>288,821</u>	<u>152,087</u>	<u>(179,124)</u>	<u>261,784</u>
	<u>\$ 5,899,145</u>	<u>\$ 604,759</u>	<u>\$ (180,220)</u>	<u>\$ 6,323,684</u>

NOTE F - NOTES RECEIVABLE:

The Home Investment Partnership Program and the Community Development Block Grant participate in granting notes receivable consisting of “soft” second mortgages to provide down payment assistance. These notes are allocated according to which program built the home. The note is amortized over a ten year term contingent on the homebuyer’s continued ownership and occupation of the home. At December 31, 2018, \$311,937 was remaining in the HOME program.

On December 5, 2012, the Authority entered into a 35-year mortgage agreement with the Clayton Heights Development, LP for Phase II of the Clayton Heights project. The total principal amount of the loan was \$332,339, and it accrues interest at an annual rate of 5.00%. All accrued and unpaid principal and interest are due at the maturity date of December 5, 2047. At December 31, 2018, the full principal balance and \$101,209 in accrued interest was outstanding.

HOUSING AUTHORITY OF THE CITY OF FORT SMITH
Fort Smith, Arkansas

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018
(Continued)

NOTE F - NOTES RECEIVABLE: (Cont'd)

On April 3, 2007, the Authority entered into a 30-year loan agreement with North Pointe, Inc. for Phase I of the North Pointe project. The total principal amount of the loan was \$56,818, and it accrues interest at an annual rate of 4.81%. All accrued and unpaid principal and interest are due at the maturity date of April 3, 2037. At December 31, 2018, the full principal balance and \$32,208 in accrued interest was outstanding.

On April 7, 2010, the Authority entered into a loan agreement with North Pointe II, Inc. for Phase II of the North Pointe project. The total principal amount of the loan was \$251,070, and it accrues interest at an annual rate of 4.35%. All accrued and unpaid principal and interest are due at the maturity date of April 7, 2051. At December 31, 2018, the full principal balance and \$95,714 in accrued interest was outstanding.

During FY2017, the Authority recorded a receivable from Riverview Hope Campus as a miscellaneous receivable in the amount of \$392,586. During the current fiscal year, this receivable has been reclassified to a long-term note receivable. At December 31, 2018, the outstanding balance is \$336,395 and is considered noncurrent.

Notes receivable consisted of the following at December 31, 2018:

	Balance as of 9/30/17	Change in Notes & (Forgiven) in FY2018	Accrued Interest	Balance as of 12/31/18	Current
Riverview Hope Campus	\$ -	\$ 336,395	\$ -	\$ 336,395	\$ -
HCV	655,220	(661,459)	6,239	-	-
HOME	285,735	26,202	-	311,937	-
Clayton Heights Development, LP	412,686	-	20,862	433,548	-
North Pointe, Inc.	85,595	-	3,431	89,026	-
North Pointe II, Inc.	333,072	-	13,712	346,784	-
	<u>\$ 1,772,308</u>	<u>\$ (298,862)</u>	<u>\$ 44,244</u>	<u>\$ 1,517,690</u>	<u>\$ -</u>

NOTE G - INVESTMENT IN JOINT VENTURES:

Investments in joint ventures at December 31, 2018, consisted of the following:

North Pointe Limited Partnership	\$ 73,392
North Pointe II Limited Partnership	907,658
Clayton Heights Development Limited Partnership	<u>(88)</u>
	<u>\$ 980,962</u>

HOUSING AUTHORITY OF THE CITY OF FORT SMITH
Fort Smith, Arkansas

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018
(Continued)

NOTE H - ACCOUNTS PAYABLE:

Accounts payable consisted of the following at December 31, 2018:

Vendors and contractors payable	\$ 13,229
A/P – HUD	111,253
Tenant security deposits	<u>30,716</u>
	<u>\$ 155,198</u>

The above payable balance excludes \$89,531 of interfund balances that have been eliminated as a result of financial statement consolidation. Additional details on the composition of these balances are included in Note J.

NOTE I - OTHER CURRENT LIABILITIES:

Other current liabilities consisted of the following at December 31, 2018:

Accrued compensated absences - current portion	\$ 15,688
Accrued wages/taxes payable	6,506
Current portion of long-term debt	140,000
Contract costs payable	124,231
Incentive fees payable	51,005
Unearned revenue	<u>612</u>
	<u>\$ 338,042</u>

NOTE J - INTERFUND ACCOUNTS:

As of December 31, 2018, the following interfund activities existed and have been eliminated as part of the consolidation of the financial statements.

	<u>Due To</u>	<u>Due From</u>
Business Activities	\$ 86,715	\$ 126
Low Rent	0	0
HCV	1,840	32,096
Mod Rehab	0	2,249
Blended Component Unit	976	55,060
HOME	<u>0</u>	<u>0</u>
	<u>\$ 89,531</u>	<u>\$ 89,531</u>

NOTE K - NONCURRENT LIABILITIES:

Noncurrent liabilities consisted of the following at December 31, 2018:

FSS Escrow deposits	\$ 58,264
Accrued compensated absences - noncurrent portion	<u>63,219</u>
	<u>\$ 121,483</u>

HOUSING AUTHORITY OF THE CITY OF FORT SMITH
Fort Smith, Arkansas

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018
(Continued)

NOTE K - NONCURRENT LIABILITIES: (Cont'd)

	Balance at 10/1/2017	Adjustments/ Increases	Decreases	Balance at 12/31/2018	Current Portion of Balance
Compensated absences	\$ 77,735	\$ 76,930	\$ (75,758)	\$ 78,907	\$ 15,688
FSS Escrow Deposits	45,710	51,494	(38,940)	58,264	-
	<u>\$ 123,445</u>	<u>\$ 128,424</u>	<u>\$ (114,698)</u>	<u>\$ 137,171</u>	<u>\$ 15,688</u>

NOTE L - LONG TERM DEBT:

During fiscal year 2017, the Authority acquired new debt in the amount of \$140,000 to purchase property at 3816 North 43rd, known as Electric Park. The debt accrues interest annually at 3.60% and interest only payments began in January 2017. The entire principal balance is due in December of 2019, therefore, the entire amount of the loan is current during the next fiscal year.

NOTE M - PENSION PLAN:

The Authority has a defined contribution plan covering all eligible employees who elect to participate. The Executive Director is responsible for establishing and amending the plan's provisions. An employee becomes eligible on the first day of the month after completing six months of continuous employment. As of December 31, 2018, there were 28 employees enrolled. The Authority is required to contribute 8.5% of a participating employee's compensation to the plan, while the employee contributes 5.5%. Vesting occurs over a period of 5 years at 20% per year. Covered payroll for the year was \$1,403,366. The Authority's contributions to the plan were \$119,286 and the employees' contributions were \$78,033.

Other than the pension information listed above, the Authority does not participate in postemployment or any other employee benefit plans.

NOTE N - RELATED PARTY TRANSACTIONS:

The Housing Authority had amounts advanced to tax credit partnerships as noted in Note F & G to the financial statements for Clayton Heights Development, L.P., North Pointe, L.P., and North Pointe II, L.P.

Additionally, Strategic Community Investments has been added as a blended component unit. This entity has paid for certain operating activities and common space owned by the Housing Authority. All transactions for this entity are kept in a separate balancing set of accounts and are managed by the Housing Authority. During the year, the Housing Authority has paid the Strategic Community Investments, Inc. an incentive and supervisory fee in the amount of \$393,617 as a result of surplus cash on the Nelson Hall Homes, North Pointe, Inc, and North Pointe II, Inc.

HOUSING AUTHORITY OF THE CITY OF FORT SMITH
Fort Smith, Arkansas

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018
(Continued)

NOTE O - ANNUAL CONTRIBUTIONS BY FEDERAL AGENCIES:

Housing Choice Voucher Program - Section 8 programs provide for housing assistance payments to private owners of residential units on behalf of eligible low or very low-income families. The program provides for such payments with respect to existing and moderately rehabilitated housing covering the difference between the maximum rental on a dwelling unit, and the amount of rent contribution by a participating family and related administrative expense. HUD contributions for the fifteen months ended December 31, 2018 were as follows:

Housing Choice Vouchers	\$ <u>9,790,836</u>
-------------------------	---------------------

NOTE P - ECONOMIC DEPENDENCY:

Both the PHA Owned Housing Program and the Housing Choice Voucher Program are economically dependent on annual contributions and grants from HUD. Both programs operate at a loss prior to receiving the contributions and grants.

NOTE Q - RISK MANAGEMENT:

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

NOTE R - COMMITMENTS & CONTINGENCIES:

Legal:

The Authority may be party to various pending or threatened legal actions arising from the normal course of operations. It is the Authority's opinion that any resulting liability is not expected to have a material effect on the Authority's financial position.

Grants and contracts:

The Authority participates in various federally-assisted grant programs that are subject to review and audit by the grantor agencies. Entitlement to these resources is generally conditional based upon compliance with terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal audit may become a liability of the Authority. There were no such liabilities recorded as of December 31, 2018.

HOUSING AUTHORITY OF THE CITY OF FORT SMITH
Fort Smith, Arkansas

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018
(Continued)

NOTE S - IMPAIRMENT OF CAPITAL ASSETS:

In accordance with new financial reporting standards issued by the Government Accounting Standards Board's, Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries" requires certain note disclosures. There were no permanent impairments experienced by the Housing Authority that required material adjustments to the Statement of Net Position.

NOTE T - 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 the 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 evaluated the activity of the Authority through May 13, 2019 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 except for the Rental Assistance Demonstration Program conversion noted below.

HOUSING AUTHORITY OF THE CITY OF FORT SMITH
Fort Smith, Arkansas

SINGLE AUDIT SECTION

DECEMBER 31, 2018



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

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the City of Fort Smith
Fort Smith, Arkansas 72904

Fort Worth Regional Office
Public Housing Division
801 Cherry Street, Unit #45, Suite 2500
Fort Worth, Texas 76102

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Housing Authority of the City of Fort Smith, as of and for the fifteen months ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Housing Authority of the City of Fort Smith's basic financial statements, and have issued our report thereon dated May 13, 2019.

Internal Control Over Financial Reporting

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

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

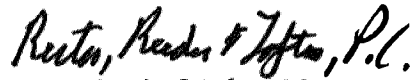
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Authority of the City of Fort Smith's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Rector, Reeder & Lofton, PC
Certified Public Accountants

Lawrenceville, Georgia
May 13, 2019



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

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the City of Fort Smith
Fort Smith, Arkansas 72904

Fort Worth Regional Office
Public Housing Division
801 Cherry Street, Unit #45, Suite 2500
Fort Worth, Texas 76102

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the City of Fort Smith's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Housing Authority of the City of Fort Smith's major federal programs for the fifteen months ended December 31, 2018. The Housing Authority of the City of Fort Smith's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Housing Authority of the City of Fort Smith complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fifteen months ended December 31, 2018.

Report on Internal Control Over Compliance

The management of the Housing Authority of the City of Fort Smith is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Housing Authority of the City of Fort Smith's internal control over compliance with the

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Accordingly, this report is not suitable for any other purpose.


Rector, Reeder & Lofton, PC
Certified Public Accountants

Lawrenceville, Georgia
May 13, 2019

**HOUSING AUTHORITY OF THE CITY OF FORT SMITH
Fort Smith, Arkansas**

STATUS OF PRIOR AUDIT FINDINGS

The prior audit report for the period ended September 30, 2017, contained no formal audit findings.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results:

Financial Statements

Type of report issued on the financial statements:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant Deficiency(ies) identified not considered to be material weaknesses?	None reported
Noncompliance material to the financial statements noted?	No

Federal Awards

Internal controls over major programs:	
Material weakness(es) identified?	No
Significant Deficiency(ies) identified not considered to be material weaknesses?	None reported

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

➤ Section 8 Housing Choice Vouchers Program CFDA #14.871

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
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Did the Authority qualify as a low-risk auditee?	Yes
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Section II – Findings Related to the Financial Statements Required to be reported in Accordance with GAGAS:

NONE REPORTED

Section III – Federal Award Findings and Questioned Costs for Federal Awards:

NONE REPORTED

HOUSING AUTHORITY OF THE CITY OF FORT SMITH
Fort Smith, Arkansas

SUPPLEMENTAL INFORMATION

DECEMBER 31, 2018

**Housing Authority of the City of Fort Smith
Fort Smith, Arkansas**

**FINANCIAL DATA SUBMISSION SUMMARY
NET POSITION ACCOUNTS
December 31, 2018**

<u>Account Description</u>	Blended Component Unit	Home Investment Partnership Program 14.258	Section 8 Moderate Housing Assistance 14.856	Section 8 Housing Choice Vouchers 14.871
ASSETS:				
CURRENT ASSETS:				
Cash:				
Cash - unrestricted	\$ 1,679,764	\$ 350	\$ 325,882	\$ 1,355,895
Cash - restricted	267,270	0	0	76,476
Cash - tenant security deposits	30,716	0	0	0
Cash - restricted for payment of current liabilities	0	0	0	0
Total Cash	<u>1,977,750</u>	<u>350</u>	<u>325,882</u>	<u>1,432,371</u>
Accounts and notes receivables:	340,555			
Accounts receivable - PHA projects	0	0	0	0
Accounts receivable - HUD	0	0	0	0
Accounts receivable - other government	0	0	0	0
Accounts receivable - miscellaneous	341,834	0	10	1,454
Accounts receivable - tenants rents	49,619	0	0	0
Allowance for doubtful accounts-tenants	(43,005)	0	0	0
Allowance for doubtful accounts-other	0	0	0	0
Notes Receivable - current	0	0	0	0
Fraud Recovery	0	0	0	0
Allowance for doubtful accounts - fraud	0	0	0	0
Accrued interest receivable	127,923	0	0	0
Total receivables - net	<u>476,371</u>	<u>0</u>	<u>10</u>	<u>1,454</u>
Current investments:				
Investments - unrestricted	0	0	0	0
Investments - restricted	0	0	0	0
Prepaid expenses and other assets	9,166	0	99	11,608
Inventories	0	0	0	0
Allowance for obsolete inventories	0	0	0	0
Assets held for sale	341,029	0	0	0
Interprogram due from	976	0	0	1,840
TOTAL CURRENT ASSETS	<u>2,805,292</u>	<u>350</u>	<u>325,991</u>	<u>1,447,273</u>
NONCURRENT ASSETS:				
Capital Assets:				
Land	229,884	0	0	0
Buildings	12,215,055	0	0	3,815
Furniture & equipment - dwellings	755,110	0	0	0
Furniture & equipment - administration	122,282	0	0	299,444
Improvements	0	0	0	0
Accumulated depreciation	(6,186,942)	0	0	(100,834)
Total capital assets - net	<u>7,135,389</u>	<u>0</u>	<u>0</u>	<u>202,425</u>
Notes receivable - noncurrent	307,888	311,937	0	0
Other assets	0	0	0	0
Investment in joint ventures	980,962	0	0	0
TOTAL NONCURRENT ASSETS	<u>8,424,239</u>	<u>311,937</u>	<u>0</u>	<u>202,425</u>
TOTAL ASSETS	\$ 11,229,531	\$ 312,287	\$ 325,991	\$ 1,649,698

Business Activities	Elimination	TOTAL
\$ 288,404	\$ 0	\$ 3,650,295
0	0	343,746
0	0	30,716
0	0	0
288,404	0	4,024,757
0	0	0
0	0	0
0	0	0
39,307	0	382,605
0	0	49,619
0	0	(43,005)
0	0	0
0	0	0
0	0	0
0	0	0
0	(127,923)	0
39,307	(127,923)	389,219
0	0	0
0	0	0
615	0	21,488
0	0	0
0	0	0
127,329	0	468,358
86,715	(89,531)	0
542,370	(217,454)	4,903,822
429,492	0	659,376
0	0	12,218,870
0	0	755,110
35,908	0	457,634
0	0	0
(35,908)	0	(6,323,684)
429,492	0	7,767,306
1,205,753	(307,888)	1,517,690
0	0	0
0	0	980,962
1,635,245	(307,888)	10,265,958
\$ 2,177,615	\$ (525,342)	\$ 15,169,780

**Housing Authority of the City of Fort Smith
Fort Smith, Arkansas**

**FINANCIAL DATA SUBMISSION SUMMARY
NET POSITION ACCOUNTS
December 31, 2018**

<u>Account Description</u>	Blended Component Unit	Home Investment Partnership Program 14.258	Section 8 Moderate Housing Assistance 14.856	Section 8 Housing Choice Vouchers 14.871
LIABILITIES AND NET POSITION:				
LIABILITIES:				
CURRENT LIABILITIES:				
Accounts payable < 90 days	\$ 13,229	\$ 0	\$ 0	\$ 0
Accrued salaries/payroll withholding	2,513	0	0	1,347
Accrued compensated absences	3,591	0	1,147	5,105
Accrued interest payable	127,923	0	0	0
Accounts payable - HUD PHA programs	0	0	111,253	0
Accounts payable - other gov.	0	0	0	0
Tenant security deposits	30,716	0	0	0
Unearned revenue	612	0	0	0
Current portion of L-T debt - capital projects	0	0	0	0
Current portion of L-T debt - operating	0	0	0	0
Other current liabilities	121,683	0	0	1,682
Accrued liabilities - other	0	0	0	0
Interprogram (due to)	55,060	0	2,249	32,096
TOTAL CURRENT LIABILITIES	355,327	0	114,649	40,230
NONCURRENT LIABILITIES:				
Long-term debt, net of current - operating	307,888	0	0	0
Long-term debt, net of current - capital	0	0	0	0
Accrued comp. absences - long term	22,261	0	0	20,418
Noncurrent liabilities - other	0	0	0	58,264
Loan liability - noncurrent	0	0	0	0
TOTAL NONCURRENT LIABILITIES	330,149	0	0	78,682
TOTAL LIABILITIES	685,476	0	114,649	118,912
NET POSITION:				
Investment in Capital Assets	7,135,389	0	0	202,425
Restricted - Net Position	267,270	0	0	18,212
Unrestricted - Net Position	3,141,396	312,287	211,342	1,310,149
TOTAL NET POSITION	10,544,055	312,287	211,342	1,530,786
TOTAL LIABILITIES AND NET POSITION	\$ 11,229,531	\$ 312,287	\$ 325,991	\$ 1,649,698

Business Activities	Elimination	TOTAL
\$ 0	\$ 0	\$ 13,229
2,646	0	6,506
5,845	0	15,688
0	(127,923)	0
0	0	111,253
0	0	0
0	0	30,716
0	0	612
140,000	0	140,000
0	0	0
51,871	0	175,236
0	0	0
126	(89,531)	0
<u>200,488</u>	<u>(217,454)</u>	<u>493,240</u>
0	(307,888)	0
0	0	0
20,540	0	63,219
0	0	58,264
0	0	0
<u>20,540</u>	<u>(307,888)</u>	<u>121,483</u>
<u>221,028</u>	<u>(525,342)</u>	<u>614,723</u>
289,492	0	7,627,306
0	0	285,482
<u>1,667,095</u>	<u>0</u>	<u>6,642,269</u>
<u>1,956,587</u>	<u>0</u>	<u>14,555,057</u>
<u>\$ 2,177,615</u>	<u>\$ (525,342)</u>	<u>\$ 15,169,780</u>

**Housing Authority of the City of Fort Smith
Fort Smith, Arkansas**

**FINANCIAL DATA SUBMISSION SUMMARY
REVENUES, EXPENSES, AND CHANGES IN NET POSITION ACCOUNTS
FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2018**

<u>Account Description</u>	Blended Component Unit	Home Investment Partnership 14.258	Section 8 Moderate Housing Assistance 14.856	Section 8 Housing Choice Vouchers 14.871
REVENUES:				
Net tenant rental revenue	\$ 1,921,433	\$ 0	\$ 0	\$ 0
Tenant revenue - other	163,256	0	0	0
Total tenant revenue	2,084,689	0	0	0
HUD PHA grants - operating	0	0	562,363	9,790,836
HUD PHA grants - capital	0	0	0	0
Management fee	0	0	0	0
Asset management fee	0	0	0	0
Bookkeeping fee	0	0	0	0
Other government grants	0	0	0	0
Investment income - unrestricted	1,639	0	46	187
Mortgage interest income	17,143	0	0	6,052
Proceeds from disposition of assets	3,059,935	0	0	0
Cost of assets held for sale	(2,453,274)	0	0	0
Fraud income	0	0	0	50,374
Other revenue	564,057	0	0	27,518
Investment income - restricted	0	0	0	0
Gain/(loss) on disposition	32,424	0	0	(1,062)
TOTAL REVENUES	\$ 3,306,613	\$ 0	\$ 562,409	\$ 9,873,905
EXPENSES:				
Administrative				
Administrative salaries	\$ 535,514	\$ 0	\$ 13,666	\$ 268,779
Auditing fees	9,677	0	1,192	7,993
Management fees	389,158	0	9,624	285,900
Bookkeeping fees	8,498	0	6,085	180,362
Advertising & marketing	1,248	0	4	98
Employee benefits - administrative	165,762	0	4,323	82,669
Office expense	39,000	0	3,281	79,262
Legal expense	4,043	0	158	3,810
Travel expense	1,179	0	387	9,291
Other operating - administrative	60,987	0	625	16,899
Total Administrative Expense	1,215,066	0	39,345	935,063
Asset management fee	0	0	0	0
Tenant services				
Tenant services - salaries	0	0	0	0
Relocation costs	0	0	0	0
Employee benefits - tenant services	0	0	0	0
Other tenant services	4,264	0	3	61
Total Tenant Services	4,264	0	3	61

Business Activites	Family Self Sufficiency Grant 14.896	Elimination	TOTAL
\$ 0	\$ 0	\$ (1,111,205)	\$ 810,228
<u>0</u>	<u>0</u>	<u>0</u>	<u>163,256</u>
0	0	(1,111,205)	973,484
0	65,140	0	10,418,339
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	1,872
38,127	0	(17,143)	44,179
0	0	0	3,059,935
0	0	0	(2,453,274)
0	0	0	50,374
1,003,436	0	(876,021)	718,990
0	0	0	0
24,819	0	0	56,181
<u>\$ 1,066,382</u>	<u>\$ 65,140</u>	<u>\$ (2,004,369)</u>	<u>\$ 12,870,080</u>

\$ 588,055	\$ 45,651	\$ 0	\$ 1,451,665
4,329	0	0	23,191
0	0	(684,682)	0
2,225	0	(184,703)	12,467
0	0	0	1,350
171,262	19,489	0	443,505
40,114	0	(52,460)	109,197
1,950	0	0	9,961
5,810	0	0	16,667
21,500	0	(6,636)	93,375
<u>835,245</u>	<u>65,140</u>	<u>(928,481)</u>	<u>2,161,378</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
0	0	0	0
0	0	0	0
0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>4,328</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>4,328</u>

**Housing Authority of the City of Fort Smith
Fort Smith, Arkansas**

**FINANCIAL DATA SUBMISSION SUMMARY
REVENUES, EXPENSES, AND CHANGES IN NET POSITION ACCOUNTS
FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2018**

<u>Account Description</u>	Blended Component Unit	Home Investment Partnership 14.258	Section 8 Moderate Housing Assistance 14.856	Section 8 Housing Choice Vouchers 14.871
Utilities				
Water	184,247	0	0	0
Electricity	155,665	0	0	0
Gas	9,579	0	0	0
Sewer	0	0	0	0
Other utilities	48,834	0	0	0
Employee benefits - utilities	0	0	0	0
Total Utilities Expense	398,325	0	0	0
Ordinary Maintenance & Operation				
Labor	175,142	0	0	0
Materials	116,327	0	80	2,057
Employee benefit contributions	77,621	0	0	0
Contract costs - garbage removal	0	0	0	0
Contract costs - heating & cooling	286	0	0	0
Contract costs - snow removal	0	0	0	0
Contract costs - elevator maintenance	0	0	0	0
Contract costs - landscape maintenance	75,565	0	0	0
Contract costs - unit turnaround	0	0	0	0
Contract costs - electrical	3,930	0	0	0
Contract costs - plumbing	1,007	0	0	0
Contract costs - extermination	13,307	0	0	0
Contract costs - janitorial	15,300	0	0	0
Contract costs - routine maintenance	8,980	0	0	0
Contract costs	46,177	0	140	3,360
Total Ordinary Maintenance & Operation	533,642	0	220	5,417
Protective services				
Protective services - salaries	0	0	0	0
Employee benefits - protective services	0	0	0	0
Other protective services	0	0	0	0
Total Protective Services	0	0	0	0
Insurance Premiums				
Property insurance	51,032	0	0	0
Liability insurance	31,034	0	1,195	25,535
Workmen's compensation	0	0	0	0
Insurance - other	22,837	0	46	10,753
Total Insurance Premiums	104,903	0	1,241	36,288

Business Activites	Family Self Sufficiency Grant 14.896	Elimination	TOTAL
0	0	0	184,247
0	0	0	155,665
0	0	0	9,579
0	0	0	0
0	0	0	48,834
0	0	0	0
0	0	0	398,325
0	0	0	175,142
156	0	0	118,620
0	0	0	77,621
0	0	0	0
0	0	0	286
0	0	0	0
0	0	0	0
27,300	0	0	102,865
0	0	0	0
0	0	0	3,930
0	0	0	1,007
0	0	0	13,307
0	0	0	15,300
0	0	0	8,980
14,249	0	0	63,926
41,705	0	0	580,984
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
2,886	0	0	53,918
3,623	0	0	61,387
0	0	0	0
35,640	0	0	69,276
42,149	0	0	184,581

**Housing Authority of the City of Fort Smith
Fort Smith, Arkansas**

**FINANCIAL DATA SUBMISSION SUMMARY
REVENUES, EXPENSES, AND CHANGES IN NET POSITION ACCOUNTS
FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2018**

<u>Account Description</u>	Blended Component Unit	Home Investment Partnership 14.258	Section 8 Moderate Housing Assistance 14.856	Section 8 Housing Choice Vouchers 14.871
General Expenses				
Other general expense	5,648	0	1	25
Compensated absences	28,426	0	547	24,435
Payments in lieu of taxes	1,182	0	0	0
Bad debt - tenant rents	36,437	0	0	0
Bad debt - mortgages	0	25,808	0	0
Bad debt - other	(882)	0	0	0
Severance expense	0	0	0	0
Total General Expenses	70,811	25,808	548	24,460
Financial Expenses				
Interest expense - Mortgage Payable	17,143	0	0	0
Interest expense - Notes Payable	0	0	0	0
Amortization - issuance costs	0	0	0	0
Total Financial Expenses	17,143	0	0	0
TOTAL OPERATING EXPENSE	2,344,154	25,808	41,357	1,001,289
EXCESS OPERATING REVENUE	962,459	(25,808)	521,052	8,872,616
Other Expenses				
Extraordinary maintenance	0	0	0	0
Casualty losses	0	0	0	0
Housing assistance payments	0	0	499,123	8,909,066
Depreciation expense	514,581	0	0	85,094
Total Other Expenses	514,581	0	499,123	8,994,160
TOTAL EXPENSES	\$ 2,858,735	\$ 25,808	\$ 540,480	\$ 9,995,449
EXCESS OF REVENUE OVER EXPENSES	\$ 447,878	\$ (25,808)	\$ 21,929	\$ (121,544)
Operating transfer - in	0	0	0	0
Operating transfer - out	0	0	0	0
Transfer of equity	0	0	0	0
Prior period adjustments	0	0	0	0
Beginning Net Position	10,096,177	338,095	189,413	1,652,330
Ending Net Position	\$ 10,544,055	\$ 312,287	\$ 211,342	\$ 1,530,786
Administrative Fund Equity	0	0	0	1,512,574
Housing Choice Voucher Equity	0	0	0	18,212
Units Available	4,320	0	1,005	24,440
Units Leased	4,068	0	802	24,291

Business Activites	Family Self Sufficiency Grant 14.896	Elimination	TOTAL
753	0	0	6,427
23,522	0	0	76,930
0	0	0	1,182
0	0	0	36,437
0	0	0	25,808
826	0	0	(56)
0	0	0	0
25,101	0	0	146,728
6,384	0	(17,143)	6,384
0	0	0	0
0	0	0	0
6,384	0	(17,143)	6,384
950,584	65,140	(945,624)	3,482,708
115,798	0	(1,058,745)	9,387,372
0	0	0	0
0	0	0	0
0	0	(1,058,745)	8,349,444
5,084	0	0	604,759
5,084	0	(1,058,745)	8,954,203
\$ 955,668	\$ 65,140	\$ (2,004,369)	\$ 12,436,911
\$ 110,714	\$ 0	\$ 0	\$ 433,169
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
1,845,873	0	0	14,121,888
\$ 1,956,587	\$ 0	\$ 0	\$ 14,555,057
0	0	0	1,512,574
0	0	0	18,212
0	0	0	29,765
0	0	0	29,161

**HOUSING AUTHORITY OF THE CITY OF FORT SMITH
Fort Smith, Arkansas**

**SCHEDULE OF EXPENDITURES OF FEDERAL FINANCIAL AWARDS
FOR THE YEAR FIFTEEN MONTHS DECEMBER 31, 2018**

	<u>Type</u>	<u>Federal CFDA #</u>	<u>Expenditures</u>
<u>FEDERAL GRANTOR</u>			
<u>U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT:</u>			
Section 8 Housing Assistance Program:			
Section 8 Housing Choice Vouchers	A - Major	14.871	\$ 9,790,836
Section 8 Moderate Rehabilitation Program	B - Nonmajor	14.856	562,363
Family Self Sufficiency Grant Program	B - Nonmajor	14.896	<u>65,140</u>
TOTAL FEDERAL FINANCIAL AWARDS			\$ <u>10,418,339</u>
Threshold for Type A & Type B			\$ <u>750,000</u>

The accompanying notes to the schedule of federal financial awards is an integral part of this schedule.

HOUSING AUTHORITY OF THE CITY OF FORT SMITH
Fort Smith, Arkansas

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2018

NOTE A - BASIS OF PRESENTATION:

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

NOTE B - SUB-RECIPIENTS:

The Housing Authority of the City of Fort Smith provided no federal awards to sub-recipients during the fiscal year ending December 31, 2018.

NOTE C - DISCLOSURE OF OTHER FORMS OF ASSISTANCE:

- The Housing Authority of the City of Fort Smith received no federal awards of non-monetary assistance that are required to be disclosed for the fifteen months ended December 31, 2018.
- The Housing Authority of the City of Fort Smith had no loans, loan guarantees, or federally restricted endowment funds required to be disclosed for the fifteen months ended December 31, 2018.
- The auditee did not elect to use the 10% de minimis cost rate.
- The Housing Authority of the City of Fort Smith maintains the following limits of insurance as of December 31, 2018:

Property	\$	19,446,000
Liability	\$	1,000,000
Director and Officers	\$	1,000,000
Commercial Auto	\$	500,000
Workers Compensation		Statutory
Crime	\$	50,000

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