

HOUSING AUTHORITY OF SULPHUR
REPORT ON EXAMINATION OF
FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA
TWELVE MONTHS ENDED DECEMBER 31, 2004

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 5-25-05

Mike Estes, P.C.
A Professional Accounting Corporation

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MIKE ESTES, P.C.
A PROFESSIONAL ACCOUNTING CORPORATION
4200 AIRPORT FREEWAY – SUITE 100
FORT WORTH, TEXAS 76117

MIKE ESTES, CPA

(817) 831-3553
METRO (817) 654-4063
FAX (817) 831-3560
e-mail: mestespc@swbell.net

MEMBER AMERICAN
INSTITUTE OF CERTIFIED
PUBLIC ACCOUNTANTS

Independent Auditor's Report

Board of Commissioners
Housing Authority of Sulphur
Sulphur, Louisiana

We have audited the accompanying financial statements of the business-type activities, and each major fund of the Housing Authority of Sulphur, Louisiana as of and for the year ended December 31, 2004, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Sulphur, Louisiana's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, and each major fund of the Housing Authority of Sulphur, Louisiana, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the basic financial statements, the Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures. This results in a change in the format and content of the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 6, 2005, on our consideration of the Housing Authority of Sulphur, Louisiana'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority of Sulphur, Louisiana's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the Housing Authority of Sulphur, Louisiana. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The accompanying Financial Data Schedules required by HUD are presented for purposes of additional analysis and are not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mike Estes, P.C.
Fort Worth, Texas
May 6, 2005

HOUSING AUTHORITY OF SULPHUR, LOUISIANA
REQUIRED SUPPLEMENTAL INFORMATION
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
DECEMBER 31, 2004

Housing Authority of Sulphur, Louisiana
Management's Discussion and Analysis (MD&A)
December 31, 2004

The management of *Public Housing Authority of Sulphur, Louisiana* presents the following discussion and analysis of the Housing Authority's financial activities for the fiscal year ending December 31, 2004. This represents an overview of financial information. Please read this discussion and analysis in conjunction with the Authority's audited financial statements, which follows.

FINANCIAL HIGHLIGHTS

- *The Housing Authority's assets exceeded its liabilities by \$4,402,015 at the close of the fiscal year ended 2004.*
 - ✓ Of this amount \$3,045,547 represents a restriction equal to the net amount invested in land, building, furnishings, leasehold improvements, equipment, and construction in progress.
 - ✓ The remainder of \$1,356,468 of unrestricted assets could be used to meet the Housing Authority's ongoing obligations to citizens and creditors. As a measure of financial strength, this amount equals 73% of the total operating expenses of \$1,853,719 for the fiscal year 2004, which means the Authority might be able to operate about 9 months using the unrestricted assets alone.

- The Housing Authority's total net assets increased by \$462,396, a 12% change from the prior fiscal year 2003. This increase is attributable to significant increases in Federal grants, described in more detail below.

- The increase in net assets of these funds was accompanied by an increase in unrestricted cash by \$476,305 from fiscal year 2003. The Authority received more cash proceeds from Federal operating and capital grants than it was able to spend for operations and capital asset purchases.

- The Authority spent \$67,177 on capital asset additions and completed construction in progress from the prior year of more than \$285,281.

- These changes led to an increase in total assets by \$456,198 and a decrease in total liabilities by \$6,198. However, as another measure of financial health, there are still over \$21 of current assets covering each dollar of total liabilities.

- The Housing Authority continues to operate without the need for debt borrowing.

- The primary source of funding for these activities continues to be the Department of Housing and Urban Development (HUD).

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the Housing Authority's basic financial statements. The Housing Authority is a special-purpose government engaged in business-type activities. Accordingly, only fund financial statements are presented as the basic financial statements, comprised of two components: (1) fund financial statements and (2) a series of notes to the financial statements. These provide information about the activities of the Housing Authority as a whole and present a longer-term view of the Housing Authority's finances. This report also contains other supplemental information in addition to the basic financial statements themselves demonstrating how projects funded by HUD have been completed.

Reporting on the Housing Authority as a Whole

One of the most important questions asked about the Authority's finances is, "Is the Housing Authority as a whole better off, or worse off, as a result of the achievements of fiscal year 2004?" The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information about the Housing Authority as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Fund Financial Statements

All of the funds of the Housing Authority are reported as proprietary funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Housing Authority, like other enterprises operated by state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Housing Authority's financial statements report its net assets and changes in them. One can think of the Housing Authority's net assets – the difference between assets and liabilities – as one way to measure the Authority's financial health, or financial position. Over time, increases and decreases in the Authority's net assets are one indicator of whether its financial health is improving or deteriorating. One will need to consider other non-financial factors, however, such as the changes in the Authority's occupancy levels or its legal obligations to HUD, to assess the overall health of the Housing Authority.

USING THIS ANNUAL REPORT

The Housing Authority's annual report consists of financial statements that show combined information about the Housing Authority's most significant funds: Low Rent Program, Capital Fund Program, the Section 8 tenant based fund, and the Section 8 project based fund.

The Housing Authority's auditors provided assurance in their independent auditors' report, located immediately preceding the MD&A, that the basic financial statements are fairly stated. The auditors provide varying degrees of assurance regarding the other information included in this report. A user of this report should read the independent auditors' report carefully to determine the level of assurance provided for each of the other parts of this report.

Reporting the Housing Authority's Most Significant Funds

The Housing Authority's financial statements provide detailed information about the most significant funds. Some funds are required to be established by the Department of Housing and Urban Development (HUD). However, the Housing Authority establishes other funds to help it control and manage money for particular purposes, or to show that it is meeting legal responsibilities for using grants and other money.

Housing Authority of Sulphur, Louisiana
 Management's Discussion and Analysis (MD&A)
 December 31, 2004

The Housing Authority's enterprise funds use the following accounting approach for Proprietary funds: All of the Housing Authority's services are reported in enterprise funds. The focus of proprietary funds is on income measurement, which, together with the maintenance of net assets, is an important financial indicator.

FINANCIAL ANALYSIS

The Housing Authority's net assets were \$4,402,015 as of December 31, 2004. Of this amount, \$3,045,547 was invested in capital assets, and the remaining \$1,356,468 was unrestricted. No other specific Assets are restricted. Also, there are no other restrictions on general Net Assets.

CONDENSED FINANCIAL STATEMENTS

**Condensed Balance Sheet
 As of December 31,**

	<u>2004</u>	<u>2003</u>
ASSETS		
Current Assets	\$1,423,770	\$947,192
Capital Assets, Net of Depreciation	<u>3,045,547</u>	<u>3,065,927</u>
Total Assets	<u>4,469,317</u>	<u>4,013,119</u>
LIABILITIES		
Current Liabilities	54,894	63,109
Non-Current Liabilities	<u>12,408</u>	<u>10,391</u>
Total Liabilities	<u>67,302</u>	<u>73,500</u>
NET ASSETS		
Invested in Capital Assets, Net of Depreciation and Related Liabilities	3,045,547	2,002,766
Unrestricted Net Assets	<u>1,356,468</u>	<u>1,936,853</u>
Total Net Assets	<u>4,402,015</u>	<u>3,939,619</u>
Total Liabilities and Net Assets	<u>4,469,317</u>	<u>4,013,119</u>

Housing Authority of Sulphur, Louisiana
 Management's Discussion and Analysis (MD&A)
 December 31, 2004

CONDENSED FINANCIAL STATEMENTS (Continued)

The net assets of these funds increased by \$462,396, or by 12%, from those of fiscal year 2003, as explained below. In the narrative that follows, the detail factors causing this change are discussed:

**Condensed Statement of Revenues, Expenses, and Changes in Fund Net Assets
 Fiscal Year Ended December 31,**

	<u>2004</u>	<u>2003</u>
OPERATING REVENUES		
Federal Grants - Operating	\$1,750,876	\$1,288,714
Rental Revenue	243,029	235,025
Other Tenant Revenue	35,757	42,069
Total Operating Revenues	2,029,662	1,565,808
OPERATING EXPENSES		
Housing Assistance Payments to Landlords	759,165	763,502
Ordinary maintenance and repairs	333,289	256,769
Depreciation	318,180	262,497
Administration	274,189	291,062
General	106,340	115,644
Utilities	57,661	62,491
Tenant Services	4,895	3,039
Total Operating Expenses	1,853,719	1,755,004
Income (Loss) from Operations	175,943	(189,196)
NON-OPERATING REVENUES		
Federal Grants - Capital	230,719	437,459
Other Revenue	39,554	12,606
Interest and Investment Income	11,530	8,827
Gains on Sales of Assets	4,650	-
Total Non-Operating Revenues	286,453	458,892
NET INCREASE IN NET ASSETS	462,396	269,696
NET ASSETS, Beginning of Year	3,939,619	3,669,923
NET ASSETS, End of Year	4,402,015	3,939,619

Housing Authority of Sulphur, Louisiana
Management's Discussion and Analysis (MD&A)
December 31, 2004

EXPLANATIONS OF FINANCIAL ANALYSIS

Compared with the prior fiscal year, total operating and non-operating revenues increased \$291,415, or by 14%, from a combination of larger offsetting factors. Reasons for this change are listed below in order of impact from greatest to least:

- Federal revenues from HUD for operations increased by \$462,162, or by 36% from that of the prior fiscal year. The determination of operating grants is based upon a three year average of past operations performance. The current contributions were greater because of increases in performance of at least one of the prior fiscal years' operations. The amount of rent subsidy received from HUD depends upon an eligibility scale of each tenant. There was an increase in the number of eligible tenants receiving subsidies, so Housing Assistance Grants increased accordingly, lowering the overall total.
- Federal Capital Funds from HUD decreased by \$206,740, or by 47% from that of the prior fiscal year.
- Other revenue increased by \$26,948, or by 214%. The Authority received proceeds from *casualty insurance claims*, which are recorded as other income by the Authority in the year received.
- Interest and investment income increased by \$2,703, or by 31% from that of the prior fiscal year. Unrestricted interest income increased, because it was spent mostly on investments in capital assets.
- Total tenant revenue increased by \$1,692, or by 1% from that of the prior fiscal year. Tenant rental revenues increased by \$8,004, or by 3%. Occupancy increased by 1%. The amount of rent each tenant pays is based on a sliding scale of their personal income. Some tenants' personal incomes increased, so rent revenue from these tenants increased accordingly, raising the overall total. Other tenant revenues (such as fees collected from tenants for late payment of rent, damages to their units, and other assessments) decreased by \$6,312, or by 15%. Since there was an increase in tenant revenues, the amount of these fees changed accordingly.

Compared with the prior fiscal year, total operating and non-operating expenses increased \$98,716, or by 6%, but this also was made up of a combination of offsetting factors. Again, reasons for this change are listed below in order of impact from greatest to least:

- Ordinary maintenance and repairs increased by \$75,870, or by 30% from that of the prior fiscal year. Repair staff wages increased by \$3,604, or by 4%. Related employee benefit contributions increased by \$2,255, or by 4%. Materials used increased by \$22,710, or by 84%. Contract labor costs increased by \$47,301, or by 62%.
- Depreciation expense increased by \$55,683, or by 21% from that of the prior fiscal year. There was an increase in capital assets by \$298,562.

Housing Authority of Sulphur, Louisiana
Management's Discussion and Analysis (MD&A)
December 31, 2004

- Administrative Expenses decreased by \$16,873, or by 6% from that of the prior fiscal year. Administrative staff salaries increased by \$5,883. Staff vacation and sick leave pay increased by \$595. Related employees benefit contributions increased by \$2,089. Total staff salaries and benefit costs therefore increased by 5%. Audit fees increased by \$2,040. Accounting fees increased by \$12,131. Legal fees increased by \$8,088. Therefore, total outside professional fees increased by 421%. Staff travel reimbursements increased by \$22,854. Staff training costs increased by \$4,949. Sundry expenses decreased by \$75,503.
- General Expenses decreased by \$9,304, or by 8% from that of the prior fiscal year. Insurance premiums decreased by \$3,501, because Property and casualty insurance premiums decreased. Payments in lieu of taxes (PILOT) increased by \$1,334, or by 8%, because PILOT is calculated as a percentage of rent (which increased by 3%) minus utilities (which decreased 8%), and therefore changed proportionately to the changes in each of these. Uncollectible rents from vacated units decreased by \$7,137, or by 42%, because these changed roughly proportional to rent, which increased by 3%.
- Utilities Expense decreased by \$4,830, or by 8% from that of the prior fiscal year. Water decreased by \$2,492, due to an increase in consumption by 7% and a decrease in rate by 15%. Electricity increased by \$154, due to an increase in consumption by 7% and a decrease in rate by 5%. Gas increased by \$0, due to an increase in consumption by 7% and a decrease in rate by 0%. Other utilities expense decreased by \$2,492, or by 9%.
- Housing Assistance Payments to landlords decreased by \$4,337, or by 1% from that of the prior fiscal year. There was a decrease in the number of tenants qualifying for subsidy during the year. Consequently, revenues from HUD for these subsidies decreased by (\$7,138).
- Tenant Services increased from that of the prior fiscal year. Other tenant services increased by \$1,856, or by 61%.
- Extraordinary maintenance, totaling \$650, did not change significantly from the prior to the current year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the Housing Authority had a total cost of \$8,899,859 invested in a broad range of assets and construction in progress from projects funded in 2000 through 2004, listed below. This amount, not including depreciation, represents increases of \$298,562 from the prior year. More detailed information about capital assets appears in the notes to the financial statements.

Housing Authority of Sulphur, Louisiana
 Management's Discussion and Analysis (MD&A)
 December 31, 2004

**Capital Assets, Net of Accumulated Depreciation
 As of December 31,**

	<u>2004</u>	<u>2003</u>
Land	\$ 99,900	\$ 99,900
Construction in Progress	-	285,281
Buildings	2,457,398	2,211,047
Leasehold Improvements	380,677	413,643
Furniture and Equipment	107,572	56,056
Total	3,045,547	3,065,927

As of the end of the 2004 fiscal year, the Authority is still in the process of completing HUD grants of \$1,913,436 obtained during 2000 through 2004 fiscal years. A total remainder of \$253,755 will be received and \$227,974 will be spent for completing these projects during fiscal year 2005.

Debt

Non-current liabilities include accrued annual vacation and sick leave due to employees. The Housing Authority has not incurred any mortgages, leases, or bond indentures for financing capital assets or operations.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Housing Authority is primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by Federal budget than by local economic conditions. The capital budgets for the 2005 fiscal year have already been submitted to HUD for approval and no major changes are expected.

The Capital fund programs are multiple year budgets and have remained relatively stable. Capital Funds are used for the modernization of public housing properties including administrative fees involved in the modernization.

CONTACTING THE HOUSING AUTHORITY'S FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, investors, and creditors with a general overview of the Housing Authority's finances, and to show the Housing Authority's accountability for the money it receives. If you have questions about this report, or wish to request additional financial information, contact Lawrence J. Italo, Executive Director, at Public Housing Authority Of Sulphur, Louisiana; P. O. Box 271; Sulphur, LA 70664-0271.

**HOUSING AUTHORITY OF SULPHUR
ENTERPRISE FUNDS - BALANCE SHEET
YEAR ENDED DECEMBER 31, 2004**

	General	Tenant Based Section 8	Project Based Section 8	Capital Fund Program	Total
ASSETS					
Current assets					
Cash and cash equivalents	\$ 927,766	\$ 389,132	\$ 0	\$ 0	\$ 1,316,898
Investments	30,000	0	0	0	30,000
Accounts receivable net	1,138	18,961	6,819	0	26,918
Interfund receivable	214,227	0	97,850	0	312,077
Prepaid items and other assets	16,108	0	0	0	16,108
Inventory	1,981	0	0	0	1,981
Restricted assets – cash	31,865	0	0	0	31,865
Total Current Assets	1,223,085	408,093	104,669	0	1,735,847
Capital Assets, net					
Land	99,900	0	0	0	99,900
Buildings, and equipment (net)	2,189,570	5,748	5,748	744,581	2,945,647
Total Capital Assets, net	2,289,470	5,748	5,748	744,581	3,045,547
Total Assets	\$ 3,512,555	\$ 413,841	\$ 110,417	\$ 744,581	\$ 4,781,394
LIABILITIES					
Current Liabilities					
Accounts payable	\$ 9,477	\$ 0	\$ 0	\$ 0	\$ 9,477
Deferred revenue	1,461	0	0	0	1,461
Compensated absences payable	4,717	1,587	0	0	6,304
Interfund payable	0	312,077	0	0	312,077
Accrued PILOT	5,787	0	0	0	5,787
Deposits due others	31,865	0	0	0	31,865
Total Current Liabilities	53,307	313,664	0	0	366,971
Noncurrent Liabilities					
Compensated absences payable	8,045	4,363	0	0	12,408
Total Liabilities	61,352	318,027	0	0	379,379
NET ASSETS					
Invested in capital assets, net of related debt	2,289,470	5,748	5,748	744,581	3,045,547
Unrestricted	1,161,733	90,066	104,669	0	1,356,468
Net Assets	3,451,203	95,814	110,417	744,581	4,402,015
Total Liabilities and Net Assets	\$ 3,512,555	\$ 413,841	\$ 110,417	\$ 744,581	\$ 4,781,394

The Notes to the Financial Statements are an integral part of these statements.

**HOUSING AUTHORITY OF SULPHUR
ENTERPRISE FUNDS – STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND NET ASSETS
YEAR ENDED DECEMBER 31, 2004**

	General	Tenant Based Section 8	Project Based Section 8	Capital Fund Program	Total
OPERATING REVENUES					
Dwelling rental	\$ 278,786	\$ 0	\$ 0	\$ 0	\$ 278,786
Other	23,215	0	0	0	23,215
Total Operating Revenues	<u>302,001</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>302,001</u>
OPERATING EXPENSES					
Administration	196,273	39,253	32,219	6,453	274,198
Tenant services	4,895	0	0	0	4,895
Utilities	57,661	0	0	0	57,661
Ordinary maintenance & operations	251,296	0	0	64,994	316,290
General expenses	106,340	0	0	0	106,340
Depreciation	253,633	1,894	1,893	60,761	318,181
Extraordinary maintenance	650	0	0	0	650
Housing assistance payments	0	447,304	311,861	0	759,165
Total Operating Expenses	<u>870,748</u>	<u>488,451</u>	<u>345,973</u>	<u>132,208</u>	<u>1,837,380</u>
Income (loss) from operations	<u>(568,747)</u>	<u>(488,451)</u>	<u>(345,973)</u>	<u>(132,208)</u>	<u>(1,535,379)</u>
Non Operating Revenues (Expenses)					
Interest earnings	8,795	1,367	1,367	0	11,529
Federal grants	416,370	503,217	357,386	704,623	1,981,596
Gain on disposal of assets	4,650	0	0	0	4,650
Total Non-Operating Revenues (Expenses)	<u>429,815</u>	<u>504,584</u>	<u>358,753</u>	<u>704,623</u>	<u>1,997,775</u>
Income (loss) before contribution and transfer	<u>(138,932)</u>	<u>16,133</u>	<u>12,780</u>	<u>572,415</u>	<u>462,396</u>
Operating transfers in	402,456	0	0	0	402,456
Operating transfers out	0	0	0	402,456	402,456
Income (loss) before Contribution	<u>263,524</u>	<u>16,133</u>	<u>12,780</u>	<u>169,959</u>	<u>462,396</u>
Capital Contribution					
Transfers in	270,117	0	0	0	270,117
Transfers out	0	0	0	270,117	270,117
Change in net assets	<u>533,641</u>	<u>16,133</u>	<u>12,780</u>	<u>(100,158)</u>	<u>462,396</u>
Total net assets - beginning	<u>2,917,562</u>	<u>79,681</u>	<u>97,637</u>	<u>844,739</u>	<u>3,939,619</u>
Total net assets - ending	<u>\$ 3,451,203</u>	<u>\$ 95,814</u>	<u>\$ 110,417</u>	<u>\$ 744,581</u>	<u>\$ 4,402,015</u>

The Notes to the Financial Statements are an integral part of these statements.

**HOUSING AUTHORITY OF SULPHUR
ENTERPRISE FUNDS – STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2004**

	General	Tenant Based Section 8	Project Based Section 8	Capital Fund Program	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Rental receipts	\$ 243,530	\$ 0	\$ 0	\$ 0	\$ 243,530
Other receipts	(81,822)	160,851	(29,088)	0	49,941
Payments to vendors	(321,321)	(10,575)	(10,491)	(71,447)	(413,834)
Payments to employees – net	(285,704)	(27,760)	(21,728)	0	(335,192)
Payments to private landlords	0	(447,304)	(311,861)	0	(759,165)
Net cash provided (used) by operating activities	(445,317)	(324,788)	(373,168)	(71,447)	(1,214,720)
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES					
Operating transfers in	402,456	0	0	0	402,456
Operating transfers out	0	0	0	(402,456)	(402,456)
Federal grants	416,370	479,521	372,133	473,903	1,741,927
Net cash provided (used) by non-capital financing activities	818,826	479,521	372,133	71,447	1,741,927
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase of capital assets	(61,766)	(333)	(332)	(230,720)	(293,151)
Federal Capital Grants	0	0	0	230,720	230,720
Net cash provided (used) by capital and related financing activities	(61,766)	(333)	(332)	0	(62,431)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest income	8,795	1,367	1,367	0	11,529
Net cash provided (used) by interest income net of purchases of investment	8,795	1,367	1,367	0	11,529
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	320,538	155,767	0	0	476,305
CASH AND CASH EQUIVALENTS Beginning of Fiscal Year	639,093	233,365	0	0	872,458
CASH AND CASH EQUIVALENTS End of Fiscal Year	\$ 959,631	\$ 389,132	\$ 0	\$ 0	\$ 1,348,763

Continued

HOUSING AUTHORITY OF SULPHUR
ENTERPRISE FUNDS – STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2004

	<u>General</u>	<u>Tenant Based Section 8</u>	<u>Project Based Section 8</u>	<u>Capital Fund Program</u>	<u>Total</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	\$ (568,747)	\$ (488,451)	\$ (345,974)	\$ (132,208)	\$ (1,535,380)
Adjustment to reconcile operating income to net cash provided by operating activities:					
Depreciation Expense	253,633	1,894	1,894	60,761	318,182
Provision of uncollectible accounts	5,634	0	0	0	5,634
Change in assets and liabilities:					
Receivables	(5,133)	0	0	0	(5,133)
Due from other funds	(132,330)	44,577	(29,088)	11,775	(105,066)
Inventories	1,950	0	0	0	1,950
Prepaid items	1,490	0	0	0	1,490
Account payables	7,726	0	0	0	7,726
Accrued expenses	774	918	0	0	1,692
Deferred revenue	1,461	(567)	0	(11,775)	(10,881)
Due to other funds	(11,775)	116,841	0	0	105,066
Net cash provided by operations	\$ <u>(445,317)</u>	\$ <u>(324,788)</u>	\$ <u>(373,168)</u>	\$ <u>(71,447)</u>	\$ <u>(1,214,720)</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES					

During the past year, the General fund received capital assets with a net value of \$270,117 from the Capital Fund program.

Concluded

The Notes to the Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF SULPHUR
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2004

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HOUSING AUTHORITY OF SULPHUR
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES The accompanying financial statements of the Housing Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. REPORTING ENTITY Housing Authorities are chartered as public corporations under the laws (LSA – R.S. 40.391) of the state of Louisiana for the purpose of providing safe and sanitary dwellings accommodations. This creation was contingent upon the local governing body of the city or parish declaring a need for the Housing Authority to function in such city or parish. The Housing Authority is governed by a five member Board of Commissioners. The members, appointed by the Honorable Mayor of Sulphur, serve staggered multi-year terms.

The Housing Authority has the following units:

PHA Owned Housing	FW 907	128
Section 8		
Housing Choice Vouchers	LA-063-VO	105
Moderate Rehab	LA 003-MR	95

GASB Statement 14 establishes criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Housing Authority is considered a primary government, since it is a special purpose government that has a separate governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement 14, fiscally independent means that the Housing Authority may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt with HUD approval.

The Housing Authority is a related organization of the City of Sulphur since the City of Sulphur appoints a voting majority of Housing Authority's governing board. The City of Sulphur is not financially accountable for the Housing Authority as it cannot impose its will on the Housing Authority and there is no potential for the Housing Authority to provide financial benefit to, or impose financial burdens on, the City of Sulphur. Accordingly, the Housing Authority is not a component unit of the financial reporting entity of the City of Sulphur.

Governmental Accounting Standards Board (GASB) Codification Section 2100 establishes criteria for determining which, if any, component units should be considered part of the Housing Authority for financial reporting purposes. The basic criteria for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability, which includes:

HOUSING AUTHORITY OF SULPHUR
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004

- 1) Appointing a voting majority of an organization's governing body, and:
 - a) The ability of the government to impose its will on that organization and/or
 - b) The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the government.
- 2) Organizations for which the government does not appoint a voting majority but are fiscally dependent on the government.
- 3) Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Based on the previous criteria, the Housing Authority has determined that there are no component units that should be considered as part of the Housing Authority reporting entity.

B. FUNDS The accounts of the Housing Authority are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

All funds of the Housing Authority are classified as proprietary. The general fund accounts for the transactions of the public housing Low Rent program. The tenant based Section 8 fund accounts for the Section 8 Housing Choice Voucher programs. The project based Section 8 fund accounts for the Moderate Rehabilitation program. The Capital Funding program accounts for Capital Funding grants.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

New Accounting Standards Adopted During the year ended December 31, 2004, the Authority adopted three new statements of financial accounting standards issued by the Government Accounting Standards Board (GASB):

- Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.
- Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Ominous, an amendment of GASB Statements No. 21 and 34*.
- Statement No. 38, *Certain Financial Statement Note Disclosures*.

HOUSING AUTHORITY OF SULPHUR
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004

Statement No. 34 (as amended by Statement No.37) represents a very significant change in the financial reporting model used by state and local governments including special purpose governments such as the Housing Authority of Sulphur. This new reporting model requires management to provide a narrative and analysis to the ordinary user called the Management's Discussion and Analysis (MD&A). This new reporting model also requires the financial statements to be presented on the entity as a whole (government-wide financial statements). The most significant changes to the financial statements are the format, classification of information and the classification of fund equity into various classes of net assets.

The impact of GASB #34 on the net assets balance is as follows:

Retained Earnings, Beginning Balance as Previously Reported:		
Enterprise Funds	\$	1,936,853
Adjustment For:		
Reclassification of Contributed Capital		2,002,766
Net Assets, Beginning Balance, Business-type Activities	\$	3,939,619

PROPRIETARY FUNDS Proprietary funds are accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The Housing Authority has elected, pursuant to GASB Statement No. 20, to apply all GASB pronouncements and only FASB pronouncements issued before November 30, 1989.

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 funds' principal ongoing operations. The principal operating revenues of the Housing Authority's funds are rent and maintenance charges to residents and administration fees earned. Operating expenses for proprietary funds include the administrative costs of providing the service and the housing assistance payments to residents. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. CASH AND CASH EQUIVALENTS Cash includes amounts in demand deposits and interest-bearing demand deposits. Cash equivalents include amounts in time deposits and cash with fiscal agent. Under state law, the Housing Authority may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

E. INVESTMENTS Investments are limited to L.S.-R.S. 33:2955 and the Housing Authority's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

The investments are reflected at quoted market prices except for the following which are required/permitted as per GASB Statement No. 31:

HOUSING AUTHORITY OF SULPHUR
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004

Investments in *nonparticipating* interest-earning contracts, such as nonnegotiable certificates of deposit with redemption terms that do not consider market rates, are reported using a cost-based measure.

The Housing Authority reported at amortized cost money market investments *participating* interest-earning investment contracts that have a remaining maturity at time of purchase of one year or less.

Definitions:

Interest-earning investment contract include time deposits with financial institutions (such as certificates of deposit), repurchase agreements, and guaranteed investment contracts.

Money market investments are short-term, highly liquid debt instruments that include U.S. Treasury obligations.

F. SHORT – TERM INTERFUND RECEIVABLES/PAYABLES During the course of operations, numerous transactions occur between individual funds for services rendered. These receivables and payables are classified as due from other funds or due to other funds on the balance sheet. Short-term interfund loans are classified as interfund receivables/payables.

G. INVENTORY All purchased inventory items are valued at cost using first-in, first-out method. Acquisition of materials and supplies are accounted for on the consumption method, that is, the expenses are charged when the items are consumed.

H. PREPAID ITEMS Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

I. CAPITAL ASSETS Capital assets are recorded at historical cost and depreciated over their estimated useful lives (excluding salvage value). The capitalization threshold is \$500. Donated capital assets are recorded at their estimated fair value at the date of donation. Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight line depreciation is used based on the following estimated useful lives:

Site improvements	15 years
Buildings	33 years
Building improvements	15 years
Furniture and equipment	5-7 years
Computers	3 years

General infrastructure assets acquired prior to July 1, 2003, are not reported in the basic financial statements. General infrastructure assets include all roads, bridges, sidewalks, and other infrastructure assets acquired subsequent to July 1, 2003.

HOUSING AUTHORITY OF SULPHUR
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004

J. DEFERRED REVENUES The Housing Authority reports deferred revenues on its balance sheet. Deferred revenues arise when resources are received by the Housing Authority before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the Housing Authority has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and the revenue is recognized.

K. COMPENSATED ABSENCES The Housing Authority follows Louisiana Civil Service regulations for accumulated annual and sick leave. Employees may accumulate up to three hundred hours of annual leave which may be received upon termination or retirement. Sick leave hours accumulate, but the employee is not paid for them if not used by his/her retirement or termination date.

L. RESTRICTED NET ASSETS Net assets are reported as restricted when constraints placed on net asset use are either:

Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Restricted resources are used first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

M. INTERFUND ACTIVITY Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate. Services provided, deemed to be at market or near market rates, are treated as revenues and expenses.

All other interfund transfers are reported as operating transfers. Reimbursements are when one fund incurs cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

N. USE OF ESTIMATES The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and other financing sources and uses during the reporting period. Actual results could differ from those estimates.

HOUSING AUTHORITY OF SULPHUR
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2004

NOTE 2 – DEPOSITS AND INVESTMENTS Both cash deposits and investments held at a financial institution can be categorized according to three levels of risk. These three levels of risk are:

Category 1 - Insured or collateralized with securities held by the entity or by its agent in the entity's name

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name

Category 3 - Uninsured and unregistered investments held by the counter-party, its trust department, or its agent, but not in the Authority's name

At December 31, 2004 the Housing Authority has Cash equivalents, and investments totaling \$1,378,763 as follows:

Cash on hand	\$	75
Interest-bearing demand deposits		1,348,688
Time deposits		30,000
Total	\$	1,378,763
Cash and cash equivalents	\$	1,316,898
Cash and cash equivalents – restricted		31,865
Investments		30,000
Total	\$	1,378,763

Deposits are stated at cost, which approximates fair value.

Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The fair value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 2004, the Housing Authority's carrying amount of deposits was \$1,378,688 and the bank balance was \$1,390,047. Of the bank balance, \$200,000 was covered by federal depository insurance (GASB Category 1). \$890,172 was collateralized with securities held by the pledging financial institution's trust department or agent but not in the Housing Authority's name (GASB Category 3). \$299,875 was not collateralized. See Audit Finding 04 – 02.

HOUSING AUTHORITY OF SULPHUR
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement #3, Louisiana Revised Statute 39.1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Housing Authority that the fiscal agent has failed to pay deposited funds upon demand.

Investments during the year were solely in time deposits at banks.

NOTE 3 – ACCOUNTS RECEIVABLE The receivables at December 31, 2004, are as follows:

<u>Class of Receivables</u>	<u>General</u>	<u>Tenant Based Section 8</u>	<u>Project Based Section 8</u>	<u>Total</u>
Local sources:				
Tenants	\$ 1,138	\$ 0	\$ 6,819	\$ 7,957
Federal sources:				
Grants	0	18,961	0	18,961
Total	\$ 1,138	\$ 18,961	\$ 6,819	\$ 26,918

The tenants account receivable is net of an allowance for doubtful accounts of \$6,253.

NOTE 4 – CAPITAL ASSETS The changes in capital assets are as follows:

	Balance 12/31/03	Additions	Deletions	Balance 12/31/04
Land	\$ 99,900	\$ 0	\$ 0	\$ 99,900
Buildings	8,337,787	234,403	0	8,572,190
Furniture and equipment	197,566	70,305	40,102	227,769
Total	8,635,253	304,708	40,102	8,899,859
Less: accumulated depreciation				
Buildings	5,423,026	282,942	0	5,705,968
Furniture and equipment	146,300	35,238	33,194	148,344
Total	5,569,326	318,180	33,194	5,854,312
Fixed assets, net	\$ 3,065,927	\$ (13,472)	\$ 6,908	\$ 3,045,547

HOUSING AUTHORITY OF SULPHUR
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 5 – RETIREMENT SYSTEM The Housing Authority participates in the Housing – Renewal and Local Agency Retirement Plan which is a defined contribution plan. The plan consists of employees of various local and regional housing authorities, urban renewal agencies, and other similar organizations. Through this plan, the Housing Authority provides pension benefits for all of its full-time employees. All regular and full-time employees are eligible to participate in the plan on the first day of the month after completing one month of continuous and uninterrupted employment. Plan provisions and changes to plan contributions are determined by the Board of the Housing Authority.

Under a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The employer is required to make monthly contributions equal to 15% percent of each participant’s basic (excludes overtime) compensation. This payment represents a 6.5% contribution by the employee, and an 8.5% contribution by the Housing Authority.

The Housing Authority’s contribution for each employee and income allocated to the employee’s account are fully vested after five years of continuous service. Housing Authority’s contributions and interest forfeited by employees who leave employment before five years of service are used to offset future contributions of the Housing Authority. Normal retirement date shall be the first day of the month following the employee’s 65th birthday or after 10 years of participation in the plan.

The Housing Authority’s contributions were calculated using the base salary amount of \$189,384. The Housing Authority made the required contributions of \$28,408 for the year ended December 31, 2004, of which \$16,098 was paid by the Housing Authority and \$12,310 was paid by employees. No payments were made out of the forfeiture account.

NOTE 6 – ACCOUNTS PAYABLE The payables at December 31, 2004 are as follows:

			General		Total
Vendors	4	\$	9,477	\$	9,477
Total	12	\$	9,477	\$	9,477

HOUSING AUTHORITY OF SULPHUR
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2004

NOTE 7 – COMMITMENTS AND CONTINGENCIES

Litigation The Housing Authority is presently involved in one item of litigation. It is the opinion of the Authority’s legal advisor that the Authority has no exposure to monetary loss.

Grant Disallowances The Housing Authority participates in a number of state and federally assisted grant programs. The programs are subject to compliance audits under the single audit approach. Such audits could lead to requests for reimbursement by the grantor agency for expenditures disallowed under terms of the grants. Housing Authority management believes that the amount of disallowance, if any, which may arise from future audits will not be material.

Construction Projects There are certain renovation or construction projects in progress at December 31, 2004. These include modernizing rental units. These projects are being funded by HUD. Funds are requested periodically as the cost is incurred.

Risk Management The Housing 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 Housing Authority carries commercial insurance.

NOTE 8 – INTERFUND RECEIVABLES AND PAYABLES At December 31, 2004, interfund receivables and payables are as follows:

		Receivable		Payable
Shelter Plus Care	\$	0	\$	14,796
Low Rent		214,227		0
Mod Rehab		97,850		0
Vouchers		0		297,281
	\$	312,077	\$	312,077

NOTE 9 – COMPENSATED ABSENCES At December 31, 2004, employees of the Housing Authority have accumulated and vested \$18,712 of employee leave computed in accordance with GASB, Codification Section C60.

HOUSING AUTHORITY OF SULPHUR
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2004

NOTE 10 – GENERAL LONG – TERM OBLIGATIONS The following is a summary of the long – term obligation transactions for the year ended December 31, 2004.

		<u>Compensated Absences</u>
Balance, beginning	\$	17,020
Additions		2,905
Deductions		(1,213)
Balance, ending		<u>18,712</u>
Amounts due in one year	\$	<u>6,304</u>

NOTE 11 – INTERFUND TRANSFERS Interfund transfers for the year December 31, 2004 consists of the following:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Low Rent	Capital Fund	\$ <u>402,456</u>
Low Rent	Capital Fund	<u>270,117</u>

The Capital Fund grant provisions allowed the PHA to transfer \$402,456 to the Low Rent program to pay for eligible Low Rent expenses and to also increase the operating reserve. Also, the Capital Fund transferred \$270,117 of hard costs on completed grants to the Low Rent program.

NOTE 12 – ECONOMIC DEPENDENCE The Department of Housing and Urban Development provided \$1,981,596 to the Housing Authority, which represents approximately 85% of the Housing Authority’s total revenue for the year.

SUPPLEMENTARY INFORMATION

HOUSING AUTHORITY OF SULPHUR
STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST
ANNUAL CONTRIBUTION CONTRACT

YEAR ENDED DECEMBER 31, 2004

1. The Actual Modernization Costs are as follows:

	2000 Capital Fund	2001 Capital Fund	2003 Capital Fund
Funds approved	\$ 380,283	\$ 387,932	\$ 286,081
Funds expended	<u>380,283</u>	<u>387,932</u>	<u>286,081</u>
Excess of funds approved	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Funds advanced	\$ 380,283	\$ 387,932	\$ 286,081
Funds expended	<u>380,283</u>	<u>387,932</u>	<u>286,081</u>
Excess of funds advanced	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

2. The distribution of costs by project as shown on the Final Statements of Modernization Costs dated September 24, 2003, (FYE 2000), September 3, 2003 (FYE 2001) and December 16, 2004 (FYE 2003) accompanying the Actual Modernization Costs Certificates submitted to HUD for approval are in agreement with the PHA's records.
3. All modernization costs have been paid and all related liabilities have been discharged through payment.

See accountants' report

HOUSING AUTHORITY OF SULPHUR
STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST
ANNUAL CONTRIBUTION CONTRACT

YEAR ENDED DECEMBER 31, 2004

1. The Actual Modernization Costs are as follows:

		2003 Bonus Capital Fund		2004 Capital Fund
Funds approved	\$	60,423	\$	351,117
Funds expended		<u>60,423</u>		<u>351,117</u>
Excess of funds approved	\$	<u>0</u>	\$	<u>0</u>
Funds advanced	\$	60,423	\$	351,117
Funds expended		<u>60,423</u>		<u>351,117</u>
Excess of funds advanced	\$	<u>0</u>	\$	<u>0</u>

2. The distribution of costs by project as shown on the Final Statements of Modernization Costs dated December 14, 2004 (Bonus) and October 20, 2004 (FYE 2004) accompanying the Actual Modernization Costs Certificates submitted to HUD for approval are in agreement with the PHA's records.
3. All modernization costs have been paid and all related liabilities have been discharged through payment.

See accountants' report

MIKE ESTES, P.C.
A PROFESSIONAL ACCOUNTING CORPORATION
4200 AIRPORT FREEWAY – SUITE 100
FORT WORTH, TEXAS 76117

MIKE ESTES, CPA

(817) 831-3553
METRO (817) 654-4063
(817) 831-3560
e-mail: mestespc@swbell.net

MEMBER AMERICAN
INSTITUTE OF CERTIFIED
PUBLIC ACCOUNTANTS

Report on Compliance with Requirements Applicable to Each
Major Program and Internal Control Over Compliance in
Accordance with OMB Circular A-133

Housing Authority of Sulphur
Sulphur, Louisiana

We have audited the compliance of the Housing Authority of Sulphur, Louisiana with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. The Housing Authority of Sulphur, Louisiana's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Housing Authority of Sulphur, Louisiana's Management. Our responsibility is to express an opinion on the Housing Authority of Sulphur, Louisiana's compliance based on our audit.

We conducted our audit of compliance 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority of Sulphur, Louisiana's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Housing Authority of Sulphur, Louisiana's compliance with those requirements.

As described in Audit Finding 04 – 01 in the accompanying schedule of findings and questioned costs, the Housing Authority of Sulphur, Louisiana did not comply with requirements regarding Activities Allowed or Unallowed and Equipment and Real Property Management Compliance Requirements that are applicable to the Low Rent program. Compliance with such requirements is necessary, in our opinion, for the Housing Authority of Sulphur, Louisiana to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Housing Authority of Sulphur, Louisiana complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004. The results of our auditing procedures also disclosed another instance of noncompliance with those requirements which is required to be reported in accordance with OMB Circular A-133 and which is disclosed in the accompanying Schedule of Audit Findings as Audit Finding 04 – 02.

Internal Control Over Compliance

The management of The Housing Authority of Sulphur, Louisiana is responsible for establishing and maintaining internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Housing Authority of Sulphur, Louisiana's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Housing Authority of Sulphur's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as Audit Findings 04 – 01 and 04 – 02.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions disclosed above, we consider Audit Finding 04 – 01 to be a material weakness.

This report is intended for the information of the audit committee, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties. Under state Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Mike Estes, P.C.
Fort Worth, Texas
May 6, 2005

MIKE ESTES, P.C.
A PROFESSIONAL ACCOUNTING CORPORATION
4200 AIRPORT FREEWAY – SUITE 100
FORT WORTH, TEXAS 76117

(817) 831-3553
METRO (817) 654-4063
(817) 831-3560
e-mail: mestespc@swbell.net

MIKE ESTES, CPA

MEMBER AMERICAN
INSTITUTE OF CERTIFIED
PUBLIC ACCOUNTANTS

Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Governmental Auditing Standards*

Housing Authority of the City of Sulphur
Sulphur, Louisiana

We have audited the financial statements of the business-type activities and each major fund of the Housing Authority of Sulphur, Louisiana as of and for the year ended December 31, 2004, which collectively comprise the Housing Authority of Sulphur, Louisiana's, basic financial statements and have issued our report thereon dated May 6, 2005. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Housing Authority of Sulphur, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Housing Authority of Sulphur, Louisiana's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as Audit Finding 04 – 01.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider Audit Finding 04 – 01 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Authority of Sulphur'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 and 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 Audit Findings 04 – 01 and 04 – 02.

This report is intended for the information of the audit committee, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties. Under state Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Mike Estes, P. C.
Fort Worth, Texas
May 6, 2005

**HOUSING AUTHORITY OF SULPHUR
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

YEAR ENDED DECEMBER 31, 2004

FEDERAL GRANTOR PROGRAM TITLE	CDFA NO.	PROGRAM EXPENDITURES
U. S. Department of Housing and Urban Development Direct Programs:		
Low-Income Housing Operating Subsidy	14.850	416,370
Section 8 HAP – Moderate Rehab	14.856	357,386
Shelter Plus Care	14.238	62,785
Housing Choice Voucher	14.871	440,432
Public Housing Capital Fund	14.872	704,623
Total United States Department of Housing and Urban Development	\$	1,981,596
Total Expenditures of Federal Awards	\$	1,981,596

HOUSING AUTHORITY OF SULPHUR
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2004

NOTE 1 – GENERAL The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the Housing Authority of Sulphur, Louisiana (the “Housing Authority”). The Housing Authority reporting entity is defined in note 1(A) to the Housing Authority’s general-purpose financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, is included on the schedule.

NOTE 2 – BASIS OF ACCOUNTING The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in note 1(C) to the Housing Authority’s general-purpose financial statements.

NOTE 3 - RELATIONSHIP TO GENERAL-PURPOSE FINANCIAL STATEMENTS Federal awards revenues are reported in the Housing Authority’s general-purpose financial statements as follows:

		Federal Sources
General	\$	416,370
Tenant Based Section 8		503,217
Project Based Section 8		357,386
Capital Fund		704,623
Total	\$	1,981,596

NOTE 4 – RELATIONSHIP TO FEDERAL FINANCIAL REPORTS Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports except for changes made to reflect amounts in accordance with generally accepted accounting principles.

NOTE 5 – MAJOR FEDERAL AWARDS PROGRAMS The dollar threshold of \$300,000 was used to distinguish between Type A and Type B federal programs. For those funds that have matching revenues and state funding, federal expenditures were determined by deducting matching revenues from total expenditures. In accordance with HUD Notice PIH 98-14, “federal awards” do not include Housing Authority operating income from rents or investments (or other non-federal sources). In addition, debt service annual contribution payments made by HUD directly to fiscal agents for holders of Housing Authority bonds or for Housing Authority notes held by the federal financing bank (FFB), are not considered when determining if the Single Audit Act “federal awards expended” threshold is met by the Housing Authority in a fiscal year. In addition, the entire amount of operating subsidy received during the fiscal year is considered to be “expended” during the fiscal year.

HOUSING AUTHORITY OF SULPHUR
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2004

Financial Statement Audit

- i. The type of audit report issued was unqualified.
- ii. There was one reportable condition required to be disclosed by Government Auditing Standards issued by the Comptroller General of the United States.
- iii. There was one instance of noncompliance considered material, as defined by the Government Auditing Standards to the financial statements.

Audit of Federal Awards

- iv. There were two reportable conditions required to be disclosed by OMB Circular No. A-133.
- v. The type of report the auditor issued on compliance for major programs was qualified.
- vi. The audit disclosed two audit findings which the auditor is required to report under OMB Circular No. A-133, Section .510(a).
- vii. The major federal programs are:

CFDA# 14.850	Public Housing – Low Rent Program
CFDA# 14.856	Section 8 HAP Moderate Rehabilitation
- viii. The dollar threshold used to distinguish between Type A and Type B programs as described in OMB Circular No. A-133, Section .520(b) was 300,000.
- ix. The auditee qualifies as a low-risk auditee under OMB Circular No. A-133, Section .530.

HOUSING AUTHORITY OF SULPHUR
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2004

Prior Audit Findings and Questioned Costs

The prior audit report contained one audit finding, as follows:

Finding 03-01

The PHA had three employees living in the PHA at a reduced rent. Written permission had been requested, but not received, from HUD. Permission was obtained during this audit year. The finding is cleared.

Current Audit Findings

Entity-wide or program/department specific

Low Rent

04-01 – Disposition of Property Not Properly Accounted For

Statement of Condition

A pickup was improperly disposed of in 2004.

During our audit field visit, we were unable to physically site a 1997 Chevy Pickup listed on the depreciation schedule. The Assistant Director claimed she purchased the pickup. When I asked about details of the sale, the Assistant Director claimed she had paid cash of \$900 for the pickup, but that the proceeds had not been deposited into the Authority's operating account.

The Executive Director entered the conversation, claimed he had the \$900 cash at his house, "in a box". I inquired, but neither the Executive Director or the Assistant Director provided any reason why the proceeds had not been deposited.

Within a couple of hours, the Executive Director gave me a copy of a validated deposit slip dated April 28, 2005, currency listed of \$900, with a written explanation "sale of truck".

On April 29, 2005, the Assistant Director gave me a copy of a notarized Bill of Sale, dated December 17, 2004, for \$900, from the Sulphur Housing Authority to an individual that appears to be the Assistant Director's husband, for a 1997 Chevy Pickup. We have also reviewed a copy of a title for a 1997 pickup, same identification number as listed on the Bill of Sale, that shows a December 17, 2004 date acquired, issued to the Assistant Executive Director's husband.

HOUSING AUTHORITY OF SULPHUR
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2004

The Assistant Director also gave me a copy of her and her husband's joint savings statement that reflected a \$2,000 withdrawal on December 8, 2004 and a \$1,000 deposit to their joint checking account, on December 8, 2004.

Criteria

Proceeds of sale or proceeds of any transaction should be timely deposited and accounted for.

Concerning state laws, this pickup is considered surplus property, which may be sold to private individuals, firms, or corporations pursuant to public laws, or at public auction, pursuant to R.S. 49:125. For federal purposes, the requirements are outlined per the A – 102 Common Rule and OMB Circular A – 110.

Effect and Questioned Costs

The Authority did not duly advertise the vehicle, so it is unknown whether the vehicle could have been sold for more than \$900. In addition, the Authority has not had the use of the \$900 the Assistant Director claims she paid for the pickup.

The Head of Maintenance claims both interior door panels were damaged, the windows would not roll up or down, it had no stereo, the lift was inoperable, and it had high mileage. The notarized Bill of Sale lists 56,700 miles.

Cause

Unknown

Recommendation

Federal and state laws concerning advertising of surplus property before sale, and timely accounting of sales proceeds should be followed.

In addition, all of the Authority's movable property should be tagged, listed, and reconciled to the depreciation schedule currently maintained. This list of tagged property should be periodically checked. Details of equipment disposition, at least above the capitalization limit, should be reviewed and approved by the Board of Commissioners.

Corrective Action Plan – Response 04 - 01

I am Lawrence Italo, Executive Director and Designated Person to answer this audit finding. We will respond to this at a later date.

HOUSING AUTHORITY OF SULPHUR
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2004

Low Rent

04-02 –Bank Did Not Pledge Collateral

Statement of Condition

One operating account had a balance of \$199,875 at year-end. The PHA did not ensure that the bank pledged securities on the deposits in excess of the \$100,000 covered by FDIC.

Criteria

Federal regulations require that financial institutions pledge their securities on deposits in excess of the \$100,000 covered by FDIC.

Effect

Appears none. Adequate coverage was pledged on February 17, 2005.

Cause

Appears to be oversight. The account was opened on October, 2004.

Recommendation

The PHA should monitor all of its bank balances to ensure adequate coverage in maintained.

Corrective Action Plan – Response 04 - 02

We will not overlook this in the future. As noted above, we have had adequate coverage since February 17, 2005.

SEE MANAGEMENT LETTER ON NEXT PAGE

HOUSING AUTHORITY OF SULPHUR
SCHEDULE OF MANAGEMENT LETTER ITEMS

YEAR ENDED DECEMBER 31, 2004

04 MI –Board Minutes

The Board minutes should note that the Board reviews the unaudited financial statements. From discussions with the Board Chairman and other evidence, it appears the Board reviews the financial statements. But, this needs to be better documented.

In addition, the Board should approve the Section 8 payment standards, by Board resolutions.

04 M2 –Quality Control Checklists

The PHA documents the Section 8 and the Low Rent tenant files that are selected for a quality control review. However, the checklists should be more detailed. I have left suggested checklists with the PHA.

04 M3 –Error on MASS

The PHA answered an optional question, on Indicator Three, Work Orders, W107, “average number of days PHA has reduced the time it takes to complete non-emergency work orders over the past three years”.

The PHA listed 25 as the answer. It appears the correct answer is zero, rounded from .19. It appears the PHA now understands how to calculate this.

HOUSING AUTHORITY OF SULPHUR
SCHEDULE OF AUDIT JOURNAL ENTRIES

YEAR ENDED DECEMBER 31, 2004

	ACCT. # FOR AUDIT PURPOSES	DR	CR	ACCT. # FOR POSTING TO PHA BOOKS
<u>Low Rent</u>				
Other income	715	16,339		Per Fee
Operating transfer	1001		16,339	Accountant
To reclass transfers from Capital Fund				
 <u>Capital Fund</u>				
Operating transfer	1002	16,339		Per Fee
Ordinary maintenance	943		16,339	Accountant
To reclass \$8,731 on the 2000 CFP, account 1406 and \$7,608 on the 2004 CFP				

**HOUSING AUTHORITY OF SULPHUR
FINANCIAL DATA SCHEDULE**

YEAR ENDED DECEMBER 31, 2004

PHA: LA063 FYED: 12/31/2004

Line Item No.	Account Description	Shelter Plus Care	Low Rent Public Housing	Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitat LA063MR0001	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
111	Cash - Unrestricted	\$0	\$927,766	\$0	\$389,132	\$0	\$1,316,898
114	Cash - Tenant Security Deposits	\$0	\$31,865	\$0	\$0	\$0	\$31,865
100	Total Cash	\$0	\$959,631	\$0	\$389,132	\$0	\$1,348,763
122	Accounts Receivable - HUD Other Projects	\$14,796	\$0	\$6,819	\$4,165	\$0	\$25,780
126	Accounts Receivable - Tenants - Dwelling Rents	\$0	\$7,391	\$0	\$0	\$0	\$7,391
126.1	Allowance for Doubtful Accounts - Dwelling Rents	\$0	\$-6,253	\$0	\$0	\$0	\$-6,253
126.2	Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0	\$0
128.1	Allowance for Doubtful Accounts - Fraud	\$0	\$0	\$0	\$0	\$0	\$0
120	Total Receivables, net of allowances for doubtful accounts	\$14,796	\$1,138	\$6,819	\$4,165	\$0	\$26,918
131	Investments - Unrestricted	\$0	\$30,000	\$0	\$0	\$0	\$30,000
142	Prepaid Expenses and Other Assets	\$0	\$16,108	\$0	\$0	\$0	\$16,108
143	Inventories	\$0	\$1,981	\$0	\$0	\$0	\$1,981
143.1	Allowance for Obsolete Inventories	\$0	\$0	\$0	\$0	\$0	\$0
144	Interprogram Due From	\$0	\$214,227	\$97,850	\$0	\$0	\$312,077
150	Total Current Assets	\$14,796	\$1,223,085	\$104,669	\$393,297	\$0	\$1,735,847
161	Land	\$0	\$99,900	\$0	\$0	\$0	\$99,900
162	Buildings	\$0	\$6,936,183	\$0	\$0	\$733,595	\$7,669,778
163	Furniture, Equipment & Machinery - Dwellings	\$0	\$79,687	\$9,469	\$10,621	\$0	\$99,777
164	Furniture, Equipment & Machinery - Administration	\$0	\$93,778	\$0	\$0	\$34,214	\$127,992
165	Leasehold Improvements	\$0	\$820,806	\$0	\$0	\$81,606	\$902,412
166	Accumulated Depreciation	\$0	\$-5,740,884	\$-3,721	\$-4,873	\$-104,834	\$-5,854,312
160	Total Fixed Assets, Net of Accumulated Depreciation	\$0	\$2,289,470	\$5,748	\$5,748	\$744,581	\$3,045,547
180	Total Non-Current Assets	\$0	\$2,289,470	\$5,748	\$5,748	\$744,581	\$3,045,547
190	Total Assets	\$14,796	\$3,512,555	\$110,417	\$399,045	\$744,581	\$4,781,394
312	Accounts Payable <= 90 Days	\$0	\$9,477	\$0	\$0	\$0	\$9,477
322	Accrued Compensated Absences - Current Portion	\$0	\$4,717	\$0	\$1,587	\$0	\$6,304
333	Accounts Payable - Other Government	\$0	\$5,787	\$0	\$0	\$0	\$5,787
341	Tenant Security Deposits	\$0	\$31,865	\$0	\$0	\$0	\$31,865
342	Deferred Revenues	\$0	\$1,461	\$0	\$0	\$0	\$1,461
347	Interprogram Due To	\$14,796	\$0	\$0	\$297,281	\$0	\$312,077
310	Total Current Liabilities	\$14,796	\$53,307	\$0	\$298,868	\$0	\$366,971
354	Accrued Compensated Absences - Non Current	\$0	\$8,045	\$0	\$4,363	\$0	\$12,408
350	Total Noncurrent Liabilities	\$0	\$8,045	\$0	\$4,363	\$0	\$12,408
300	Total Liabilities	\$14,796	\$61,352	\$0	\$303,231	\$0	\$379,379
508	Total Contributed Capital	\$0	\$0	\$0	\$0	\$0	\$0
508.1	Invested in Capital Assets, Net of Related Debt	\$0	\$2,289,470	\$5,748	\$5,748	\$744,581	\$3,045,547
511	Total Reserved Fund Balance	\$0	\$0	\$0	\$0	\$0	\$0
511.1	Restricted Net Assets	\$0	\$0	\$0	\$0	\$0	\$0
512.1	Unrestricted Net Assets	\$0	\$1,161,733	\$104,669	\$90,066	\$0	\$1,356,468
513	Total Equity/Net Assets	\$0	\$3,451,203	\$110,417	\$95,814	\$744,581	\$4,402,015
600	Total Liabilities and Equity/Net Assets	\$14,796	\$3,512,555	\$110,417	\$399,045	\$744,581	\$4,781,394

**HOUSING AUTHORITY OF SULPHUR
FINANCIAL DATA SCHEDULE**

YEAR ENDED DECEMBER 31, 2004

PHA: LA063 FYED: 12/31/2004

Line Item No.	Account Description	Shelter Plus Care	Low Rent Public Housing	Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitat LA063MR0001	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
703	Net Tenant Rental Revenue	\$0	\$243,029	\$0	\$0	\$0	\$243,029
704	Tenant Revenue - Other	\$0	\$35,757	\$0	\$0	\$0	\$35,757
705	Total Tenant Revenue	\$0	\$278,786	\$0	\$0	\$0	\$278,786
706	HUD PHA Operating Grants	\$62,785	\$416,370	\$357,386	\$440,432	\$473,903	\$1,750,876
706.1	Capital Grants	\$0	\$0	\$0	\$0	\$230,720	\$230,720
711	Investment Income - Unrestricted	\$0	\$8,795	\$1,367	\$1,367	\$0	\$11,529
715	Other Revenue	\$0	\$23,215	\$0	\$0	\$0	\$23,215
716	Gain/Loss on Sale of Fixed Assets	\$0	\$4,650	\$0	\$0	\$0	\$4,650
720	Investment Income - Restricted	\$0	\$0	\$0	\$0	\$0	\$0
700	Total Revenue	\$62,785	\$731,816	\$358,753	\$441,799	\$704,623	\$2,299,776

PHA: LA063 FYED: 12/31/2004

Line Item No.	Account Description	Shelter Plus Care	Low Rent Public Housing	Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitat LA063MR0001	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
911	Administrative Salaries	\$6,950	\$76,206	\$21,269	\$21,269	\$0	\$125,694
912	Auditing Fees	\$0	\$5,930	\$700	\$700	\$0	\$7,330
914	Compensated Absences	\$0	\$1,987	\$459	\$459	\$0	\$2,905
915	Employee Benefit Contributions - Administrative	\$0	\$48,714	\$0	\$0	\$0	\$48,714
916	Other Operating - Administrative	\$0	\$63,436	\$9,786	\$9,870	\$6,453	\$89,545
924	Tenant Services - Other	\$0	\$4,895	\$0	\$0	\$0	\$4,895
931	Water	\$0	\$23,810	\$0	\$0	\$0	\$23,810
932	Electricity	\$0	\$10,044	\$0	\$0	\$0	\$10,044
938	Other Utilities Expense	\$0	\$23,807	\$0	\$0	\$0	\$23,807
941	Ordinary Maintenance and Operations - Labor	\$0	\$100,507	\$0	\$0	\$0	\$100,507
942	Ordinary Maintenance and Operations - Materials and Other	\$0	\$44,372	\$0	\$0	\$5,451	\$49,823
943	Ordinary Maintenance and Operations - Contract Costs	\$0	\$47,353	\$5	\$5	\$59,543	\$106,906
945	Employee Benefit Contributions - Ordinary Maintenance	\$0	\$59,064	\$0	\$0	\$0	\$59,064
961	Insurance Premiums	\$0	\$78,065	\$0	\$0	\$0	\$78,065
964	Bad Debt - Tenant Rents	\$0	\$18,587	\$0	\$0	\$0	\$18,587
965	Bad Debt - Mortgages	\$0	\$9,688	\$0	\$0	\$0	\$9,688
969	Total Operating Expenses	\$6,950	\$616,465	\$32,219	\$32,303	\$71,447	\$759,384
970	Excess Operating Revenue over Operating Expenses	\$55,835	\$115,351	\$326,534	\$409,496	\$633,176	\$1,540,392
971	Extraordinary Maintenance	\$0	\$650	\$0	\$0	\$0	\$650
973	Housing Assistance Payments	\$55,835	\$0	\$311,861	\$391,469	\$0	\$759,165
974	Depreciation Expense	\$0	\$253,633	\$1,893	\$1,894	\$60,761	\$318,181
900	Total Expenses	\$62,785	\$870,748	\$345,973	\$425,666	\$132,208	\$1,837,380
1001	Operating Transfers In	\$0	\$402,456	\$0	\$0	\$0	\$402,456
1002	Operating Transfers Out	\$0	\$0	\$0	\$0	\$-402,456	\$-402,456
1010	Total Other Financing Sources (Uses)	\$0	\$402,456	\$0	\$0	\$-402,456	\$0
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$0	\$263,524	\$12,780	\$16,133	\$169,959	\$462,396

**HOUSING AUTHORITY OF SULPHUR
FINANCIAL DATA SCHEDULE**

YEAR ENDED DECEMBER 31, 2004

PHA: LA063 FYED: 12/31/2004

Line Item No.	Account Description	Shelter Plus Care	Low Rent Public Housing	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitat LA063MR0001	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0	\$0	\$0	\$0	\$0
1103	Beginning Equity	\$0	\$2,917,562	\$97,637	\$79,681	\$844,739	\$3,939,619
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	\$270,117	\$0	\$0	\$-270,117	\$0
1113	Maximum Annual Contributions Commitment (Per ACC)	\$0	\$0	\$405,107	\$414,514	\$0	\$819,621
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	\$0	\$0	\$0	\$0	\$0	\$0
1115	Contingency Reserve, ACC Program Reserve	\$0	\$0	\$1,839,550	\$41,971	\$0	\$1,881,521
1116	Total Annual Contributions Available	\$0	\$0	\$2,244,657	\$456,485	\$0	\$2,701,142
1120	Unit Months Available	0	2,379	1,140	1,260	0	4,779
1121	Number of Unit Months Leased	0	2,302	1,140	1,216	0	4,658

JOSEPH A. DELAFIELD

A PROFESSIONAL CORPORATION
Whitney National Bank Building
3401 Ryan Street, Suite 307
Lake Charles, Louisiana 70605
e-mail: jadelafield@bellsouth.net

RECEIVED
LEGISLATIVE AUDITOR
05 MAY 13 AM 11:16

Telephone: 337-477-4655
Facsimile: 337-477-4738

Post Office Box 4272
Lake Charles, Louisiana 70606

May 12, 2005

Ms. Suzanne Elliott, Engagement Manager
Office of Legislative Auditor
1600 North Third Street
P.O. Box 94397
Baton Rouge, LA 70804-9397

Re: Housing Authority of the
City of Sulphur, Louisiana

Dear Ms. Elliott:

We are general counsel to the Housing Authority of the City of Sulphur, Louisiana ("Authority"), and in this capacity we have been requested to correspond with you concerning a specific audit criticism for the year ended December 31, 2004, by Mike Estes, P.C., A Professional Accounting Corporation ("Auditor"), as reflected in the Auditor's Schedule of Findings and Questioned Costs ("Findings"), a copy of which is annexed hereto.

The specific Finding is 01-01- Disposition of Property Not Properly Accounted For. The Authority's Executive Director, Lawrence J. Italio sold a 1997 Chevrolet Pickup Truck to an Authority's employee's husband for \$900.00 cash. The Findings reflect two concerns, (i) disposal of surplus Authority property without complying with Louisiana and Federal law, and (ii) late deposit of the sale's proceeds into the Authority's accounts. This letter will address both issues.

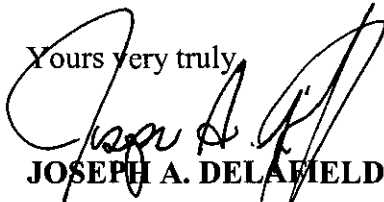
1. Disposition of Surplus Property. Enclosed herewith please find copies of (a) my letter of May 4, 2005, directed to Terry Manual, Esq., Assistant District Attorney, Calcasieu Parish, Louisiana; (b) response of Terry Manual dated May 5, 2005; and (c) my letter of May 9, 2005, directed to Mr. Mike Estes, P.C., all concerning the issue of sale of surplus property. It is our belief that items (a), (b) and (c) adequately and properly address the issue of surplus property disposal by the Authority in this matter.
2. Late Deposit of Sale's Proceeds. Unquestionably the manner in which the sale's

Ms. Suzanne Elliott
Engagement Manager
Office of Legislative Auditor
May 12, 2005
Page 2

proceeds were handled is improper. I have discussed this matter with Mr. Italo and have received affirmative assurances from him that this issue is not to be repeated. Based upon my conversation with Mr. Italo and my knowledge of him over the past number of years, I am confident this omission will not be repeated.

After you have had the opportunity to review this letter and the attachments hereto, should you have any questions concerning same, please do not hesitate to contact me at your earliest convenience.

Yours very truly,



Handwritten signature of Joseph A. DeLafield in black ink, written over the typed name.

JOSEPH A. DELAFIELD

JAD/wp

cc: Lawrence J. Italo

JOSEPH A. DELAFIELD

A PROFESSIONAL CORPORATION
Whitney National Bank Building
3401 Ryan Street, Suite 307
Lake Charles, Louisiana 70605
e-mail: jadelafield@bellsouth.net

Telephone: 337-477-4655
Facsimile: 337-477-4738

Post Office Box 4272
Lake Charles, Louisiana 70606

May 9, 2005

Mr. Mike Estes, P.C.
4200 Airport Freeway #100
Fort Worth, TX 76117

RE: Audit Inquiry
Housing Authority of the City of Sulphur, Louisiana

Dear Mr. Estes:

This firm serves as general counsel to the Housing Authority of the City of Sulphur, Louisiana ("Housing Authority"), and in this capacity the Executive Director, Lawrence Italo, has communicated to us your audit criticism of a sale of a surplus vehicle to the husband of Vena Bertrand in December 2004.

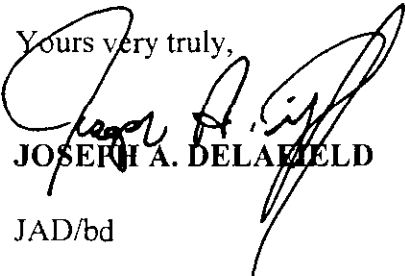
I communicated the facts outlined in your audit criticism to the District Attorney for Calcasieu Parish, Louisiana, and discussed that criticism with the Assistant District Attorney, Terry Manuel.

Enclosed herewith is a copy of the May 5, 2005, letter I have received from Assistant District Attorney, Terry Manuel, in connection with your audit criticism.

After you have had the opportunity to review this letter and the enclosed letter from Mr. Manuel, should you have any questions concerning same, please do not hesitate to call.

Kindest regards.

Yours very truly,


JOSEPH A. DELAFIELD

JAD/bd

Enclosure

c Lawrence Italo via telefax 527.0681

JOSEPH A. DELAFIELD

A PROFESSIONAL CORPORATION
Whitney National Bank Building
3401 Ryan Street, Suite 307
Lake Charles, Louisiana 70605
e-mail: jadclafield@bellsouth.net

Telephone: 337-477-4655
Facsimile: 337-477-4738

Post Office Box 4272
Lake Charles, Louisiana 70606

May 4, 2005

Mr. Terry J. Manuel
Assistant District Attorney
Calcasieu Parish District Attorney's Office
P. O. Box 3206
Lake Charles, LA 70602

VIA TELEFAX
437.3325

RE: Housing Authority of the City of Sulphur

Dear Terry:

Please allow this letter to confirm our telephone conversation on Monday, May 2, 2005, concerning an unintentional omission by the Housing Authority of the City of Sulphur ("Housing Authority") which is described hereafter.

Enclosed herewith are documents provided to us by the Housing Authority that explain on December 17, 2004, the Housing Authority sold a piece of excess equipment to the husband of Vena Bertrand, an employee of the Housing Authority. Unfortunately, the Housing Authority did not follow state law in advertising for the sale of the excess equipment. In addition, the \$900.00 sales price obtained upon sale of the excess vehicle was not deposited in to the general account of the Housing Authority until approximately April 26, 2005.

The external auditor of the Housing Authority discovered the omissions, listed hereinabove, and informed Lawrence Italo, Executive Director of the Housing Authority, that he was to report to his general counsel who was required at that point to report it to the District Attorney's Office.

Enclosed herewith is a copy of the Housing Authority's disposition policy. As you can see, disposition of the vehicle was within the parameters of the policy.

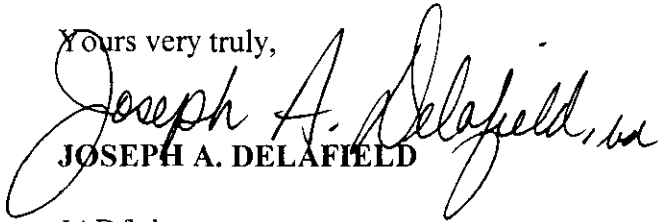
Quite candidly I see no criminal intent or a violation of the criminal law here. Although the advertisement procedure was not followed, the staff at the Housing Authority tells me that the true value of the vehicle was \$900.00 and that amount has now been deposited in to the general account of the Housing Authority.

Mr. Terry J. Manuel
May 4, 2005
Page 2

Should you need any additional information in connection with the omission of the Housing Authority, as related herein, please call at your earliest convenience.

Kindest personal regards.

Yours very truly,


JOSEPH A. DELAFIELD

JAD/bd

Enclosures

c Lawrence Italo via telefax 527.0681

Manuel Terry 5.4.05 wpd



RICK BRYANT
District Attorney
FOURTEENTH JUDICIAL DISTRICT
CALCASIEU PARISH

RONALD A. ROSSITTO
FIRST ASSISTANT
DISTRICT ATTORNEY

1020 RYAN
P.O. BOX 3206
LAKE CHARLES, LA. 70602
PHONE (337) 437-3400
FAX (337) 437-3325

May 5, 2005

Mr. Joseph A. Delafield
A Professional Corporation
Whitney National Bank Bldg.
3401 Ryan Street, Ste. 307
Lake Charles, LA 70605

Re: Housing Authority of the City of Sulphur

Dear Jay:

This is in response to your letter of May 4, 2005 regarding the sale of a surplus automobile by the Housing Authority of the City of Sulphur.

It is my understanding that the external auditor for the housing authority has questioned whether the sale of the vehicle should have been effected in accord with the general state law regarding the sale of surplus movable property by public agencies of the state.

Assuming that the housing authority has not elected to be governed by those general state laws, it is my opinion that the housing authority is exempt from those general state laws by virtue of La. R.S. 40:406 (B) which reads as follows:

§ 40:406. Exemptions from certain laws

B. The following provisions of law, and any regulations relating thereto, shall not apply to a local housing authority unless the legislation imposing such requirements is expressly and specifically applicable to local housing authorities or the local housing authority expressly elects to be governed by such legislation or regulations:

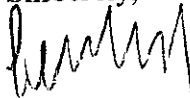
(1) The Administrative Procedure Act.

(2) Any law, ordinance, or regulation governing or otherwise applicable to the procurement of goods and services, or to the acquisition, operation, or disposition of property by public agencies of this state.

Mr. Joseph A. Delafield
May 5, 2005
Page 2

Should you have any questions or concerns regarding this opinion, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Terry J. Manuel". The signature is written in a cursive style with a prominent vertical stroke on the right side.

TERRY J. MANUEL
Assistant District Attorney
Civil Section

JOSEPH A. DELAFIELD

A PROFESSIONAL CORPORATION
Whitney National Bank Building
3401 Ryan Street, Suite 307
Lake Charles, Louisiana 70605
e-mail: jadelafield@bellsouth.net

RECEIVED
LEGISLATIVE AUDITOR
05 MAY 19 AM 11:45

Telephone: 337-477-4655
Facsimile: 337-477-4738

Post Office Box 4272
Lake Charles, Louisiana 70606

May 18, 2005

Ms. Suzanne Elliott, Engagement Manager
Office of Legislative Auditor
1600 North Third Street
P. O. Box 94397
Baton Rouge, LA 70804-9397

RE: Housing Authority of the
City of Sulphur, Louisiana

Dear Ms. Elliott:

At the request of our client, the Housing Authority of the City of Sulphur, Louisiana ("Authority"), we are taking this opportunity to respond to the additional audit criticisms of Mike Estes, P.C., A Professional Accounting Corporation ("Auditor"), for fiscal year ended December 31, 2004. Please note that by letter of May 12, 2005, directed to you we have addressed the issues of disposal of surplus property and late deposit of sales proceeds from the sale of the surplus property. This letter will attempt to address the remaining criticisms of Mr. Estes.

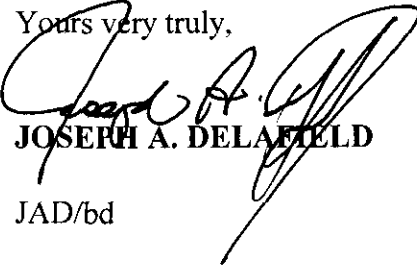
3. Bank Did Not Pledge Collateral. The Authority recognizes the validity of this criticism and has assigned to Lawrence J. Italio the responsibility of following up with the depository financial institution to verify pledged securities on deposits in excess of \$100,000.
4. Quality Control Checklists. The Authority is now utilizing the Quality Control Checklists provided to it by Mike Estes for the Section 8 and Low Rent tenant files.
5. Board Minutes. Although the Board Member's are provided the Authority's financial statements at their regular Board meetings, the Administrative Secretary charged with the responsibility of taking Minutes at each of the Board meetings, simply did not note in the meeting Minutes that the Board of Commissioners had actually reviewed the financial statements. This oversight has now been addressed with the personnel responsible for administratively taking Minutes of the Board meetings such that future Minutes will reflect the Commissioners actual review of the Authority's financial statements.

Ms. Suzanne Elliott, Engagement Manager
May 18, 2005
Page 2

6. Error on MASS. The Authority's calculation error has been addressed by Mr. Estes and this calculation error will not be repeated.

After you have had the opportunity to review this letter should you have any questions concerning same, please do not hesitate to call.

Yours very truly,



JOSEPH A. DELAFIELD

JAD/bd

- c Lawrence Italo via telefax 527.0681
Mike Estes via telefax 817.831.3560