Oliver Springs Housing Authority
Oliver Springs, Tennessee

Financial Statements
and
Supplemental Financial Information

Year Ended September 30, 2018

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Introductory Section

Oliver Springs Housing Authority
Roster of Management Officials and Board of Commissioners
September 30, 2018

Management Officials	Title
Karen Leffew	Executive Director

Board of Commissioners	Title
Tracy Knaff	Chairman
Tim McKeethan	Vice Chairman
Clarence Seay	Commissioner
Barbara Sander	Commissioner
Jason Stiltner	Commissioner

Financial Section

MILLER & ROSE, PA
CERTIFIED PUBLIC ACCOUNTANTS

STEAVEN E. MILLER, JR., CPA
L. SCOTT ROSE, CPA

1309 E. RACE AVENUE
SEARCY, AR 72143

T. 501.268.8356
F. 501.268.9362

Independent Auditors' Report

Board of Commissioners
Oliver Springs Housing Authority
113 Wagner Court
Oliver Springs, TN 37840

Report on the Financial Statements

We have audited the accompanying financial statements of Oliver Springs Housing Authority as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in 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 basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Oliver Springs Housing Authority as of September 30, 2018, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Oliver Springs Housing Authority. The accompanying financial information listed as the introductory section and the supplemental financial information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory section and the supplemental financial information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the introductory section and the supplemental financial information are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2019, on our consideration Oliver Springs Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the 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 entity's internal control over financial reporting and compliance.

Miller & Rose, P.A.

June 10, 2019

Miller & Rose, P.A.
Certified Public Accountants

Oliver Springs Housing Authority

Oliver Springs, TN
Management's Discussion and Analysis
September 30, 2018

Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their *Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued June 1999.

Financial Highlights

The most significant changes on the 2018 financial statements were in the expendable fund balance, and revenue.

Overview of the Financial Statements

The annual report includes a Management Discussion and Analysis report, the Basic Financial Statements, the Notes to the Financial Statements, and the Financial Data Schedule (FDS) as referenced in the section of Supplemental Information Required by HUD. The financial statements are presented as fund level financial statements because the Housing Authority only has proprietary funds.

The financial statements report information using accounting methods like those used by private sector companies. These statements offer short-term and long-term financial information about the Housing Authority's activities. The Statement of Net Position includes assets and liabilities plus provides information about the nature and amounts of investments in resources (assets) and obligations to creditors (liabilities). It also provides the basis for evaluating capital structure to include assessing liquidity and financial flexibility.

For accounting purposes, the Housing Authority is classified as an enterprise fund. Enterprise funds account for activities like those found in the private business sector where the determination of net position is necessary or useful to sound financial administration. Enterprise funds are reported using the full accrual method of accounting in which assets and liabilities, associated with the operation of these funds, are included on the balance sheet. Their focus is on income measurement which, together with the maintenance of equity, is an important financial indicator. Our discussion and analysis provides an overview of the financial activities and performance for year-end September 30, 2018.

All the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Fund Net Position. This statement measures the ability of management to meet budgets, maintain property (meets HUD specifications and inspections), and determines whether the Housing Authority has successfully recovered costs through its rental fees and other charges. It can also be used to measure profitability and credit worthiness.

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities. It also provides answers to such questions as the source, spending, and change in cash during the reporting period.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

The section Supplemental Information Required by HUD contains the Financial Data Schedule (FDS). HUD has established Uniform Financial Reporting Standards that require the Housing Authority to submit financial information electronically to HUD using the FDS format.

Financial Analysis

One of the most important questions concerning finances is the following; "Is the Housing Authority as a whole better, or worse, because of the achievements of the reported fiscal year?" The purpose of the information presented in this Management's Discussion and Analysis is to assist the reader in answering this question.

The basic financial statements are the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Fund Net Position. The Statement of Net Position provides a summary of assets and liabilities as of the close of business on September 30, 2018. The Statement of Revenues, Expenses, and Changes in Fund Net Position summarize the revenues, and sources of those revenues generated, and the expenses incurred in operating the Housing Authority for the year-ended September 30, 2018.

Oliver Springs Housing Authority has a low-rent program that provides housing for qualified tenants and a capital fund program for improvements to its low-rent property. The following analysis focuses on the net position and the change in net position not the individual programs.

Net Position

September 30,

	2018	2017	Change	% of Change
Current Assets	$ 477,095	$ 731,856	$ (254,761)	-34.81%
Capital Assets, Net	2,503,775	2,449,030	54,745	2.24%
Total Assets	**$ 2,980,870**	**$ 3,180,886**	**$ (200,016)**	-6.29%
Current Liabilities	108,501	87,621	20,880	23.83%
Noncurrent Liabilities	4,442	4,697	(255)	-5.43%
Total Liabilities	**$ 112,943**	**$ 92,318**	**$ 20,625**	22.34%
Net Position:				
Investment in Capital Assets	2,503,775	2,449,030	54,745	2.24%
Unrestricted Net Position	364,152	639,538	(275,386)	-43.06%
Total Net Position	**$ 2,867,927**	**$ 3,088,568**	**$ (220,641)**	-7.14%

Capital Assets
(Net of Accumulated Depreciation)
September 30,

	2018	2017	Change	% of Change
Land	$ 35,183	$ 35,183	$ 0	0.00%
Buildings	5,705,296	5,638,875	66,421	1.18%
Furniture & Equipment - Dwell	66,950	66,950	0	0.00%
Furniture & Equipment - Admin	194,322	184,947	9,375	5.07%
Leasehold Improvements	939,969	939,969	0	0.00%
Construction in Progress	268,947	66,420	202,527	304.92%
Subtotal	7,210,667	6,932,344	278,323	4.01%
Accumulated Depreciation	(4,706,892)	(4,483,314)	(223,578)	4.99%
Net Capital Assets	**$ 2,503,775**	**$ 2,449,030**	**$ 54,745**	2.24%

Net Position

Total assets consist of current and capital assets. Current assets are resources that are reasonably expected, based on plans and intentions, to be converted into cash or its equivalent during the current operating cycle. Capital assets are long-term tangible assets obtained because of past transactions, events, or circumstances and include buildings, equipment, and improvements to buildings and land.

Total liabilities consist of current and noncurrent payables. Current liabilities are current debts that are owed and due within 12 months. It is expected that current liabilities will consume current financial resources to satisfy debt. Noncurrent liabilities are debts that are owed but not due within 12 months. It is not expected that these liabilities will consume current financial resources to satisfy the debt.

Available assets were used to cover part of operating expense which decreased total assets. Total liabilities increased due to vendor and accrued wage/payroll taxes payables.

Total Net Position

As of September 30, 2018, the Housing Authority had $2,867,927 invested in total net position. Of this amount, $364,152 of unrestricted net position may be used to meet the Authority's future ongoing expenses and obligations. The remainder of $2,503,775 represents the investment in capital assets of land, buildings, furnishings, leasehold improvements, equipment, and construction in progress.

Debt

The Authority had no long-term obligations such as notes or bonds payable.

Expendable Fund Balance

	2018	2017	Change	% of Change
Expendable Fund Balance	$ 368,594	$ 642,787	$ (274,193)	-42.66%
Number of Months Expendable Fund	5.01	9.21	(4.21)	-45.65%

Expendable Fund Balance

If current assets, less materials inventory, were converted to cash and all current liabilities were paid, the Authority's cash balance (expendable fund balance) would be $368,594 which decreased $274,193.

Number of Months Expendable Fund Balance

The expendable fund balance is divided by average monthly expense (total expenses for the year, less depreciation, divided by twelve (12)) in order to determine the number of months expendable fund balance. This factor indicates the number of months the entity could operate without relying on additional funding. As of the fiscal year-end, the Authority could continue operations for 5.01 months.

Changes in Net Position

For the Year Ended September 30

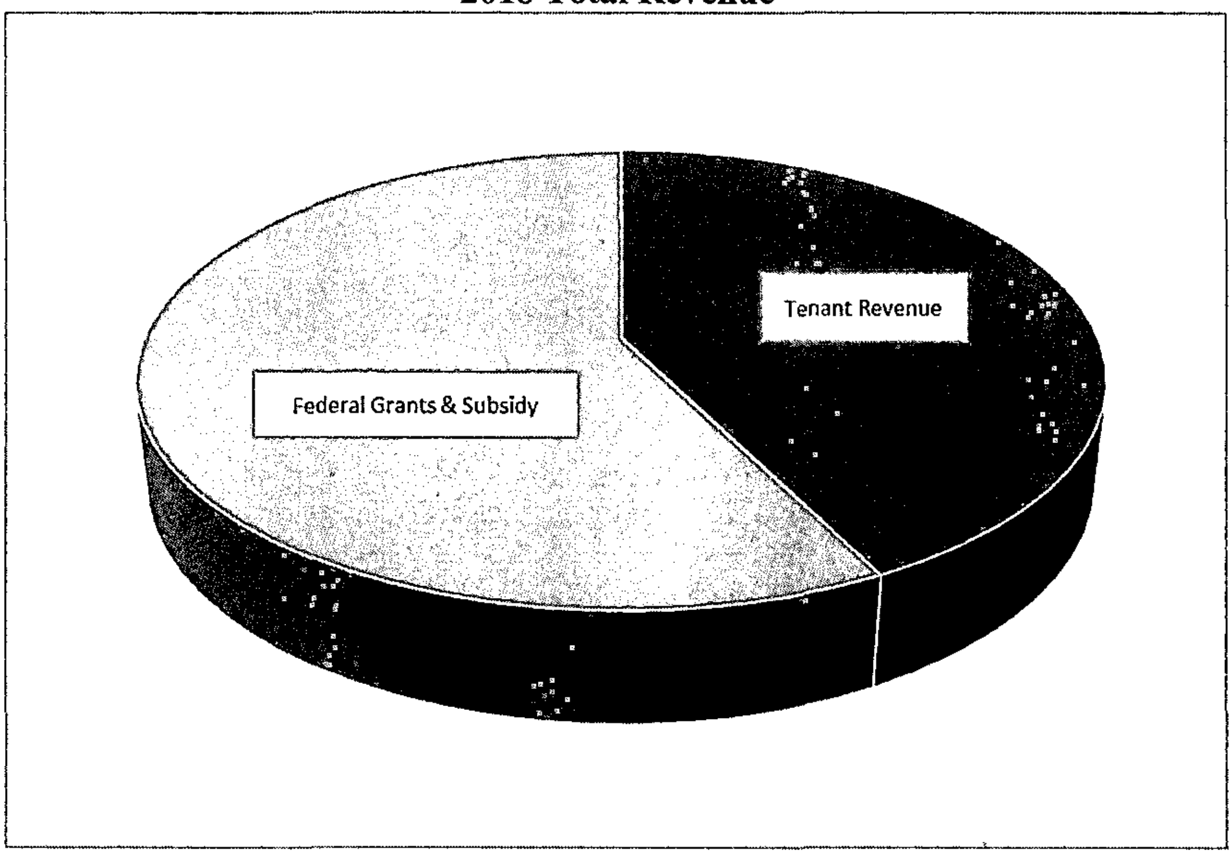
	2018	2017	Change	% of Change
Revenue:				
Tenant Revenue	$ 371,628	$ 353,331	$ 18,297	5.18%
Federal Grants & Subsidy	502,765	139,777	362,988	259.69%
Investment	800	296	504	170.27%
Other Income	11,224	5,497	5,727	104.18%
Total Revenue	**886,417**	**498,901**	**387,516**	77.67%
Expenses:				
Administrative	324,182	365,883	(41,701)	-11.40%
Tenant Services	14,565	14,827	(262)	-1.77%
Utilities	174,728	150,841	23,887	15.84%
Routine Maintenance	217,422	217,643	(221)	-0.10%
Protective Services	0	140	(140)	-100.00%
General	106,934	74,857	32,077	42.85%
Non-Routine	45,649	13,152	32,497	247.09%
Depreciation	223,578	219,813	3,765	1.71%
Total Operating Expenses	**1,107,058**	**1,057,156**	**49,902**	4.72%
Increase (Decrease) in Net Position	$ **(220,641)**	$ **(558,255)**	$ **337,614**	-60.48%

Changes in Net Position

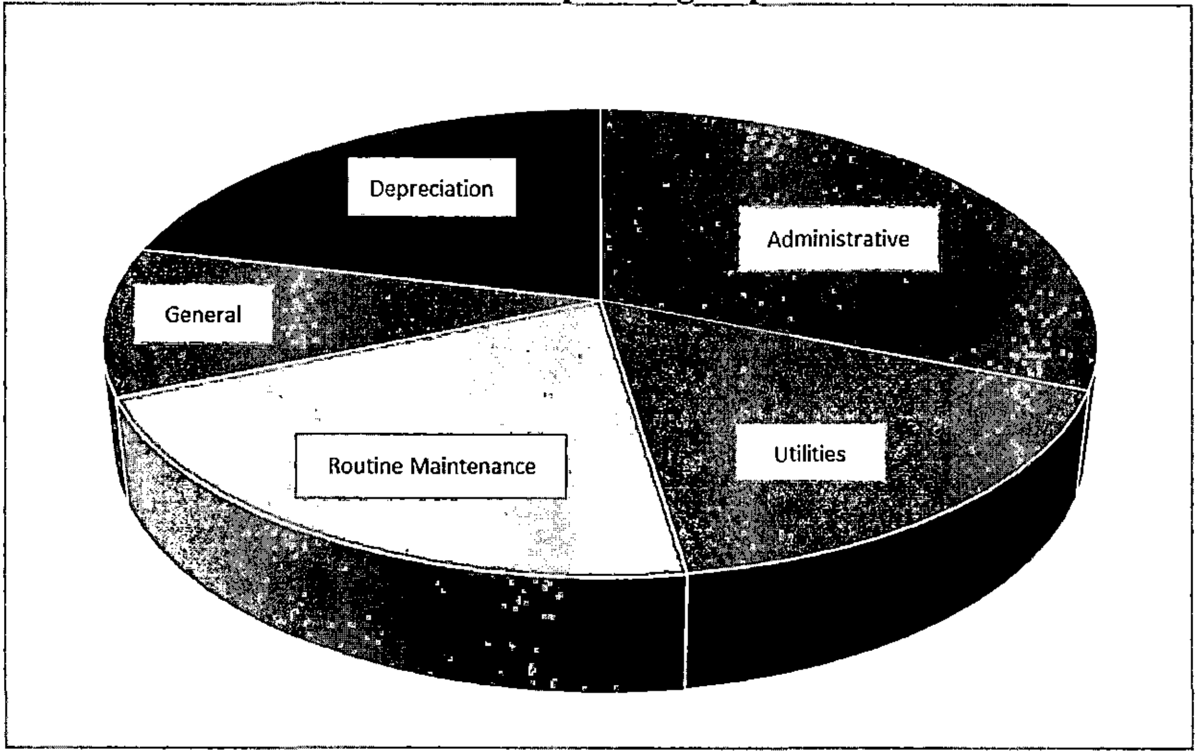
Total revenue increased due to average monthly tenant rental rates, capital grant projects in progress, and operating revenues received in 2018 as compared to 2017. Total operating expense increased due to flood insurance premiums, nonroutine maintenance repairs, and replacement of non-depreciable equipment.

Investment revenue, other income, tenant services expense, and non-routine expense had minimal effects on the 2018 financial statements which were not included in the following graphs.

2018 Total Revenue



2018 Total Operating Expenses



Economic Factors

The Housing Authority is primarily dependent upon HUD for the funding of operations. The entity is affected by both federal budgetary decisions and by local economic conditions.

Contacting the Housing Authority's Financial Management

Our financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Authority's finances and to show accountability for money it receives. If you have questions or need further clarification regarding the financial statements, contact Ms. Karen Leffew, Executive Director, Oliver Springs Housing Authority, 113 Wagner Court, Oliver Springs, TN 37840-1704, telephone number (865)435-1711.

Basic Financial Statements

Oliver Springs Housing Authority
Statement of Net Position
Proprietary Funds
September 30, 2018

ASSETS	
Current Assets	
Cash	$ 275,159
Restricted cash	29,580
Total cash	304,739
Investments	119,930
Receivables	
Tenants, net of allowance for doubtful accounts	1,393
Other governments	16,075
Prepaid expenses	34,958
Total current assets	477,095
Noncurrent Assets	
Capital Assets	
Nondepreciable	304,130
Depreciable, net of accumulated depreciation	2,199,645
Total noncurrent assets	2,503,775
Total Assets	2,980,870
LIABILITIES	
Current Liabilities	
Accounts payable	40,712
Security deposits	29,580
Accrued liabilities	13,317
Current portion of accrued compensated absences	494
Unearned revenue	7,950
Due to other governments	16,448
Total current liabilities	108,501
Noncurrent Liabilities	
Compensated absences, net of current portion	4,442
Total noncurrent liabilities	4,442
Total Liabilities	112,943
NET POSITION	
Investment in capital assets	2,503,775
Unrestricted	364,152
Total net position	$ 2,867,927

See accompanying notes.

Oliver Springs Housing Authority
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended September 30, 2018

Operating Revenues	
Tenant revenue, gross	$ 371,628
Less: bad debts	(20,049)
Tenant revenue, net	351,579
Governmental operating grants	$ 224,443
Miscellaneous	11,224
Total operating revenues	587,246
Operating Expenses	
Administrative	324,182
Tenant services	14,565
Utilities	174,728
Maintenance	217,422
Insurance	70,437
General	16,448
Other operating expenses	45,649
Depreciation	223,578
Total operating expense	1,087,009
Operating Income (Loss)	(499,763)
Non-Operating Revenues (Expenses)	
Interest income	800
Total non-operating revenue (expenses)	800
Income (loss) before contributions	(498,963)
Capital Contributions	278,322
Increase (decrease) in net position	(220,641)
Net Position - Beginning of Period	3,088,568
Net Position - End of Period	$ 2,867,927

See accompanying notes.

Oliver Springs Housing Authority
Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2018

Cash Flow from Operating Activities	
Receipts from tenants	$ 360,566
Operating subsidies	280,977
Payments to suppliers	(599,871)
Payments to employees	(243,482)
Other receipts (payments)	140,603
Net cash provided (used) by operating activities	(61,207)
Cash Flows from Capital and Related Financing Activities	
Purchases of capital assets	(268,947)
Capital contributions	278,322
Equipment	(9,375)
Net cash provided (used) by capital and related financing activities	-
Cash Flows from Investing Activities	
Purchase of investments	(716)
Interest earned on invested cash	800
Net cash provided (used) by investing activities	84
Net Increase (Decrease) in Cash and Cash Equivalents	(61,123)
Cash and Cash Equivalents - Beginning of Year	365,862
Cash and Cash Equivalents - End of Year	$ 304,739
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities	
Operating income (loss)	$ (499,763)
Adjustments Not Affecting Cash	
Depreciation and amortization	223,578
Change in Assets and Liabilities	
(Increase) Decrease in accounts receivable - tenants	13,450
(Increase) Decrease in fraud receivable	129,379
(Increase) Decrease in receivables - other governments	56,534
(Increase) Decrease in inventories	1,448
(Increase) Decrease in prepaid expenses	(6,457)
Increase (Decrease) in accounts payable	17,108
Increase (Decrease) in accrued expenses	8,094
Increase (Decrease) in accrued compensated absences	(283)
Increase (Decrease) in security deposits	(1,759)
Increase (Decrease) in unearned revenue	(2,704)
Increase (Decrease) in due to other governments	168
Total adjustments	438,556
Net Cash Provided by (Used In) Operating Activities	$ (61,207)

See accompanying notes.

Oliver Springs Housing Authority
Notes to the Financial Statements
September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction.

The financial statements of the Oliver Springs Housing Authority are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Oliver Springs Housing Authority are discussed below.

Under the United States Housing Act of 1937, as amended, the U.S. Department of Housing and Urban Development (HUD) has direct responsibility for administering low income housing programs in the United States. Accordingly, HUD has contracted with the entity to administer certain HUD funds.

A. Reporting Entity.

These financial statements present the net position and results of operations of Oliver Springs Housing Authority, a primary government. There are no component units to be included in the Oliver Springs Housing Authority's reporting entity.

B. Basic Financial Statements.

The authority is a public corporation, legally separate, fiscally independent and governed by a Board of Commissioners. As such, Oliver Springs Housing Authority is considered a special-purpose government. All activities of authority are considered business type activities.

All activities of the authority are reported as a proprietary fund type. The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The entity's proprietary fund authority is classified as an enterprise fund.

An enterprise funds is required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

The Oliver Springs Housing Authority is considered to be a special-purpose government since its existence is to satisfy a very specific and narrow purpose. As such, the authority presents a single set of enterprise fund financial statements. The Statement of Net Position is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

The authority's net position is reported in three components:

1. Investment in capital assets – Consists of the historical cost of capital assets and related deferred outflows of resources, net of accumulated depreciation and related deferred inflows of resources and reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction, or improvements of those assets.
2. Restricted net position – Net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as creditors, grantors, contributors, or laws and regulations of other governments. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.
3. Unrestricted net position – Consists of all other net position that does not meet the definition of the above two components and is available for general use.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Authority Activities.

The authority is administering the following activities and programs:

Public Housing (commonly referred to as Low-income housing or Low Rent) - The Public Housing Program provides and operates cost-effective, decent, safe and affordable housing to low-income households. The Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD who provides Operating Subsidy and Capital Grant funding to enable the PHA to provide the housing at a rent that is based upon 30% of household income. The Public Housing Program also includes the Capital Fund Program (CFP), which is the primary funding source for physical and management improvements to the Authority's properties. The Capital Fund Program provides annual grant funds to the Authority for capital and management activities including modernization and correcting physical deficiencies. The CFP is awarded non-competitively and is based upon a formula that considers existing and accrual (future) modernization needs of the Authority.

D. Accrual Basis of Accounting.

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

E. Budget.

Enterprise Fund service delivery levels are determined by the extent of consumer demand. Because Enterprise Fund revenues and expenses fluctuate with changing service delivery levels, generally accepted accounting principles do not require the financial statements to include budgetary comparisons and, accordingly, these comparisons have not been included.

Budgets are prepared for regulatory purposes in accordance with the Authority's contract with HUD. The entity prepares annual budgets for each program. Prior to the beginning of each budget year, the entity's annual budget is approved by the entity's governing body. Budgetary amendments require approval by the governing body. All budgetary appropriations lapse at the end of each year. Budgets for Capital Fund Programs are approved in the Authority's 5-year and annual plans.

F. Financial Statement Amounts.

1. Cash and Cash Equivalents. The Oliver Springs Housing Authority defines cash to include certificates of deposit, money market accounts, savings accounts, demand deposits, and other short-term securities with original maturities of three months or less; consequently, the cost, carrying value, and market value are equivalent.

2. Investments. The authority defines investments to include certificates of deposit with maturities of greater than three months; consequently, the cost, carrying value, and market value are equivalent.

3. Accounts Receivable. Accounts receivable consists of amounts due from tenants for rental, excess utilities and repair charges. The accounts receivable are stated net of an allowance for doubtful accounts of $2,472.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Due from Other Governments. Due from other governments consists of amounts due from HUD for operational subsidies. No provision for an allowance for doubtful accounts has been made since these amounts are considered fully collectible.

5. Restricted Assets. Restricted assets consist of cash and investments that are held in trust or to satisfy specific program or purpose restrictions.

6. Capital Assets. Capital assets purchased or acquired with an original cost of $500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Land improvements	10-15 Years
Buildings	40 Years
Buildings - refurbishing and improvements	20-40 Years
Furniture and equipment - dwelling	7 Years
Furniture and equipment - administrative	3-7 Years

7. Construction in Progress. Construction in progress consists of expenditures under HUD's Capital Fund Program (CFP). Certain expenditures under these programs are not capitalizable expenditures, and therefore are expensed as incurred.

8. Security Deposit. Security deposits consist of amounts held in trust with the Oliver Springs Housing Authority in order for tenants to secure apartment leases.

9. Compensated Absences. The authority's policy allows employees to accumulate vacation leave up to 40 hours. Sick leave is not paid upon termination, but will be paid only upon illness while employed.

10. Due to Other Governments. Due to other governments consists of amounts due local governments for payments in lieu of taxes (PILOT).

11. Long-term Liabilities. Long-term liabilities expected to be financed from proprietary funds are accounted for in the proprietary fund. Expenditures related to such debt are also included in the proprietary fund.

12. Defining Operating Revenues and Expenses. The authority distinguishes between operating and nonoperating revenues and expenses. Operating revenues and expenses consist of charges for services and the costs of provided those services, including depreciation and excluding interest cost. All other revenues and expenses are reported as nonoperating.

13. Revenues. All authority revenues are accrued. These revenues consist of user charges for rents, utilities, repairs and other miscellaneous charges. Monies received from customers for security deposits are recorded as a liability upon receipt. Tenant revenue is reported net of bad debts in the amount of $20,049.

    Subsidies and grants, which finance current operations, are reported as operating revenues. Subsidies and grants, which finance capital operations, are reported as non-operating revenues. Revenues for government-mandated and voluntary exchange transaction are recorded when all applicable eligibility requirements, including time requirements are met. Resources received before all eligibility requirements are met are reported as deferred inflows of resources.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

14. Expenditures. Expenditures are recognized when the liability is incurred. Inventory costs are reported in the period when inventory items are used, rather than in the years purchased.

15. Depreciation. Depreciation expense of $223,578 has been recognized during the year ended September 30, 2018.

16. Income taxes. The authority is not subject to federal or state income taxes.

17. Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles as applied to governmental units require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits

All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Public fund accounts covered by the pool are considered to be insured for purposes of custodial credit risk exposure.

For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that all deposits in excess of federally insured amounts be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the Authority.

Investments

Investing is performed in accordance with HUD regulations and State Statues. Funds may be invested in the following type of investments:

1. Direct obligations of the United States pledged by its full faith and credit.
2. Obligations of Federal government agencies and government sponsored agencies.
3. Demand, savings, money-market, certificates of deposit, and Super NOW deposits at federally chartered banks, and savings and loan association.
4. Certain municipal depositary funds and local government investment pools provided that all investments made by these funds or pools are on approved list of investment securities. The entity must limit its investments in this category to no more than 30 percent of the entity's available investment funds.
5. Certain repurchase agreements in accordance with state law.

Investments at September 30, 2018 consist of the following:

Type of Investments	Fair Value/ Carrying Value	Cost
Certificates of deposits at federally insured depositories	$ 119,930	$ 119,930

NOTE 3 - RESTRICTED CASH

Restricted cash consist of the following:

Security deposits	$ 29,580

NOTE 4 - CAPITAL ASSETS

Changes in capital assets are as follows:

	Beginning Balance	Additions	Reclassifications and Retirements	Ending Balance
Capital assets not being depreciated:				
Land	$ 35,183	$ 0	$ 0	$ 35,183
Construction in progress	66,421	268,947	(66,421)	268,947
Total capital assets not being depreciated	101,604	268,947	(66,421)	304,130
Capital assets being depreciated:				
Land improvements	939,969	0	0	939,969
Building	5,638,875	0	66,421	5,705,296
Equipment	251,897	9,375	0	261,272
Total capital assets being depreciated	6,830,741	9,375	66,421	6,906,537
Less accumulated depreciation for:				
Land improvements	(803,919)	(12,385)	0	(816,304)
Building	(3,485,695)	(191,796)	0	(3,677,491)
Equipment	(193,700)	(19,397)	0	(213,097)
Total accumulated depreciation	(4,483,314)	(223,578)	0	(4,706,892)
Total capital assets being depreciated, net	2,347,427	(214,203)	0	2,199,645
Total business-type activities capital assets, net	$ 2,449,031	$ 54,744	$ 0	$ 2,503,775

Construction in progress is composed of expenditures related to major renovation of certain buildings owned by the entity, said renovation to be fully financed by grants from HUD.

All land and buildings are encumbered by a Declaration of Trust in favor of the United States of America as security for obligations guaranteed by the federal government and to protect other interests of the federal government.

NOTE 5 - NONCURRENT LIABILITIES

Noncurrent liabilities consist of the following:

	Interest Rate	Principal Balance
Compensated absences	None	$ 4,936
Less current portion		(494)
Net noncurrent liabilities		$ 4,442

Accrued compensated absences consist of estimated liability for employees accrued vacation and sick leave for which employees are entitled to be paid upon termination.

Changes in noncurrent liabilities are as follows:

Description	Beginning Balance	Additions	Reductions	Ending Balance	One Year
Compensated absences	$ 5,219	$ 0	$ (283)	$ 4,936	$ 494

NOTE 6 - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the Authority insures itself against loss by purchase of commercial insurance and participation in a public entity risk pool. The Authority also insures itself against workers' compensation claims through participation in a public entity risk pool. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The Authority participates in the public entity risk pool managed by the Tennessee Housing Authority Risk Management Trust (THARMT) for its property and liability risk of loss coverage. The Authority, along with other participating entities, is responsible for paying annual premiums to the pool as determined by THARMT. The pool administers the pooled resources to provide risk of loss protection for each participating municipality by purchasing commercial excess insurance.

The Authority participates in the public entity risk pool managed by the Tennessee Municipal League Risk Management Pool (TML) for its workers compensation risk of loss coverage. The Authority, along with other participating entities, is responsible for paying annual premiums to the pool as determined by TML. The pool administers the pooled resources to provide risk of loss protection for each participating municipality by purchasing commercial excess insurance.

NOTE 7 - RETIREMENT PLAN

The entity provides pension benefits for all of its full-time employees through the Housing Renewed and Local Agency Retirement Plan (the "Plan"). The Plan is a single-employer defined contribution plan and is administered by the Oliver Springs Housing Authority. The Plan was established September 1, 1994 and is authorized and may be amended by the entity's Board of Commissioners.

In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings, and the forfeitures of other participant's benefits that may be allocated to such participant's account. Forfeitures of accounts of not fully vested terminated participants in excess of plan expenses shall be reallocated among the accounts of the remaining participants in accordance with the plan. There are no forfeitures reflected in pension expense recognized by the employer during the current fiscal year. Employees are eligible to participate after a three -month exclusionary period. The employee contributes 1% and the entity contributes 13.5% of the employee's base salary each month. The entity's contributions for each employee (and interest allocated to the employee's account) are vested 20% annually for each year of participation. An employee is fully vested after five years of participation.

The entity's total payroll in fiscal year ended September 30, 2018 was $243,199. The entity's contributions were calculated using the base salary amount of $90,616. Contributions to the plan were $906 and $12,233 by the employee and the entity, respectively.

NOTE 8 - COMMITMENTS

Commitments arise primarily from construction in progress. All project funds are provided by grant from HUD; therefore no additional funding is required to satisfy outstanding commitments at September 30, 2018.

NOTE 9 - CONTINGENCIES

The entity is subject to possible examinations made by federal regulators who determine compliance with terms, conditions, laws and regulations governing grants given to the entity in the current and prior years. These examinations may result in required refunds by the entity to federal grantors and/or program beneficiaries.

Supplemental Financial Information

Oliver Springs Housing Authority (TN078)

Entity Wide Balance Sheet Summary

Submission Type: Audited/Non Single Audit Fiscal Year End: 09/30/2018

	Project Total	Subtotal	ELIM	Total
111 Cash - Unrestricted	$275,159	$275,159		$275,159
112 Cash - Restricted - Modernization and Development	$0	$0		$0
113 Cash - Other Restricted	$0	$0		$0
114 Cash - Tenant Security Deposits	$29,580	$29,580		$29,580
115 Cash - Restricted for Payment of Current Liabilities	$0	$0		$0
100 Total Cash	$304,739	$304,739		$304,739
121 Accounts Receivable - PHA Projects	$0	$0		$0
122 Accounts Receivable - HUD Other Projects	$16,075	$16,075		$16,075
124 Accounts Receivable - Other Government	$0	$0		$0
125 Accounts Receivable - Miscellaneous	$0	$0		$0
126 Accounts Receivable - Tenants	$3,865	$3,865		$3,865
126.1 Allowance for Doubtful Accounts -Tenants	-$2,472	-$2,472		-$2,472
126.2 Allowance for Doubtful Accounts - Other	$0	$0		$0
127 Notes, Loans, & Mortgages Receivable - Current	$0	$0		$0
128 Fraud Recovery	$0	$0		$0
128.1 Allowance for Doubtful Accounts - Fraud	$0	$0		$0
129 Accrued Interest Receivable	$0	$0		$0
120 Total Receivables, Net of Allowances for Doubtful Accounts	$17,468	$17,468		$17,468
131 Investments - Unrestricted	$119,930	$119,930		$119,930
132 Investments - Restricted	$0	$0		$0
135 Investments - Restricted for Payment of Current Liability	$0	$0		$0
142 Prepaid Expenses and Other Assets	$34,958	$34,958		$34,958
143 Inventories	$0	$0		$0

Oliver Springs Housing Authority (TN078)

Entity Wide Balance Sheet Summary

Submission Type: Audited/Non Single Audit   Fiscal Year End: 09/30/2018

	Project Total	Subtotal	ELIM	Total
143.1 Allowance for Obsolete Inventories	$0	$0		$0
144 Inter Program Due From	$0	$0		$0
145 Assets Held for Sale	$0	$0		$0
150 Total Current Assets	$477,095	$477,095		$477,095
161 Land	$35,183	$35,183		$35,183
162 Buildings	$5,705,296	$5,705,296		$5,705,296
163 Furniture, Equipment & Machinery - Dwellings	$66,950	$66,950		$66,950
164 Furniture, Equipment & Machinery - Administration	$194,322	$194,322		$194,322
165 Leasehold Improvements	$939,969	$939,969		$939,969
166 Accumulated Depreciation	-$4,706,892	-$4,706,892		-$4,706,892
167 Construction in Progress	$268,947	$268,947		$268,947
168 Infrastructure	$0	$0		$0
160 Total Capital Assets, Net of Accumulated Depreciation	$2,503,775	$2,503,775		$2,503,775
171 Notes, Loans and Mortgages Receivable - Non-Current	$0	$0		$0
172 Notes, Loans, & Mortgages Receivable - Non Current - Past	$0	$0		$0
173 Grants Receivable - Non Current	$0	$0		$0
174 Other Assets	$0	$0		$0
176 Investments in Joint Ventures	$0	$0		$0
180 Total Non-Current Assets	$2,503,775	$2,503,775		$2,503,775
200 Deferred Outflow of Resources	$0	$0		$0
290 Total Assets and Deferred Outflow of Resources	$2,980,870	$2,980,870		$2,980,870

Oliver Springs Housing Authority (TN078)

Entity Wide Balance Sheet Summary

Submission Type: Audited/Non Single Audit   Fiscal Year End: 09/30/2018

	Project Total	Subtotal	ELIM	Total
311 Bank Overdraft	$0	$0		$0
312 Accounts Payable <= 90 Days	$40,712	$40,712		$40,712
313 Accounts Payable >90 Days Past Due	$0	$0		$0
321 Accrued Wage/Payroll Taxes Payable	$13,317	$13,317		$13,317
322 Accrued Compensated Absences - Current Portion	$494	$494		$494
324 Accrued Contingency Liability	$0	$0		$0
325 Accrued Interest Payable	$0	$0		$0
331 Accounts Payable - HUD PHA Programs	$0	$0		$0
332 Account Payable - PHA Projects	$0	$0		$0
333 Accounts Payable - Other Government	$16,448	$16,448		$16,448
341 Tenant Security Deposits	$29,580	$29,580		$29,580
342 Unearned Revenue	$7,950	$7,950		$7,950
343 Current Portion of Long-term Debt - Capital	$0	$0		$0
344 Current Portion of Long-term Debt - Operating Borrowings	$0	$0		$0
345 Other Current Liabilities	$0	$0		$0
346 Accrued Liabilities - Other	$0	$0		$0
347 Inter Program - Due To	$0	$0		$0
348 Loan Liability - Current	$0	$0		$0
310 Total Current Liabilities	$108,501	$108,501		$108,501
351 Long-term Debt, Net of Current - Capital Projects/Mortgage	$0	$0		$0
352 Long-term Debt, Net of Current - Operating Borrowings	$0	$0		$0
353 Non-current Liabilities - Other	$0	$0		$0
354 Accrued Compensated Absences - Non Current	$4,442	$4,442		$4,442
355 Loan Liability - Non Current	$0	$0		$0
356 FASB 5 Liabilities	$0	$0		$0

Oliver Springs Housing Authority (TN078)

Entity Wide Balance Sheet Summary

Submission Type: Audited/Non Single Audit | Fiscal Year End: 09/30/2018

	Project Total	Subtotal	ELIM	Total
357 Accrued Pension and OPEB Liabilities	$0	$0		$0
350 Total Non-Current Liabilities	$4,442	$4,442		$4,442
300 Total Liabilities	$112,943	$112,943		$112,943
400 Deferred Inflow of Resources	$0	$0		$0
508.4 Net Investment in Capital Assets	$2,503,775	$2,503,775		$2,503,775
511.4 Restricted Net Position				
512.4 Unrestricted Net Position	$364,152	$364,152		$364,152
513 Total Equity - Net Assets / Position	$2,867,927	$2,867,927		$2,867,927
600 Total Liabilities, Deferred Inflows of Resources and Equity -	$2,980,870	$2,980,870		$2,980,870

Oliver Springs Housing Authority (TN078)

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non Single Audit — Fiscal Year End: 09/30/2018

	Project Total	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	$338,693	$338,693		$338,693
70400 Tenant Revenue - Other	$32,935	$32,935		$32,935
70500 Total Tenant Revenue	$371,628	$371,628	$0	$371,628
70600 HUD PHA Operating Grants	$224,443	$224,443		$224,443
70610 Capital Grants	$278,322	$278,322		$278,322
70710 Management Fee				
70720 Asset Management Fee				
70730 Book Keeping Fee				
70740 Front Line Service Fee				
70750 Other Fees				
70700 Total Fee Revenue		$0	$0	$0
70800 Other Government Grants	$0	$0		$0
71100 Investment Income - Unrestricted	$800	$800		$800
71200 Mortgage Interest Income	$0	$0		$0
71300 Proceeds from Disposition of Assets Held for Sale	$0	$0		$0
71310 Cost of Sale of Assets	$0	$0		$0
71400 Fraud Recovery	$0	$0		$0
71500 Other Revenue	$11,224	$11,224		$11,224
71600 Gain or Loss on Sale of Capital Assets	$0	$0		$0
72000 Investment Income - Restricted	$0	$0		$0
70000 Total Revenue	$886,417	$886,417	$0	$886,417
91100 Administrative Salaries	$137,702	$137,702		$137,702

Oliver Springs Housing Authority (TN078)

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non Single Audit   Fiscal Year End: 09/30/2018

	Project Total	Subtotal	ELIM	Total
91200 Auditing Fees	$13,450	$13,450		$13,450
91300 Management Fee	$0	$0		$0
91310 Book-keeping Fee	$0	$0		$0
91400 Advertising and Marketing	$1,192	$1,192		$1,192
91500 Employee Benefit contributions - Administrative	$75,802	$75,802		$75,802
91600 Office Expenses	$22,019	$22,019		$22,019
91700 Legal Expense	$11,515	$11,515		$11,515
91800 Travel	$7,920	$7,920		$7,920
91810 Allocated Overhead	$0	$0		$0
91900 Other	$54,582	$54,582		$54,582
91000 Total Operating - Administrative	$324,182	$324,182	$0	$324,182
92000 Asset Management Fee	$0	$0		$0
92100 Tenant Services - Salaries	$10,010	$10,010		$10,010
92200 Relocation Costs	$0	$0		$0
92300 Employee Benefit Contributions - Tenant Services	$4,267	$4,267		$4,267
92400 Tenant Services - Other	$288	$288		$288
92500 Total Tenant Services	$14,565	$14,565	$0	$14,565
93100 Water	$1,148	$1,148		$1,148
93200 Electricity	$171,411	$171,411		$171,411
93300 Gas	$0	$0		$0
93400 Fuel	$0	$0		$0
93500 Labor	$0	$0		$0
93600 Sewer	$2,169	$2,169		$2,169
93700 Employee Benefit Contributions - Utilities	$0	$0		$0

Oliver Springs Housing Authority (TN078)

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non Single Audit Fiscal Year End: 09/30/2018

	Project Total	Subtotal	ELIM	Total
93800 Other Utilities Expense	$0	$0		$0
93000 Total Utilities	$174,728	$174,728	$0	$174,728
94100 Ordinary Maintenance and Operations - Labor	$95,203	$95,203		$95,203
94200 Ordinary Maintenance and Operations - Materials and	$30,804	$30,804		$30,804
94300 Ordinary Maintenance and Operations Contracts	$43,138	$43,138		$43,138
94500 Employee Benefit Contributions - Ordinary Maintenance	$48,277	$48,277		$48,277
94000 Total Maintenance	$217,422	$217,422	$0	$217,422
95100 Protective Services - Labor	$0	$0		$0
95200 Protective Services - Other Contract Costs	$0	$0		$0
95300 Protective Services - Other	$0	$0		$0
95500 Employee Benefit Contributions - Protective Services	$0	$0		$0
95000 Total Protective Services	$0	$0	$0	$0
96110 Property Insurance	$17,122	$17,122		$17,122
96120 Liability Insurance	$1,855	$1,855		$1,855
96130 Workmen's Compensation	$4,234	$4,234		$4,234
96140 All Other Insurance	$47,226	$47,226		$47,226
96100 Total insurance Premiums	$70,437	$70,437	$0	$70,437
96200 Other General Expenses	$0	$0		$0
96210 Compensated Absences	$0	$0		$0
96300 Payments in Lieu of Taxes	$16,448	$16,448		$16,448
96400 Bad debt - Tenant Rents	$20,049	$20,049		$20,049
96500 Bad debt - Mortgages	$0	$0		$0

Oliver Springs Housing Authority (TN078)

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non Single Audit Fiscal Year End: 09/30/2018

	Project Total	Subtotal	ELIM	Total
96600 Bad debt - Other	$0	$0		$0
96800 Severance Expense	$0	$0		$0
96000 Total Other General Expenses	$36,497	$36,497	$0	$36,497
96710 Interest of Mortgage (or Bonds) Payable	$0	$0		$0
96720 Interest on Notes Payable (Short and Long Term)	$0	$0		$0
96730 Amortization of Bond Issue Costs	$0	$0		$0
96700 Total Interest Expense and Amortization Cost	$0	$0	$0	$0
96900 Total Operating Expenses	$837,831	$837,831	$0	$837,831
97000 Excess of Operating Revenue over Operating Expenses	$48,586	$48,586	$0	$48,586
97100 Extraordinary Maintenance	$45,649	$45,649		$45,649
97200 Casualty Losses - Non-capitalized	$0	$0		$0
97300 Housing Assistance Payments	$0	$0		$0
97350 HAP Portability-In	$0	$0		$0
97400 Depreciation Expense	$223,578	$223,578		$223,578
97500 Fraud Losses	$0	$0		$0
97600 Capital Outlays - Governmental Funds				
97700 Debt Principal Payment - Governmental Funds				
97800 Dwelling Units Rent Expense	$0	$0		$0
90000 Total Expenses	$1,107,058	$1,107,058	$0	$1,107,058
10010 Operating Transfer In	$12,395	$12,395	-$12,395	$0
10020 Operating transfer Out	-$12,395	-$12,395	$12,395	$0

Oliver Springs Housing Authority (TN078)

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non Single Audit — Fiscal Year End: 09/30/2018

	Project Total	Subtotal	ELIM	Total
10030 Operating Transfers from/to Primary Government	$0	$0		$0
10040 Operating Transfers from/to Component Unit	$0	$0		$0
10050 Proceeds from Notes, Loans and Bonds				
10060 Proceeds from Property Sales				
10070 Extraordinary Items, Net Gain/Loss	$0	$0		$0
10080 Special Items (Net Gain/Loss)	$0	$0		$0
10091 Inter Project Excess Cash Transfer In	$0	$0		$0
10092 Inter Project Excess Cash Transfer Out	$0	$0		$0
10093 Transfers between Program and Project - In	$0	$0		$0
10094 Transfers between Project and Program - Out	$0	$0		$0
10100 Total Other financing Sources (Uses)	$0	$0	$0	$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total	-$220,641	-$220,641	$0	-$220,641
11020 Required Annual Debt Principal Payments	$0	$0		$0
11030 Beginning Equity	$3,088,568	$3,088,568		$3,088,568
11040 Prior Period Adjustments, Equity Transfers and Correction	$0	$0		$0
11050 Changes in Compensated Absence Balance				
11060 Changes in Contingent Liability Balance				
11070 Changes in Unrecognized Pension Transition Liability				
11080 Changes in Special Term/Severance Benefits Liability				
11090 Changes in Allowance for Doubtful Accounts - Dwelling				
11100 Changes in Allowance for Doubtful Accounts - Other				
11170 Administrative Fee Equity	$0	$0		$0
11180 Housing Assistance Payments Equity				

Oliver Springs Housing Authority (TN078)

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 09/30/2018

	Project Total	Subtotal	ELIM	Total
11190 Unit Months Available	1342	1342		1342
11210 Number of Unit Months Leased	1317	1317		1317
11270 Excess Cash	$263,817	$263,817		$263,817
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	$278,322	$278,322		$278,322
11660 Infrastructure Purchases	$0	$0		$0
13510 CFFP Debt Service Payments	$0	$0		$0
13901 Replacement Housing Factor Funds	$0	$0		$0

Oliver Springs Housing Authority
Schedule of Modernization Grant Activity
September 30, 2018

	TN37P078501-16	TN37P078501-17	TN37P078501-18
1. Funds approved	$ 140,322.00	$ 150,395.00	$ 231,527.00
Funds expended	140,322.00	150,395.00	-
Excess of funds approved	$ -	$ -	$ 231,527.00
2. Funds advanced	$ 140,322.00	$ 150,395.00	$ -
Funds expended	140,322.00	150,395.00	-
Excess (deficiency) of funds advanced	$ -	$ -	$ -

Oliver Springs Housing Authority
Oliver Springs, Tennessee

Schedule of Governmental Awards
Year Ended September 30, 2018

Federal Grantor/Program Title	Grant ID Number	Federal CFDA Number	Current Year Program or Award Amount	Balance Beginning of Year - Cash/ Receivable/ (Payable)	Grant Receipts or Revenue Recognized	Grant Disbursements/ Expenditures	Balance End of Year Cash/ Receivable (Payable)
U.S. Department of Housing and Urban Development							
Direct Programs:							
Low Income Housing - Operating subsidy		14.850	$ 186,713	$ 72,609	$ 268,582	$ 212,048	$ 16,075
Capital Fund Program		14.872	231,527	-	290,717	290,717	-
Total HUD and Grand Total			$ 418,240	$ 72,609	$ 559,299	$ 502,765	$ 16,075

The accompanying notes are an integral part of this schedule.

Non-Financial Section

MILLER & ROSE, PA
CERTIFIED PUBLIC ACCOUNTANTS

STEAVEN E. MILLER, JR., CPA
L. SCOTT ROSE, CPA

1309 E. RACE AVENUE
SEARCY, AR 72143

T. 501.268.8356
F. 501.268.9362

Independent Auditors' 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*

Oliver Springs Housing Authority
113 Wagner Court
Oliver Springs, TN 37840

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 Oliver Springs Housing Authority as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents and have issued our report thereon dated June 10, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Oliver Springs Housing Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Oliver Springs Housing Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Oliver Springs 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. 2018-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Oliver Springs Housing Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our tests disclosed 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 questioned costs as items 2018-001.

Oliver Springs Housing Authority's Response to Findings

Oliver Springs Housing Authority's response to the findings identified in our engagement is described in the accompanying schedule of findings and responses. Oliver Springs Housing Authority's response was not subjected to the auditing procedures applied in the engagement to audit the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Mitchell, P.A.

Searcy, Arkansas

June 10, 2019

SIGNIFICANT DEFICIENCIES

2018-001 Travel Reimbursements

Condition: During our testing of disbursements for the current audit period, we noted one check that included reimbursement for travel expenses for both mileage and fuel. The check also included a reimbursement for a hotel charge that did not include a detail invoice (there was a print-out from the conference that stated the hotel rate).

Criteria: The standard mileage rates published by the IRS were used to reimburse the employee. However, this rate includes the cost of the fuel and should not be reimbursed separately. The documentation for the hotel reimbursement was the copy of a debit card statement and the conference information that showed the hotel rate instead of a detail invoice from the hotel.

Effect: Amounts paid to the employee in the amount of $175.00 for the reimbursement for fuel were overpaid. There was also inadequate documentation to support the amount reimbursed for lodging ($633.80).

Recommendation: The PHA should use the standard mileage rates allowed by the IRS or the travel policy of the entity. In addition, all reimbursements should be documented with an itemized receipt that documents the amount, location and purpose of the expense.

Response: The costs associated for the training (Public Housing Management (PHM) Training was paid for personally by the employee. The costs were subsequently approved to be reimbursed. As a result, the actual hotel receipt was not available. We will contact the hotel to obtain a copy of the receipt and make sure we have the receipt for all future reimbursements. We will also not reimburse for fuel charges in the future if we are reimbursing based on the IRS mileage rates.

Oliver Springs Housing Authority
Oliver Springs, Tennessee

Summary Schedule of Prior Audit Findings
Year Ended September 30, 2018

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

The Office of the Comptroller of the Treasury, in conjunction with the Ninth Judicial District Attorney, the Oliver Springs Police Department, and the U.S. Department of Housing and Urban Development (HUD) conducted an investigation of pertinent records of the Oliver Springs Housing Authority (OSHA). We have included the results of their report dated May, 3, 2018 in the following findings:

2017-001 A cash shortage of at least $149,516.83 existed at the Oliver Springs Housing Authority as of April 30, 2017

During the period examined, an employee used OSHA credit cards to purchase items for her personal use. This employee admitted to investigators that she used her OSHA credit card and the executive director's OSHA credit card to make the purchases. We reviewed OSHA accounting records, bank statements, credit card statements, and supporting documentation for the period December 1, 2015, through April 30, 2017, and noted a cash shortage of at least $149,516.83 as described below. This employee's employment was terminated in April 2017.

A. We identified 139 Amazon online purchases totaling $16,333.61 in OSHA funds made by the former employee for her personal gain. OSHA received credits from Amazon totaling $768.16. The remaining cash shortage of $15,565.45 ($16,333.61 minus $768.16) has not been collected.

B. The former employee transferred $26,071.60 from OSHA funds to her boyfriend's PayPal account for her personal gain. On March 9, 2017, OSHA received a $1,200 credit from PayPal. The remaining cash shortage of $24,871.60 ($26,071.60 minus $1,200) has not been collected.

C. A cashier's check totaling $6,508 was obtained from OSHA's bank account by the former employee for her personal gain. The former employee was not an approved signature on OSHA's bank account.

D. The former employee paid property taxes totaling $3,453.43 to the Roane County Trustee with an OSHA credit card. Included in this amount is the property taxes ($808) of a current employee. The current employee told investigators she did not know the former employee paid her property taxes with an OSHA credit card. The current employee told investigators that she would reimburse OSHA for the amount paid on her property taxes.

E. In April 2017, the former employee purchased a golf cart totaling $2,495 for her personal gain. The purchase of the golf cart was later cancelled, and OSHA was credited $2,495.

F. In March 2017, the former employee purchased two Yamaha Jet Skis ($7,817), a 2001 Tahoe Boat and trailer ($9,389), and an Orca cooler ($109.25) for her personal gain totaling $17,315.25 in OSHA funds.

G. The former employee spent $15,841.04 in OSHA funds to purchase several vehicles for her personal use. A 2007 Saab convertible was purchased from a car dealership in Greenville, South Carolina, for $6,695. A payment of $4,146.04 was paid on a 2008 Jeep Wrangler costing $24,624 from a car dealership in Rogersville, Tennessee. In addition, on March 1, 2017, a $5,000 deposit was paid on a vehicle at a car dealership in Jasper, Georgia; however, on March 3, 2017, the $5,000 was credited back to the OSHA credit card by the car dealership because they were unable to get the vehicle. The remaining cash shortage of $10,841.04 ($15,841.04 minus $5,000 refund) has not been collected.

H. We noted three credit card payments totaling $15,000 were paid to a recreational vehicle dealer in Rockwood, Tennessee, on a 2015 Sportsman Travel Trailer costing $25,713.36.

Summary Schedule of Prior Audit Findings
Year Ended September 30, 2018

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (CONTINUED)

I. We identified personal vehicle repairs paid with OSHA's credit card totaling $4,356. The repairs consisted of replacing tires on a 2011 Ford Explorer, engine repairs and tires on a 2003 BMW, and new wheels on a 2008 Jeep.

J. OSHA funds totaling at least $42,142.90 were spent for personal use on numerous items for the period examined. These purchases included items such as a Carnival Cruise and plane tickets, jewelry, sporting goods, clothes, a Comcast bill, insurance, food, a prom dress, etc. The former employee later refunded OSHA $467.55 for a Comcast payment. Carnival Cruise credited OSHA $4,305. The remaining cash shortage of $37,370.35 ($42,142.90 minus $467.55 minus $4,305) has not been collected.

The following table summarizes the cash shortage:

Item	Description	Amount
A.	Amazon Purchases	$ 16,333.61
B.	PayPal Transfers	26,071.60
C.	Bank Cashier's Check	6,508.00
D.	Roane Property Taxes	3,453.43
E.	Golf Cart	2,495.00
F.	Water Craft	17,315.25
G.	Automobiles	15,841.04
H.	Travel Trailer	15,000.00
I.	Auto Repairs	4,356.00
J.	Miscellaneous Purchases	42,142.90
	Subtotal	$ 149,516.83

Item	Description	Amount
A.	Less: Credits/Reimbursements	$ (768.16)
B.	Less: Credits/Reimbursements	(1,200.00)
E.	Less: Credits/Reimbursements	(2,495.00)
G.	Less: Credits/Reimbursements	(5,000.00)
J.	Less: Credits/Reimbursements	(4,772.55)
	Subtotal	$ 135,281.12

RECOMMENDATION:

OSHA officials should take immediate steps to collect the $135,281.12 cash shortage.

Current Status: The PHA received insurance proceeds in the amount of $133,281.12 during the current audit period. This amount represents the cash shortage less the deductible of $2,000.

Oliver Springs Housing Authority
Oliver Springs, Tennessee

Summary Schedule of Prior Audit Findings
Year Ended September 30, 2018

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (CONTINUED)

2017-002 Questionable purchases totaling $12,484.44 paid from Oliver Springs Housing Authority funds

We noted questionable purchases totaling $12,484.44 paid from OSHA funds during the period December 1, 2015, through April 30, 2017. Charges for purchases such as food, fuel, travel, supplies, and auto parts were paid without detailed invoices to document the goods and/or service purchases. Therefore, we could not determine whether these purchases were exclusively for the housing authority.

RECOMMENDATION:

Purchases should be made only for authorized expenditures, and the office should maintain adequate documentation to support all purchases.

Current Status: Testing in the current audit indicated travel expenses that were not documented correctly. See the Current Schedule of Findings and Questioned Costs Item 2018-001.

2017-003 Oliver Springs Housing Authority Board of Commissioners did not provide adequate oversight

The OSHA Board of Commissioners did not provide adequate oversight of the organization's operations. The minutes of board meetings rarely reflected discussions of the financial operations, revenues or expenditures, and personnel policies. The board should exercise greater oversight of the organization's operations by reviewing monthly bank statements, bank reconciliations, and listings and descriptions of monthly revenues and expenditures.

RECOMMENDATION:

The board of commissioners should meet regularly to approve and review the organization's operations. Minutes of these meetings should clearly document the actions of the board.

Current Status: We noted the documentation of monthly board meetings beginning in July 2018.

2017-004 Deficiencies noted in the administration of the Oliver Springs Housing Authority

Our investigation identified the following deficiencies related to the administration of OSHA, which can be attributed to the failure of management to adequately monitor daily operations. OSHA has a contract with HUD to administer HUD funds and submits an annual budget for HUD approval.

A. OSHA did not stay within their annual budget approved by HUD. HUD is responsible for providing oversight of OSHA's operations and accountability for federal funds. HUD uses these budgets to determine the allowability, necessity, and reasonableness of all budgeted expenditures to determine OSHA's ability to manage federal funds.

B. OSHA did not issue official receipts for collections. Instead, the office used generic receipts and manually entered a receipt number on each receipt. The use of generic receipts exposes the office to risks that collections may not be accounted for properly. In a few instances, the copies of the original receipts were missing, and employees failed to properly record whether the funds received were paid in cash or by check. Therefore, we were unable to determine if all funds received by OSHA were receipted and deposited properly. Since multiple OSHA personnel had access to the collections, and a

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (CONTINUED)

lack of internal controls existed over collections, we were unable to determine if all collections were properly receipted and deposited.

C. Duties were not segregated adequately at OSHA. OSHA personnel who were responsible for maintaining accounting records were also involved in receipting and depositing funds.

D. Multiple employees operated from the same cash drawer in OSHA's office. Sound internal controls dictate that employees have their own cash drawer, start the day with a standard amount of cash, and remove all but the beginning amount at the end of the day. The amount collected should be verified with the employee's receipts issued that day. Failure to adhere to this internal control regimen greatly increases the risk that a cash shortage may not be detected in a timely manner. Furthermore, in the event of a cash shortage, the office would not be able to determine who was responsible for the shortage because multiple employees were working from one cash drawer.

E. OSHA did not always deposit collections to the office bank account on a current basis. This deficiency is the result of a lack of management oversight. The delay in depositing funds weakens internal controls over collections and increases the risks of fraud and misappropriation.

F. Accounting records were not always maintained properly. For a number of weeks, collections were posted to the accounting system several days after being receipted. In one instance, we noted a delay of 32 days from when a payment was receipted in the office to when it was entered into the accounting system. The failure to properly maintain accounting records increases the risks of fraud and abuse.

G. In most instances, checks issued by OSHA were signed by only the executive director OSHA policies provide all checks require two authorized signatures.

H. The office did not reconcile fuel purchases with usage for OSHA vehicles. Monthly statements provided for fuel purchases and usage were not reviewed by an official to determine that the fuel system was not being abused. In addition, vehicles were not labeled as property of OSHA.

I. In some instances, credit card invoices were paid without adequate documentation to support the charges. Without adequate supporting documentation, we cannot determine if the expenditures were for the benefit of OSHA. In addition, OSHA incurred finance charges totaling $235.60.

J. OSHA may have violated their nepotism policy by allowing the executive director to directly supervise her relative. OSHA policy states that the employment of relatives is prohibited insofar as possible. The policy permits employment of a relative if circumstances arise where the relative is the most beneficial choice for the housing authority, and prior approval is obtained by the executive director. OSHA was unable to present such approval. OSHA's board should determine whether their nepotism policy was violated.

K. Employee leave records were not maintained adequately. OSHA's personnel policy permits employees to accumulate earned but unused leave; however, the executive director was unable to provide us with accurate accrued leave balances of employees. The failure to maintain adequate documentation of accumulated leave weakens internal controls over the payroll process and increases the risk of improper payments.

Oliver Springs Housing Authority
Oliver Springs, Tennessee

Schedule of Prior Audit Findings (Continued)
Year Ended September 30, 2017

RECOMMENDATIONS:

A. OSHA should follow their annual budget and spending plan approved by HUD.

B. Official prenumbered receipts should be issued at the time of collection. All receipts should be on file for audit inspection and should reflect whether the funds collected were cash or checks.

C. Duties should be segregated to the extent possible using available resources

D. Officials should assign each employee their own cash drawer.

E. Collections should be deposited intact on a current basis.

F. The official accounting system should be maintained properly on a current basis to accurately reflect all financial operations of OSHA.

G. Two authorized signatures should be on all checks issued as required by OSHA policy.

H. The office should review and reconcile fuel purchases with fuel usage monthly. Department-owned vehicles assigned to OSHA employees should be plainly labeled as property of OSHA.

I. Credit card purchases should be supported with adequate documentation. Billings should be paid currently to avoid finance charges.

J. OSHA officials should take steps to ensure compliance with their nepotism policy.

K. OSHA should maintain accurate accrued leave information for all employees. These records should reflect the hours of the leave at the beginning of the year, amount earned, amount used, and the amount of leave at year-end.

Current Status: We noted a monitoring of the budget during the board minutes and a budget revision was prepared. During our testing of receipts for a period during the current fiscal year, all receipts were prenumbered and deposited intact on a regular basis. We did have a travel expense disbursement that was not properly documented. Please see the Current Year Findings and Questioned Costs item 2018-001.