

**HOUSING AUTHORITY OF THE  
CITY OF LAKE CHARLES  
Lake Charles, Louisiana**

**Financial Statements  
And Supplementary Information**

**For the Year Ended September 30, 2022**

*Trimm Consulting, APAC*  
1901 Sampson Street  
Westlake, La. 70669

HOUSING AUTHORITY OF THE CITY OF LAKE CHARLES  
LAKE CHARLES, LOUISIANA

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INDEPENDENT AUDITOR'S  
REPORT

Board of Commissioners  
Housing Authority of the City of Lake Charles  
Lake Charles, Louisiana

**Report on the Audit of the Financial Statements**

**Opinions**

I have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Housing Authority of the City of Lake Charles as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Housing Authority of the City of Lake Charles's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Housing Authority of the City of Lake Charles, as of September 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinions**

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. I am required to be independent of the Housing Authority of the City of Lake Charles and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Housing Authority of the City of Lake Charles's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

**Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis,

evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of the City of Lake Charles's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Housing Authority of the City of Lake Charles's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-10 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary Information**

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Housing Authority of the City of Lake Charles' basic financial statements. The accompanying Statement of Certification of Actual Modernization Cost, page 34, Financial Data Schedule, pages 35-38, the Schedule of Compensation, Benefits and Other Payments to the CEO, page 39, and the Schedule of Expenditures of Federal Awards, page 45, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, I have also issued my report dated March 3, 2023, on my consideration of the Housing Authority of the City of Lake Charles's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Housing Authority of the City of Lake Charles's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Housing Authority of the City of Lake Charles's internal control over financial reporting and compliance.

*William V. Trimm, CPA*      Trimm Consulting, APAC      March 3, 2023

# **Housing Authority of the City of Lake Charles, Louisiana Management's Discussion and Analysis (MD&A)**

**September 30, 2022**

(Unaudited)

We, the management of the Housing Authority of The City of Lake Charles, present the following discussion and analysis of the Housing Authority's financial activities for the fiscal year ended September 30, 2022. This represents an overview of financial information. Please read this discussion and analysis in conjunction with the Housing Authority's audited financial statements, which follows.

## **FINANCIAL HIGHLIGHTS**

- The assets of the Housing Authority exceeded its liabilities at September 30, 2022 by \$25,562,001.
- Of this amount, \$16,845,410 of unrestricted net position may be used to meet the Housing Authority's ongoing obligations to citizens and creditors.
- The remainder of \$ 8,716,591 represents the net amount invested in land, building, furnishings, leasehold improvements, and equipment of \$ 8,626,403 and restricted cash and investments of \$ 90,188.
- The Housing Authority's total net position decreased by \$ 830,562, a 3.15% decrease from fiscal year 2021.

## **USING THIS ANNUAL REPORT**

This discussion and analysis is intended to serve as an introduction to the Housing Authority's financial statements. The Housing Authority's basic financial statements are comprised of two components. 1) fund financial statements, and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. The Housing Authority is a special purpose government engaged only in business-type activities. Accordingly, only fund financial statements are presented as the basic financial statements.

The financial statements are designed to provide readers with a broad overview of the Housing Authority's finances in a manner similar to a private sector business.

The statement of net position presents information on all of the Housing Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Housing Authority is improving or deteriorating, or otherwise changing in a dramatic manner.

**Housing Authority of The City of Lake Charles, Louisiana**  
**Management's Discussion and Analysis (MD&A)**  
**September 30, 2022**

(Unaudited)

The statement of revenue, expenses and changes in net position presents information detailing how the Housing Authority's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that are the result of cash flows in prior years or will result in cash flows in future years (e.g., depreciation and earned but unused vacation leave.).

The statement of cash flows provides information about the Housing Authority's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities.

These financial statements report on the functions of the Housing Authority that are principally supported by intergovernmental revenues. The Housing Authority's function is to provide decent safe, and sanitary housing to low-income and special needs populations, which is primarily funded with grant revenue received from the U. S. Department of Housing and Urban Development (HUD) and dwelling rentals.

**FINANCIAL ANALYSIS**  
**Fund Financial Statements**

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 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Housing Authority of The City of Lake Charles, Louisiana**  
**Management's Discussion and Analysis (MD&A)**  
**September 30, 2022**  
**(Unaudited)**

The Housing Authority utilizes only one fund type, namely the enterprise fund type. An enterprise fund is a proprietary fund type. A proprietary fund utilizes the full accrual method of accounting in which all assets and all liabilities associated with the operation of this fund is included on the statement of net position. The focus of the proprietary fund is on income measurement, which, together with the maintenance of equity, is an important financial indication. The financial statements can be found on pages 11 through 15 of this report.

**Notes to the Financial Statements**

Notes provide additional information essential to a full understanding of the data provided in the financial statements. Notes to the financial statements can be found on pages 16 through 30 of this report.

**Statement of Net Position**

The following table represents a condensed Statement of Net Position as of September 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Current Assets	\$ 18,249,505	\$ 14,772,085
Restricted Assets	395,042	1,372,408
Long-Term Assets	7,576,442	7,491,564
Fixed Assets	<u>11,359,884</u>	<u>11,575,783</u>
Total Assets	<u>\$ 37,580,873</u>	<u>\$ 35,211,840</u>
Current Liabilities	\$ 9,158,129	\$ 5,673,905
Current liabilities payable for restricted assets	34,539	68,391
Non-current Liabilities	<u>2,826,204</u>	<u>3,076,981</u>
Total Liabilities	<u>12,018,872</u>	<u>8,819,277</u>
Net Position:		
Invested in capital assets	8,626,403	8,587,905
Restricted net position	90,188	283,130
Unrestricted net position	<u>16,845,410</u>	<u>17,521,528</u>
Total Net Position	<u>25,562,001</u>	<u>26,392,563</u>
Total Liabilities and Net Position	<u>\$ 37,580,873</u>	<u>\$ 35,211,840</u>

continued

**Housing Authority of The City of Lake Charles, Louisiana  
Management's Discussion and Analysis (MD&A)  
September 30, 2022  
(Unaudited)**

**Statement of Net Position (Continued)**

As noted earlier, net position may serve over time as a useful indicator of the improvement or deterioration of a government's financial position. In the case of the Housing Authority, assets exceeded liabilities by approximately \$25,562,001 at September 30, 2022 and \$26,392,563 at September 30, 2021.

The Housing Authority's investments in capital assets (e.g. buildings, machinery, and equipment) account for 33.75 % of its net position. The Housing Authority uses these capital assets to provide housing services to residents; consequently, these assets are not available for future spending. The unrestricted net position of the Housing Authority is available for future use to provide program services.

**Statement of Revenues, Expenses and Changes in Net Position**

The following table represents a condensed Statement of Revenues, Expenses, and Changes in Net Position for the year ended September 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Operating Revenues		
Dwelling rental and other	\$ 786,056	\$ 1,023,651
Interest Earnings	255,216	201,442
Federal grant	<u>10,421,141</u>	<u>8,530,640</u>
Total Operating Revenues	11,462,413	9,755,733
Operating Expenses		
Administration	898,574	1,203,963
Salaries	976,069	1,062,397
Employee Benefits	408,283	485,735
Tenant service	100,840	18,475
Utilities	141,521	303,821
Ordinary maintenance and operations	961,257	762,265
Loss on disposition of assets	254,347	5,567
General expenses	0	30,840
Interest expense	104,258	101,116
Insurance	930,786	788,315
Housing assistance payments	7,273,706	6,086,708
Depreciation	<u>1,088,339</u>	<u>1,046,556</u>
Total Operating Expenses	<u>13,137,980</u>	<u>11,895,758</u>

continued



## Housing Authority of The City of Lake Charles, Louisiana

### Management's Discussion and Analysis (MD&A) (Un-audited) September 30, 2022

#### Statement of Revenues, Expenses, Capital Contributions, and Changes in Net Position-Cont'd

	<u>2022</u>	<u>2021</u>
Net Income (Loss) before Capital Contributions and Transfers	(\$ 1,675,567)	(2,140,025)
Capital Contributions and Transfers	<u>845,005</u>	<u>742,415</u>
Net increase (decrease) in net position	<u>(\$ 830,562)</u>	<u>\$ (1,397,610)</u>

The net position of the Housing Authority decreased by \$ 830,562 and decreased by \$ 1,397,610 during the years ended September 30, 2022 and 2021 respectively. The Housing Authority's revenues are derived primarily from dwelling rental income and various HUD programs.

#### **SIGNIFICANT CHANGES BETWEEN FY 2022 and FY 2021**

The Lake Charles Housing Authority (LCHA) is still in recovery mode and will be for the foreseeable future. The 5 Presidentially declared disasters that the LCHA suffered from occurred in a period of less than 1 year. Those disasters were: 1.) Covid-19-March 2020, 2.) DR-4559 LA Hurricane Laura- August 28, 2020, 3.) DR-4570 Hurricane Delta-September 28, 2020, 4.) 2021 Ice Storm-May 16, 2021, 5.) DR-4606-LA Flood. According to FEMA personnel, no local area has ever been affected by 5 Presidentially declared Disasters in a one-year period.

Prior to the landfall of Hurricane Laura, our aging housing stock was at 95% occupancy in all programs. At the end of the fiscal year our occupancy was approximately 20%. This is due to the deteriorating conditions of our units from the storm damage and massive discrepancy issues with the insurance companies. HUD had assured us that the LCHA would be made whole with insurance and FEMA assistance. That has turned out to be inaccurate. We are now in the litigation process with the insurance companies-FEMA is supposed to cover what the insurance companies do not cover.

Our Housing Choice Voucher programs were a High Performer under the SEMAP rating system prior to the storms. On August 2020 we had 1136 total vouchers leased in the Voucher Management Systems (VMS). In January 2021 we had 679 total leased vouchers. In September 2021 we had 810 total vouchers leased. In September 2022 we had 989 total vouchers leased in VMS. Our last VMS report- issued in November of 2022 shows 1021 total vouchers leased. We have been seeing an upward trend in the Housing Choice Vouchers programs and we believe that the trend will continue.

The path forward will be steep. We are working with various consultants to maximize our litigation claim. They are as follows: Public Adjuster, FEMA Consultants, Environmental, Civil Engineer. They, together, are expected to present the best base for the LCHA in the litigation claim. We have a mediation scheduled for March 8<sup>th</sup> and 9<sup>th</sup> for LIHTC and Mixed Finance properties. Our Public Housing properties are scheduled for mediation in mid-April 2023. Our affiliated Non-Profit Properties are scheduled for mid-May 2023. We are hopeful and confident of a positive outcome.,

# Housing Authority of the City of Lake Charles, Louisiana Management's Discussion and Analysis (MD&A)

September 30, 2022

(Unaudited)

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

As of September 30, 2022, the Housing Authority's investment in capital assets for its business-type activities was approximately \$ 11,359,884 (net of accumulated depreciation) compared to \$ 11,575,783 as of September 30, 2021, a decrease of \$ 215,899 or 1.87%.

	<u>2022</u>	<u>2021</u>
Land	\$ 2,246,850	\$ 2,246,850
Buildings and Improvements	35,545,269	34,672,830
Furniture, equipment and machinery	830,912	830,912
Accumulated Depreciation	<u>(27,263,147)</u>	<u>(26,174,809)</u>
Total	<u>\$ 11,359,884</u>	<u>\$ 11,575,783</u>

### Debt

Non-current liabilities include accrued annual vacation and sick leave due to employees. Additional debt is explained in Note L of the Notes to the Financial Statements.

## 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 the Federal budget than by local economic conditions. HUD has already approved the Budgets for 2023/2022.

## CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Housing Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, Housing Authority of the City of Lake Charles, P.O. Box 1206, Lake Charles, LA 70602 or call (337) 439-4189.

Housing Authority of The City of Lake Charles  
Lake Charles, Louisiana

ENTERPRISE FUNDS  
Statement of Net Position

September 30, 2022

	General	Section 8	Management	Elimination	Total Primary Government
<b>ASSETS</b>					
<b>Current assets</b>					
Cash	\$ 7,748,363	\$ 394,392	\$ 1,169,331	\$ -	\$ 9,312,086
Investments	4,221,630	2,163,874	118,121	-	6,503,625
Accrued interest receivable	1,079,309	-	-	-	1,079,309
Accounts receivable, net	224,995	699	171,518	-	397,212
Interfund receivable	316,277	65,569	-	-	381,846
Inventory	69,989	-	8,249	-	78,238
Prepaid items and other assets	364,523	56,179	76,487	-	497,189
Total current assets	14,025,086	2,680,713	1,543,706	-	18,249,505
<b>Restricted assets</b>					
Cash-restricted	-	360,503	-	-	360,503
Security deposits	24,750	-	9,789	-	34,539
Investments - restricted	-	-	-	-	-
Total restricted assets	24,750	360,503	9,789	-	395,042
<b>Capital assets, net</b>					
Land	1,547,059	-	699,791	-	2,246,850
Buildings and equipment, net	5,368,899	-	3,744,135	-	9,113,034
Total capital assets, net	6,915,958	-	4,443,926	-	11,359,884
Notes, Loans & Mtgs. Receivable	6,775,442	-	801,000	-	7,576,442
Total Notes, Loans & Mtgs. Receivable	6,775,442	-	801,000	-	7,576,442
Total non-current assets	13,716,150	360,503	5,254,715	-	18,936,326
<b>TOTAL ASSETS</b>	<b>\$ 27,741,236</b>	<b>\$ 3,041,216</b>	<b>\$ 6,798,421</b>	<b>\$ -</b>	<b>\$ 37,580,873</b>

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

Housing Authority of The City of Lake Charles  
Lake Charles, Louisiana

ENTERPRISE FUNDS  
Statement of Net Position

September 30, 2022

LIABILITIES AND NET POSITION	General	Section 8	Management	Elimination	Total Primary Government
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Accounts payable	\$ 45,859	\$ -	\$ 3,106	\$ -	\$ 48,965
Interfund payable	-	91,361	290,485	-	381,846
Other current liabilities	-	3,059	-	-	3,059
Unearned Revenue	6,119,525	53,703	1,200,541	-	7,373,769
Accts. Payable-HUD/Other Government	755,392	231,144	52,135	-	1,038,671
Current portion of L/T Debt	-	-	268,004	-	268,004
Current portion of compensated absences	36,629	3,451	3,735	-	43,815
Total current liabilities	6,957,405	382,718	1,818,006	-	9,158,129
<b>Current liabilities payable from current restricted assets</b>					
Deposits due others	24,750	-	9,789	-	34,539
<b>Noncurrent liabilities</b>					
L/T Debt-Net of Current	-	-	2,465,477	-	2,465,477
Non-current Liabilities-Other	-	-	-	-	-
Compensated absences payable	329,661	31,066	-	-	360,727
Total liabilities	7,311,816	413,784	4,293,272	-	12,018,872
<b>NET POSITION</b>					
Investment in capital assets	6,915,958	-	1,710,445	-	8,626,403
Restricted	-	90,188	-	-	90,188
Unrestricted	13,513,462	2,537,244	794,704	-	16,845,410
Net Position	20,429,420	2,627,432	2,505,149	-	25,562,001
TOTAL LIABILITIES and NET POSITION	\$ 27,741,236	\$ 3,041,216	\$ 6,798,421	\$ -	\$ 37,580,873

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

Housing Authority of The City of Lake Charles  
Lake Charles, Louisiana  
**ENTERPRISE FUNDS**  
Statement of Revenues, Expenses, and Changes in Net Position  
For the Year Ended September 30, 2022

	<u>General</u>	<u>Section 8</u>	<u>Management</u>	<u>Total Primary Government</u>
<b>OPERATING REVENUES</b>				
Net Tenant Rental Revenue	\$ 209,300	\$ -	\$ 280,706	\$ 490,006
Other Revenue and Fees	229,725	61,726	4,599	296,050
Total operating revenues	<u>439,025</u>	<u>61,726</u>	<u>285,305</u>	<u>786,056</u>
<b>OPERATING EXPENSES</b>				
Administration	445,180	380,805	72,589	898,574
Salaries	645,306	282,360	48,403	976,069
Employee benefits	254,969	142,166	11,421	408,283
Tenant services	-	100,840	-	100,840
Utilities	137,734	-	3,787	141,521
Ordinary maintenance and operations	875,129	10,517	75,611	961,257
Insurance	703,192	86,895	140,699	930,786
Interest	-	-	104,258	104,258
Housing assistance payments	-	7,273,706	-	7,273,706
Depreciation	972,211	-	116,128	1,088,339
Total operating expenses	<u>4,033,448</u>	<u>8,277,289</u>	<u>572,896</u>	<u>12,883,633</u>
	<u>(3,594,423)</u>	<u>(8,215,563)</u>	<u>(287,591)</u>	<u>(12,097,577)</u>
<b>Nonoperating revenues (expenses)</b>				
Interest earnings	233,134	18,250	3,832	255,216
Casualty Losses	-	-	-	-
Gain (loss) on disposition of capital assets	149,378	(403,725)	-	(254,347)
Federal grants	2,180,172	8,240,969	-	10,421,141
Total nonoperating revenues (expenses)	<u>2,562,684</u>	<u>7,855,494</u>	<u>3,832</u>	<u>10,422,010</u>
Net income (loss) before transfers and contributions	(1,031,739)	(360,069)	(283,759)	(1,675,567)
Transfers	(27,432)	-	-	(27,432)
Capital contributions	<u>872,437</u>	<u>-</u>	<u>-</u>	<u>872,437</u>
Change in net position	(186,734)	(360,069)	(283,759)	(830,562)
NET POSITION AT BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION AT END OF YEAR	<u>\$ (186,734)</u>	<u>\$ (360,069)</u>	<u>\$ (283,759)</u>	<u>\$ (830,562)</u>

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

Housing Authority of The City of Lake Charles  
Lake Charles, Louisiana

ENTERPRISE FUNDS  
Statement of Cash Flows

For the Year Ended September 30, 2022

	General	Section 8	Management	Total Primary Government
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Rental receipts	\$ 209,300	\$ -	\$ 280,706	\$ 490,006
Payments to vendors	(2,161,235)	(478,217)	(396,944)	(3,036,396)
Payments to employees	(900,002)	(424,526)	(59,284)	(1,384,352)
Insurance	2,322,679	(114,321)	830,554	3,038,912
Other receipts (payments)	229,725	61,726	4,599	296,050
Payments to private landlords	-	(7,273,706)	-	(7,273,706)
Net cash provided by (used in) operating activities	<u>(299,533)</u>	<u>(8,229,044)</u>	<u>659,091</u>	<u>(7,869,486)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Federal Grants	1,028,479	7,981,265	-	9,009,744
Net cash provided by (used in) noncapital financing activities	<u>1,028,479</u>	<u>7,981,265</u>	<u>-</u>	<u>9,009,744</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Capital contributions	872,437	-	-	872,467
Purchase (sale) of capital assets	149,378	(403,725)	55,891	(198,456)
Net cash provided by (used in) capital and related financing activities	<u>1,021,815</u>	<u>(403,725)</u>	<u>55,891</u>	<u>673,981</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of investments	(31,182)	522,477	(26)	491,269
Interest and dividends received	233,134	18,250	3,832	255,216
Net cash provided by (used in) investing activities	<u>201,952</u>	<u>540,727</u>	<u>3,806</u>	<u>746,485</u>
Net increase (decrease) in cash and cash equivalents	1,952,713	(110,777)	718,788	2,560,724
Cash and cash equivalents at beginning of year	<u>5,820,400</u>	<u>865,672</u>	<u>460,332</u>	<u>\$ 7,146,404</u>
Cash and cash equivalents at end of year	<u>\$ 7,773,113</u>	<u>\$ 754,895</u>	<u>\$ 1,179,120</u>	<u>\$ 9,707,128</u>

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

Housing Authority of The City of Lake Charles  
Lake Charles, Louisiana

ENTERPRISE FUNDS  
Statement of Cash Flows

For the Year Ended September 30, 2022

	General	Section 8	Management	Total Primary Government
<b>RECONCILIATION OF OPERATING INCOME</b>				
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ (3,594,423)	\$ (8,215,563)	\$ (287,591)	\$ (12,097,577)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	927,011	-	116,128	1,088,339
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(102,216)	125,002	15,098	37,884
(Increase) decrease in interfund receivables	921,036	116,711	-	1,067,747
(Increase) decrease in inventory	-	-	-	-
(Increase) decrease in prepaid items	(43,951)	(29,020)	(13,675)	(86,646)
(Increase) decrease in accounts payable	(40,598)	-	1,499	(39,099)
Increase (decrease) in other liabilities	2,500,129	(67,641)	535,028	2,967,696
Increase (decrease) in interfund payables	(994,954)	(155,396)	290,021	(810,329)
Increase (decrease) in compensated absences	3,233	(3,317)	2,583	2,499
Net cash provided by (used in) operating activities	\$ (299,533)	\$ (8,229,044)	\$ 659,091	\$ (7,869,486)
Reconciliation of cash and cash equivalents at end of year to Balance Sheet presentation:				
Cash	\$ 7,748,363	\$ 754,895	\$ 1,169,331	\$ 9,672,589
Security deposits	24,750	-	9,789	34,539
Cash and cash equivalents at end of year	\$ 7,773,113	\$ 754,895	\$ 1,179,120	\$ 9,707,128

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

Housing Authority of The City of Lake Charles  
Lake Charles, Louisiana

Notes to Basic Financial Statements

September 30, 2022

**Note 1 - Organization and Summary of Significant Accounting Policies**

The Housing Authority of The City of Lake Charles (the Authority) was incorporated April 25, 1940 under the authority of the Constitution and statutes (LSA:R.S. 40:381) of the state of Louisiana for the purpose of providing safe and sanitary dwellings accommodations in Lake Charles, Louisiana.

**A. Financial Reporting Entity**

GASB Statement 14, *The Financial Reporting Entity*, establishes criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under the provisions of this Statement, the 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.

The Authority is a related organization of the City of Lake Charles since the Honorable Mayor of the City of Lake Charles appoints the Authority's governing board. The Authority's governing board is composed of five members appointed for staggered five-year terms. The City of Lake Charles is not financially accountable for the Authority as it is not able to impose its will on the Authority and there is no potential for the Authority to provide financial benefit to, or impose financial burdens on, the City of Lake Charles. Accordingly, the Authority is not a component unit of the financial reporting entity of the City of Lake Charles or any other governmental unit.

In determining how to define the reporting entity, management has considered all potential component units. Governmental Accounting Standards Board (GASB) Codification Section 2100 establishes criteria for determining which, if any, component units should be considered part of the Authority for financial reporting purposes. The criterion includes manifestation of oversight responsibility; including financial accountability, appointment of a voting majority, imposition of will, financial benefit to or burden on a primary organization, financial accountability as a result of fiscal dependency, potential dual inclusion, and organizations included in the reporting entity although the primary organization is not financially accountable.

Based on the previous criteria, the Authority has determined that there are is a component unit that should be considered as part of the Authority's reporting entity. It is discretely presented in Note 17 of the note disclosures.

continued



Housing Authority of The City of Lake Charles  
Lake Charles, Louisiana

Notes to Basic Financial Statements

September 30, 2022

**Note 1 - Organization and Summary of Significant Accounting Policies (Continued)**

**A. Financial Reporting Entity (Continued)**

Programs within the general and Section 8 funds operated by the Authority receive federal financial assistance from the U.S. Department of Housing and Urban Development (HUD), and are subject to applicable laws and regulations. The operations of each fund are accounted for through a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Federal contributions are received and accounted for in the individual programs based upon the purposes for which they are to be spent. The Authority is not subject to income taxes.

A brief description of the various programs is as follows:

- Housing Authority Owned Rental Housing (FW-1132) - Approximately 475 units of low-income public housing is owned by the Housing Authority of The City of Lake Charles. Low Income is defined by published entry in the Federal Register per Standard Metropolitan Statistical Areas (SMSA). Tenants pay the highest of 30% of their adjusted income or 10% of monthly income for such housing.
- Section 8 Public Owned Rental Housing - Section 8 Public Housing is a program designed to allow private homeowners to lease their houses to low-income families. The rents are set by the Federal Government and published in the Federal Register and cannot be increased without HUD approval. Tenants pay the highest of 30% of their adjusted income or 10% of monthly income for such housing. The Housing Authority of The City of Lake Charles makes up the difference between the tenant's portion of the rent and the Fair Market Rent as subsidy to the homeowner. Section 8 has evolved into two programs:

Housing Choice Vouchers (FW-2228V) – 1984 units  
Moderate Rehab (FW-2074) – 70 units

continued

Housing Authority of The City of Lake Charles  
Lake Charles, Louisiana

Notes to Basic Financial Statements

September 30, 2022

**Note 1 - Organization and Summary of Significant Accounting Policies (Continued)**

**A. Financial Reporting Entity (Continued)**

- PHA Owned Rental Housing - PHA Owned Housing consists of tenant housing units which the Housing Authority of The City of Lake Charles has acquired through the Federal Home Loan Bank Affordable Housing Program. The basic Section 8 rules apply. The qualifications are the same income limits published in the Federal Register for Low Income Public Housing tenants. Tenants pay the highest of 30% of their adjusted income or 10% of monthly income for such housing.
- PHA Owned Rental Housing and Other Properties - This program consists of PHA owned housing units and other properties acquired through management fees and earnings. Fair rental values are established and charged for the housing units, but low-income guidelines do not apply.

**B. Funds**

The accounts of the 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 is maintained consistent with legal and managerial requirements.

All funds of the Authority are classified as proprietary. The general fund accounts for transactions of the public housing low rent program and the capital fund program. The Section 8 fund accounts for transactions of the housing choice voucher program, and the moderate rehab program. The management program accounts for owned housing and other properties and management fees received for which the Authority is the managing agent.

continued

Housing Authority of The City of Lake Charles  
Lake Charles, Louisiana

Notes to Basic Financial Statements

September 30, 2022

**Note 1 - Organization and Summary of Significant Accounting Policies (Continued)**

**C. Measurement Focus and Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. 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 statement of net position. The Authority has elected, pursuant to Governmental Accounting Standards Board (GASB) Statement 20, to apply all GASB pronouncements and only FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority'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.

continued

Housing Authority of The City of Lake Charles  
Lake Charles, Louisiana

Notes to Basic Financial Statements

September 30, 2022

**Note 1 - Organization and Summary of Significant Accounting Policies (Continued)**

**D. Budgets**

Budgets are prepared on an annual basis for each major operating program and are used as a management tool throughout the accounting cycle. Budgets are not, however, legally adopted nor required for financial statement presentation.

**E. Cash and Cash Equivalents**

Cash includes amounts in demand deposits and interest-bearing demand deposits. The Authority considers all highly liquid financial instruments purchased with an original maturity of 90 days or less when purchased to be cash equivalents. The Authority had no cash equivalents at September 30, 2022.

**F. Investments**

Investments are limited by LSA-R.S. 33:2955 and the 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. Investments included certificates of deposit, and LAMP investments. The total of all investments was \$ 6,503,625. The CD's are measured at cost plus accrued interest. The LAMP investment balance is stated at fair value. See Note 2 for more detail on investment risk.

Housing Authority of The City of Lake Charles  
Lake Charles, Louisiana

Notes to Basic Financial Statements

September 30, 2022

**Note 1 - Organization and Summary of Significant Accounting Policies (Continued)**

**G. Receivables/Payables**

During the course of operations, numerous transactions occur between individual funds for services rendered. Services provided, deemed to be at market or near market rates, are treated as revenues and expenses. Additionally, transactions occur between individual funds as a result of the use of a common paymaster for shared costs of the Authority. Cash settlements are made periodically. These receivables and payables are classified as inter-fund receivables/payables.

**H. 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.

**I. Prepaid Items**

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

**J. Restricted Assets**

Certain assets are classified as restricted assets on the statement of net position because their use is restricted for modernization programs, security deposits held in trust, and for the replacement of property and other project expenditures approved by HUD.

**K. Capital Assets**

The Authority's purchased capital assets are recorded at historical cost and depreciated over their estimated useful lives. Donated capital assets are recorded at their estimated fair value at the date of donation. The Authority's policy is to capitalize significant items of equipment, major renovations, buildings, and real estate. The Authority changed its capitalization of equipment and/or personal property policy on June 28, 2018 such that any initial cost of \$5,000 or more and an anticipated life or useful value of said equipment or property of more than one year will be capitalized. The capitalization threshold applies to all capital assets, with the exception of ranges and refrigerators.

continued

Housing Authority of The City of Lake Charles  
Lake Charles, Louisiana

Notes to Basic Financial Statements

September 30, 2022

**Note 1 - Organization and Summary of Significant Accounting Policies (Continued)**

**K. Capital Assets (continued)**

Straight-line depreciation is calculated in accordance with public housing authority guidelines as follows:

Buildings	40 years
Site improvements	15-40 years
Furniture, equipment, and machinery	5-10 years
Vehicles	5-10 years

When capital assets are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

**L. Long-Term Debt**

The Authority obtained a \$4,000,000 loan from Jeff Davis Bank to finance the purchase of Greinwich Village. The note has an interest rate of 4% and a term of 15 years. Future projected payments are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Balance Due</u>
			2,404,944
2022	64,944	24,175	2,340,000
2023	266,455	90,020	2,073,545
2024	277,475	79,000	1,796,070
2025	288,950	67,525	1,507,120
2026	300,899	<u>55,576</u>	1,206,221
Thereafter	<u>1,206,221</u>		
Total	\$ 2,404,944	Total	\$ 316,296

The current portion of this debt that is due as of 9-30-22 is \$ 268,004.

An additional loan was obtained from Jeff Davis Bank for \$ 322,000. This loan was made to fund the development of a low-income housing project known as Booker T. Washington Homes in Lake Charles, Louisiana. The loan shall bear interest at 0.25% per annum, compounded annually and shall be due and payable on the forty-first (41<sup>st</sup>) anniversary of the date of the original loan, which will be September 11, 2055. The current note payable balance is \$ 328,537, which includes \$ 6,537 in accrued interest.

In 2020, the LCHA sold 233 units and their leasehold improvements to the CCM tax credit partnership. They entered into a 99-year ground lease for the land for \$ 10 a year. As of 9/30/2020 the sale was recorded at the discounted present value of the note resulting in the recording of a note receivable in the amount of \$ 9,420,000 and the recording of a note receivable discount in the amount of \$ 7,379,657. The difference of \$ 2,040,343 was set up to be amortized over the 40-year term of the note at an annual interest rate of 4 %. In September of 2021 the discount was netted against the note receivable. The amount to be amortized as of 9/30/22 is \$ 2,206,834.

continued

Housing Authority of The City of Lake Charles  
Lake Charles, Louisiana

Notes to Basic Financial Statements  
September 30, 2022

**Note 1 - Organization and Summary of Significant Accounting Policies (Continued)**

**M. Compensated Absences**

The Authority follows Louisiana Civil Service regulations for accumulated annual and sick leave. Annual and sick leave is earned by each full-time and each part-time associate who has a regular tour of duty, except that no associate shall earn annual or sick leave while serving on restricted appointment or while using leave from an agency leave pool as defined in Rule 11.34. The earning of such leave is based on the equivalent of years of full-time State service and shall be creditable at the end of each calendar month or at the end of each regular pay period based on graduated rates per hour. Accrued unused annual and sick leave earned by an associate shall be carried forward to succeeding calendar years. Upon separation from the Authority, an associate is paid the value of his accrued annual leave in a lump sum up to a maximum of 300 hours disregarding any final fraction of an hour; provided the privileges of this rule shall not extend to any associate who is dismissed for theft of Authority funds or property. Upon separation from the Authority, an associate is not compensated for sick leave.

**N. Restricted Net Position**

The statement of net position reports net position as the difference between all other elements in a statement of net position and is displayed in the three following components:

\* Net investment in capital assets - consists of capital assets including restricted capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

\* Restricted - consists of amounts with constraints placed on the use by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

\* Unrestricted - all other amounts that do not meet the definition of "restricted" or "net investment in capital assets."

continued

Housing Authority of The City of Lake Charles  
Lake Charles, Louisiana

Notes to Basic Financial Statements

September 30, 2022

**Note 1 - Organization and Summary of Significant Accounting Policies (Continued)**

**O. 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.

**P. Component Use of Accounting Standards**

The component unit referred to in Note 15 of the disclosures uses nongovernmental accounting standards as it relates to its reporting of the financial information on the nonprofit.

**Note 2- Deposits and Investments-**

The Authority's investments are limited to those allowed by state statute.

**Custodial Credit Risk-Deposits:** Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The balances of the *demand deposits* with financial institutions on September 30, 2022 was \$ 9,707,128. Of this amount \$ 750,000 is totally insured by FDIC insurance. The remaining balance of \$ 8,957,128 was secured by collateral held by the pledging financial institution agent in the name of the pledging financial institutions and pledged to the Housing Authority of The City of Lake Charles.

continued



Housing Authority of The City of Lake Charles  
 Lake Charles, Louisiana  
 Notes to Basic Financial Statements

September 30, 2022

**Note 2-Deposits and Investments-continued**

Although the pledged securities are considered uncollateralized under the provisions of GASB Statement 40, 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 Authority that the fiscal agent has failed to pay deposited funds upon request.

Under state law, the Authority's demand deposits are required to be fully collateralized at all times. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

**Custodial Credit Risk – Investments:** For an investment, this is the risk that, in the event of the failure of the counter-party, the Authority will not be able to recover the value of its investments or collateral securities are in the possession of an outside party. The Authority does maintain investment accounts at Louisiana Asset Management Pool (LAMP). LAMP participants' investments in the pool are evidenced by shares of the pool. LCHA's investment is with the pool, not the securities that make up the pool. LAMP is rated AAA by Standard & Poor's. The funds in LAMP are not categorized in the three risk categories provided by GASB because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form. Only political subdivisions having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placements of public funds in short-term, high-quality investments.

**Interest Rate Risk/Credit Risk:** LAMP is designed to be highly liquid to give its participants immediate access to their account balances.

**Louisiana Asset Management Pool Balance:** The investments of \$ 6,256,848 in LAMP are stated at fair value. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the net asset value of the pool shares. LAMP is not registered with the SEC as an investment company.

**Certificates of Deposit Balances:** (insured by FDIC)

	<u>Maturity</u>	<u>Interest Rate</u>	
Certificate of Deposit	9/28/22	.350%	\$ 128,656
Certificate of Deposit	11/8/22	.050%	\$ 118,121
Total Current			\$ 246,777

The certificates of deposit are recorded at cost plus accrued interest.

Housing Authority of The City of Lake Charles  
Lake Charles, Louisiana

Notes to Basic Financial Statements  
September 30, 2022

**Note 3 - Accounts Receivable**

The accounts receivable at September 30, 2022 are as follows:

<u>Class of Receivable</u>	<u>General</u>	<u>Section 8</u>	<u>Management</u>	<u>Total</u>
Tenants	\$ 165,505	0	62,605	\$ 228,110
A/R-Miscellaneous	58,923	0	108,913	\$ 167,836
Accr.Int. Receivable	1,079,309	0	0	\$ 1,079,309
A/R-HUD/Other Projects	567	699	0	\$ 1,266
Totals	\$ 1,304,304	\$ 699	\$ 171,518	\$ 1,476,521

The accounts receivable – other consists of balances due from other entities the Authority manages and consists of balances due from other entities that are commercial property tenants. The Authority expects to collect those balances in full. Included in tenants accounts receivable are repayment agreements for fraudulently reporting incorrect income amounts for past rental calculations.

**Note 4 – Prepaid Items**

Prepaid items as of September 30, 2022 consisted of prepaid insurance of \$ 497,189.

**Note 5 – Capital Assets** Changes in capital assets and accumulated depreciation during the current year are as follows:

	<u>9/30/2021</u>			<u>9/30/2022</u>
	<u>Cost</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Cost</u>
Land	\$ 2,246,850	\$ -	\$ -	\$ 2,246,850
Building and Improvements	34,672,830	872,439	-	35,545,269
Furniture, equip., and machinery	830,912	-	-	830,912
	<u>\$ 37,750,592</u>	<u>\$ 872,439</u>	<u>\$ -</u>	<u>38,623,031</u>
Accumulated depreciation:				
Balance 09/30/21				26,174,808
Current year depreciation				1,088,339
Current year dispositions				-
Balance 09/30/22				<u>27,263,147</u>
Capital assets, net of accumulated depreciation				<u>\$ 11,359,884</u>

Housing Authority of The City of Lake Charles  
Lake Charles, Louisiana

Notes to Basic Financial Statements

September 30, 2022

**Note 6 – Inter-fund Receivables/Payables**

The following schedule reports receivables and payables within the reporting entity at September 30, 2022:

	<u>Receivables</u>	<u>Payables</u>
General		
Central Office Clearing	316,277	-
Housing Choice Vouchers	-	91,361
	<u>316,277</u>	<u>91,361</u>
Section 8		
14.HCC HCV Cares Act	-	-
14.PHC Public Housing Cares	-	-
14.IKE	-	-
14.CCC Central Office	-	-
General-AMP's	-	-
Housing Choice Vouchers	-	-
Moderate Rehab	65,569	-
	<u>65,569</u>	<u>-</u>
Management		
Housing Choice Vouchers	-	290,485
	<u>-</u>	<u>290,485</u>
Totals	<u>\$ 381,846</u>	<u>\$ 381,846</u>

**Note 7 - Accounts Payable**

The accounts payable at September 30, 2022 are as follows:

<u>Class of Payable</u>	<u>General</u>	<u>Section 8</u>	<u>Management</u>	<u>Total</u>
Vendors	\$ 45,859	\$ -	\$ 3,106	\$ 48,965
Unearned Revenue-Ins.Proc	\$ 6,119,525	\$ 53,703	\$ 1,200,541	\$ 7,373,769
Accts. Payable-Other Govt.	755,392	231,144	52,135	\$ 1,038,671
Other Liabilities	-	3,059	-	\$ 3,059
	<u>\$ 6,920,776</u>	<u>\$ 287,906</u>	<u>\$ 1,255,782</u>	<u>\$ 8,464,464</u>

The \$ 755,392 represents funds loaned to the tax credit entities that will be paid back to HUD. HUD approved this transaction before it occurred. Unearned revenues are disaster insurance proceeds.

Housing Authority of The City of Lake Charles  
Lake Charles, Louisiana  
Notes to Basic Financial Statements  
September 30, 2022

**Note 8 – General Long-Term Obligations**

The following is a summary of the long-term obligation transactions for the year ended September 30, 2022, which consisted of, compensated absences:

Balance, beginning	\$ 345,397
Net Changes	<u>15,330</u>
Balance, ending	<u><u>\$ 360,727</u></u>
Amounts due in one year	<u><u>\$ 43,815</u></u>

In the past the liability has been liquidated by the general fund.

**Note 9 – Retirement Plan**

The 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 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 six months of continuous and uninterrupted employment. The Board of Commissioners of the Authority determines plan provisions and changes to plan contributions.

Under a defined contribution plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account and the returns earned on investments of those contributions.

Under the plan, the Authority contributes 8.5% of the employee's basic (excludes overtime) monthly salary to the plan with the provision that the employee is required to contribute a minimum of 6%. The Authority's contribution for each employee and income allocated to the employee's account are fully vested after five years of continuous service. The Authority's contributions and interest forfeited by employees who leave employment before five years of service are used to offset future contributions of the Authority. Normal retirement date shall be the first day of the month following the employee's 65<sup>th</sup> birthday.

The Authority's total salaries and employee benefits for the year ended September 30, 2022 was \$1,384,352. The Authority's retirement contributions were calculated using an average base salary amount of \$1,322,359. The Authority made the required contributions of \$110,834 for the year ended September 30, 2022.

Housing Authority of The City of Lake Charles  
Lake Charles, Louisiana

Notes to Basic Financial Statements

September 30, 2022

**Note 10 - Contingencies and Commitments**

**Litigation** At September 30, 2022, the Authority was involved in a variety of litigation. It is the opinion of the legal advisor of the Authority that this litigation would not have a material effect on the financial statements and that any potential liability would be covered by insurance.

**Note 11 – Risk Management**

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Authority carries commercial insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Note 12 - Management Agreement**

In July 2001 the Authority received approval from the United States Department of Housing and Urban Development (HUD) to become the management agent of Willow Manor. The Authority will have the duty of maintaining, servicing, repairing, promoting, publicizing, operating, and managing a housing complex owned by Willow Manor, Inc. The management fee set forth and approved by HUD, is 8.9% of residential income collected. Management fee income for the year was \$ 1,243.

**Note 13 – Economic Dependence and Current Vulnerability Due to Certain Concentrations**

The Department of Housing and Urban Development provided \$ 10,421,141 to the Authority, which represents approximately 84.49% of the Authority's total revenue for the year.

The Authority's operations are concentrated in the public housing real estate market. In addition, the Authority operates in a heavily regulated environment. The operations of the Authority are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules, and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay the related cost, including additional administrative burden, to comply with a change.

Housing Authority of the City of Lake Charles  
Notes to Basic Financial Statements  
September 30, 2022

**Note 14- COVID 19**

During the year ended September 30, 2020, local, U.S. and world governments encouraged self-isolation to curtail the spread of the global pandemic, COVID-19 by mandating the temporary shut-down of businesses in many sectors and imposing limitations on travel and the size and duration of group meetings. While those mandates have slowly become less restrictive in some areas, most sectors are still experiencing disruption to business operations and may feel further impacts related to volatility in investment returns. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Therefore, while management expects this matter to negatively impact the Organization's operating results, the full financial impact and duration cannot be reasonably estimated at this time.

Procedures were modified based upon COVID-19 requirements. Face-to-face interactions with tenants were virtually eliminated. More tenant/landlord contact was handled through telephone and or fax contact. Covid affected tenants as well as LCHA personnel which had ramifications on occupancy as well as LCHA functions.

**Note 15- Hurricane(s) Laura and Delta**

Hurricanes Laura and Delta had a severe impact on the LCHA as well as many other businesses and tenants. A mandatory evacuation was ordered. Electricity was out for over a month in some areas. Other utility services were slow to come back into operation.

The hurricanes had and are still having a devastating effect on the LCHA. As with COVID-19 procedures were put in place to continue the mission of taking care of housing needs for those tenants under the care of the Housing Authority of the City of Lake Charles.

Damage claims exceeding \$9,000,000 have been paid. Additional claims have been filed and some are in litigation. A lack of experienced, available contractors and/or building supplies in the areas affected by the hurricanes has slowed down the re-building process. A Public Adjuster has been hired to help facilitate insurance claims. Additionally, DCMC Partners, a FEMA reimbursement consultant, has been hired to help LCHA obtain FEMA funding that is due. This includes reimbursements for deductibles paid out. Contracts have been awarded for re-roofing Woodway Park, a complete re-build of Willow Manor, and re-roofing Greinwich Village Homes. The process of bidding out interior work in the tenant housing is also underway.

**Note 16- Fraudulent check incident**

On or about March of 2022 a group of LCHA checks were stolen from a mailbox at the downtown post office. Thieves accessed these checks and proceeded to recreate new checks with similar characteristics. The thieves then fraudulently signed the fake checks and these checks were processed through the bank. Through internal bank reconciliations the fraud was uncovered. The funds stolen were replaced with no loss to the Housing Authority.

Housing Authority of the City of Lake Charles  
Notes to Basic Financial Statements (cont'd)  
September 30, 2022

**Note 17 – Financing of Note Receivable/Related Party Transactions**

In 2012 HUD approved the advance of Fungibility Funds to several new tax credit entities. Construction and permanent financing was provided by the Housing Authority of the City of Lake Charles. Non-recourse promissory notes were issued by the Partnerships that were formed in these new tax credit entities. The Partnerships shall make annual payments to the Housing Authority from available cash flow as set forth in the Partnership Agreements. The loans are collateralized by a second security interest in the Partnership's property and improvement and granting a pledge and security interest in all general intangibles, equipment, inventory, accounts receivable, operating accounts, furniture, fixtures, etc. of the Borrower. The detail for the tax credit entities owing the financing to The Housing Authority is as follows:

<u>Entity</u>	<u>Mortgage</u>	<u>Term</u>	<u>Int.Rate</u>	<u>Maturity</u>
Booker T Washington	\$ 322,000	40 yrs	.25%	9/11/2055
Booker T. Washington	\$ 160,000	40 yrs	2.00%	1/04/2053
Booker T. Washington	\$ 1,328,138	40 yrs	4.00%	1/04/2053
Kingsley Court	\$ 1,508,404	40 yrs	2.00%	12/31/2052
Bayou Bluff	\$ 1,732,066	40 yrs	2.00%	12/31/2052
High School Park	\$ 319,000	35 yrs	0.00%	12/28/2050
CCM Tax Credit Partner	\$ 2,206,834	40 yrs	4.00%	09/30/2058
Total Notes Receivable	<u>\$ 7,576,442</u>			

In 2020 LCHA sold 233 units to the CCM tax credit partnership on October 1, 2019. They entered into a 99-year ground lease for the land for \$ 10 a year. They also sold the improvements to these units. This transaction resulted in a note of \$ 9,420,000 with no interest, payable in 40 years based on cash flow. The sale was recorded at the discounted present value of the note, assuming no payments until the end of the 40<sup>th</sup> year. The discounted rate used was 4%. In 2021 the note receivable and the discounted note were netted which resulted in a note receivable balance from the CCM Tax Credit Partner of \$ 2,206,834.

Housing Authority of the City of Lake Charles  
Notes to the Basic Financial Statements (cont'd)  
September 30, 2022

**Note 18 – Discrete presentation of Component Unit of LCHA**

The afore-mentioned tax credit entity projects (reference in Note 17 above) were entered into with the intent of expanding the housing available to low-income persons. In its effort to expand this mission the LCHA formed a nonprofit organization called the Lake Charles Non-Profit Housing Development Corporation, LCNHDC. This non-profit organization partners with other finance sources for the purpose of developing additional housing and acts as the “developer” in the transactions. In 2019 discussions took place as to the guaranties that were provided relating to the net worth and liquidity of the organizations involved in these projects. The requirements indicated that the nonprofit’s net worth requirements were \$ 2,500,000 and its liquidity requirements were \$ 500,000. Attorneys were consulted and an analysis took place as to how best to satisfy the requirements that were put in place.

The component unit is incorporated as a not-for-profit corporation and the primary government is the sole corporate member, as identified in the component unit’s articles of incorporation or bylaws. Income generated through the nonprofit includes commercial rental paid by LCHA to the nonprofit for the building(s) that were transferred. Interest generated from the investments transferred is also reflected in the statement of revenues, expenses and changes in net position.

Lake Charles Non-Profit Housing Development Corporation Lake Charles, Louisiana Component Unit Statement of Net Position September 30, 2022	Lake Charles Non-Profit Housing Development Corporation Lake Charles, Louisiana Component Unit Statement of Revenues, Expenses, and Changes in Net Position September 30, 2022																																																																																																												
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It should be noted that the financial statements presented above are presented as of the same fiscal period as the LCHA for consistency purposes.



**SUPPLEMENTARY INFORMATION**

Statement & Certification of Actual Modernization Cost

Financial Data Schedule

Schedule of Compensation, Benefits & Other Payments to CEO

Housing Authority of The City of Lake Charles  
Statement and Certification of Actual Modernization Cost  
Annual Contribution Contract

September 30, 2022

1. The Actual Modernization Costs are as follows:

	<u>(2018) Capital Fund</u>	<u>(2019) Capital Fund</u>
Funds approved	\$ 1,875,007	\$ 1,691,834
Funds expended	\$ ( 1,429,770)	\$ (1,541,414)
Funds left to spend	\$ 445,237	\$ 150,420
	<u>(2020) Capital Fund</u>	<u>(2021) Capital Fund</u>
Funds approved	\$ 1,386,546	\$ 1,453,948
Funds expended	\$ (137,886)	\$ (266,000)
Funds left to spend	\$ 1,248,660	\$ 1,187,948

2. The distribution of costs by project as shown on the Statements of Modernization Costs 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.
- 4) The 2017 Capital Fund was closed out during the audit period ended September 30, 2021.

Housing Authority of The City of Lake Charles  
Lake Charles, Louisiana  
**FINANCIAL DATA SCHEDULE**  
For the Year Ended September 30, 2022

	14.850	14.871			14.HCC HCV Care Act Funding
Account Description	Low Rent Public Housing	Housing Choice Vouchers	Business Activities	Elimination	
Cash-Unrestricted	\$7,748,363	\$123,104	\$1,169,331	\$0	\$0
Cash-Other restricted	\$0	\$143,302	\$0	\$0	\$0
Cash-restricted for pmt of current liabilities	\$0	\$0	\$0	\$0	\$0
Cash-Tenant Security Deposits	\$24,750	\$0	\$9,789	\$0	\$0
<b>Total Cash</b>	<b>\$7,773,113</b>	<b>\$266,406</b>	<b>\$1,179,120</b>	<b>\$0</b>	<b>\$0</b>
Accounts Receivable-PHA Projects	\$0	\$350	\$0	\$0	\$0
Accounts Receivable-HUD Other Projects	\$567	\$0	\$0	\$0	\$0
Accounts Receivable-Other Government	\$0	\$0	\$0	\$0	\$0
Accounts Receivable-Miscellaneous	\$58,923	\$0	\$108,913	\$0	\$0
Accounts Receivable-Tenants-Dwelling Rents	\$174,157	\$0	\$65,843	\$0	\$0
Allowance for Doubtful Accounts-Tenants	(\$8,652)	\$0	(\$3,238)	\$0	\$0
Notes, Loans, & Mortgages Rcble-Current	\$0	\$0	\$0	\$0	\$0
Fraud Recovery	\$0	\$331,794	\$0	\$0	\$0
Allowance for Doubtful Accounts-Fraud	\$0	(\$331,794)	\$0	\$0	\$0
Accrued Interest Receivable	\$1,079,309	\$0	\$0	\$0	\$0
<b>Total Receivables, net of allowance for doubtful accour</b>	<b>\$1,304,304</b>	<b>\$350</b>	<b>\$171,518</b>	<b>\$0</b>	<b>\$0</b>
Investments-Unrestricted	\$4,221,630	\$1,545,594	\$118,121	\$0	\$0
Investments-Restricted	\$0	\$0	\$0	\$0	\$0
Prepaid Expenses and Other Assets	\$364,523	\$55,577	\$76,487	\$0	\$0
Inventories	\$69,989	\$0	\$8,249	\$0	\$0
Interprogram Due From	\$316,277	\$0	\$0	\$0	\$0
<b>Total Current Assets</b>	<b>\$14,049,836</b>	<b>\$1,867,927</b>	<b>\$1,553,495</b>	<b>\$0</b>	<b>\$0</b>
Land	\$1,547,059	\$0	\$699,791	\$0	\$0
Buildings	\$30,868,621	\$0	\$4,507,932	\$0	\$0
Furniture, Equipment & Machinery-Dwellings	\$355,621	\$0	\$0	\$0	\$0
Furniture, Equipment & Machinery-Administration	\$446,984	\$0	\$28,307	\$0	\$0
Leasehold Improvements	\$32,949	\$0	\$135,767	\$0	\$0
Accumulated Depreciation	(\$26,335,276)	\$0	(\$927,871)	\$0	\$0
<b>Total Fixed Assets, Net of Accumulated Depreciation</b>	<b>\$6,915,958</b>	<b>\$0</b>	<b>\$4,443,926</b>	<b>\$0</b>	<b>\$0</b>
Notes,Loans & Mortgages Receivable	\$6,775,442	\$0	\$801,000	\$0	\$0
Other Assets	\$0	\$0	\$0	\$0	\$0
<b>Total Non-Current Assets</b>	<b>\$13,691,400</b>	<b>\$0</b>	<b>\$5,244,926</b>	<b>\$0</b>	<b>\$0</b>
<b>Total Assets</b>	<b>\$27,741,236</b>	<b>\$1,867,927</b>	<b>\$6,798,421</b>	<b>\$0</b>	<b>\$0</b>
Accounts Payable<=90 days	\$45,859	\$0	\$2,691	\$0	\$0
Accounts Payable >=90 Days	\$0	\$0	\$0	\$0	\$0
Accrued Wage/Payroll Taxes Payable	\$0	\$0	\$415	\$0	\$0
Accrued Compensated Absences - Current Portion	\$36,629	\$3,029	\$0	\$0	\$0
Accounts Payable-HUD PHA Programs/Projects	\$731,405	\$13,943	\$52,135	\$0	\$0
Accounts Payable-Other Government	\$23,987	\$0	\$0	\$0	\$0
Tenant Security Deposits	\$24,750	\$0	\$9,789	\$0	\$0
Unearned Revenue	\$6,119,525	\$53,703	\$1,200,541	\$0	\$0
Current Portion of L/T Debt-Capital	\$0	\$0	\$268,004	\$0	\$0
Accrued Interest Payable	\$0	\$0	\$0	\$0	\$0
Other Current Liabilities	\$0	\$566	\$0	\$0	\$0
Interprogram Due To	\$0	\$24,324	\$290,485	\$0	\$0
<b>Total Current Liabilities</b>	<b>\$6,982,155</b>	<b>\$95,565</b>	<b>\$1,824,060</b>	<b>\$0</b>	<b>\$0</b>
Accrued Compensated Absences-Non Current	\$329,661	\$27,259	\$3,735	\$0	\$0
Long-term Debt-Net of Current-Cap.Projects/Mortgage	\$0	\$0	\$2,465,477	\$0	\$0
Non-current Liabilities-Other	\$0	\$0	\$0	\$0	\$0
<b>Total Noncurrent Liabilities</b>	<b>\$329,661</b>	<b>\$27,259</b>	<b>\$2,469,212</b>	<b>\$0</b>	<b>\$0</b>
<b>Total Liabilities</b>	<b>\$7,311,816</b>	<b>\$122,824</b>	<b>\$4,293,272</b>	<b>\$0</b>	<b>\$0</b>
Invested In Capital Assets, Net of Related Debt	\$6,915,958	\$0	\$1,710,445	\$0	\$0
Restricted Net Position	\$0	\$90,188	\$0	\$0	\$0
Unrestricted Net Position	\$13,513,462	\$1,654,915	\$794,704	\$0	\$0
<b>Total Equity/Net Assets/Position</b>	<b>\$20,429,420</b>	<b>\$1,745,103</b>	<b>\$2,505,149</b>	<b>\$0</b>	<b>\$0</b>
<b>Total Liabilities, Deferred Inflows of Resources &amp; Equit</b>	<b>\$27,741,236</b>	<b>\$1,867,927</b>	<b>\$6,798,421</b>	<b>\$0</b>	<b>\$0</b>

14.PHC Public Housing CARES Act Funding	14.CCC Cent Office Cost Ctr CARES Act	14.IKE DHAP- Ike	14.856 Lower Income Section 8 Mod Rehab MR002/MR003	Total	6.1 Component Unit Discretely Presented	Total
\$0		\$177,468	\$93,820	\$9,312,086	\$1,204,664	\$10,516,750
\$0	\$0	\$0	\$67,598	\$210,900	\$0	\$210,900
\$0	\$0	\$0	\$149,603	\$149,603	\$0	\$149,603
\$0		\$0	\$0	\$34,539	\$0	\$34,539
\$0	\$0	\$177,468	\$311,021	\$9,707,128	\$1,204,664	\$10,911,792
						\$0
\$0	\$0	\$0	\$0	\$350	\$0	\$350
\$0	\$0	\$0	\$0	\$567	\$0	\$567
\$0	\$0	\$0	\$349	\$349	\$0	\$349
\$0	\$0	\$0	\$0	\$167,836	\$3,234,195	\$3,402,031
\$0	\$0	\$0	\$0	\$240,000	\$0	\$240,000
\$0	\$0	\$0	\$0	(\$11,890)	\$0	(\$11,890)
\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$12,851	\$344,645	\$0	\$344,645
\$0	\$0	\$0	(\$12,851)	(\$344,645)	\$0	(\$344,645)
\$0	\$0	\$0	\$0	\$1,079,309	\$377,009	\$1,456,318
\$0	\$0	\$0	\$349	\$1,476,521	\$3,611,204	\$5,087,725
						\$0
\$0	\$0	\$412,261	\$206,019	\$6,503,625	\$816,840	\$7,320,465
\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$602	\$497,189	\$47,637	\$544,826
\$0	\$0	\$0	\$0	\$78,238	\$0	\$78,238
\$0	\$0	\$0	\$65,569	\$381,846	\$0	\$381,846
\$0	\$0	\$589,729	\$583,560	\$18,644,547	\$5,680,345	\$24,324,892
						\$0
\$0	\$0	\$0	\$0	\$2,246,850	\$570,496	\$2,817,346
\$0	\$0	\$0	\$0	\$35,376,553	\$821,463	\$36,198,016
\$0	\$0	\$0	\$0	\$355,621	\$0	\$355,621
\$0	\$0	\$0	\$0	\$475,291	\$0	\$475,291
\$0	\$0	\$0	\$0	\$168,716	\$0	\$168,716
\$0	\$0	\$0	\$0	(\$27,263,147)	(\$593,961)	(\$27,857,108)
\$0	\$0	\$0	\$0	\$11,359,884	\$797,998	\$12,157,882
						\$0
\$0	\$0	\$0	\$0	\$7,576,442	\$1,854,321	\$9,430,763
\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$18,936,326	\$2,652,319	\$21,588,645
						\$0
\$0	\$0	\$589,729	\$583,560	\$37,580,873	\$8,332,664	\$45,913,537
						\$0
\$0	\$0	\$0	\$0	\$48,550	\$0	\$48,550
\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$415	\$0	\$415
\$0	\$0	\$0	\$422	\$40,080	\$0	\$40,080
\$0	\$0	\$0	\$215,578	\$1,013,061	\$0	\$1,013,061
\$0	\$0	\$0	\$1,623	\$25,610	\$0	\$25,610
\$0	\$0	\$0	\$0	\$34,539	\$0	\$34,539
\$0	\$0	\$0	\$0	\$7,373,769	\$757,989	\$8,131,758
\$0	\$0	\$0	\$0	\$268,004	\$0	\$268,004
\$0	\$0	\$0	\$0	\$0	\$7,557	\$7,557
\$0	\$0	\$0	\$2,493	\$3,059	\$0	\$3,059
\$0	\$0	\$0	\$67,037	\$381,846	\$0	\$381,846
\$0	\$0	\$0	\$287,153	\$9,188,933	\$765,546	\$9,954,479
						\$0
\$0	\$0	\$0	\$3,807	\$364,462	\$0	\$364,462
\$0	\$0	\$0	\$0	\$2,465,477	\$499,112	\$2,964,589
\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$3,807	\$2,829,939	\$499,112	\$3,329,051
						\$0
\$0	\$0	\$0	\$290,960	\$12,018,872	\$1,264,658	\$13,283,530
						\$0
\$0	\$0	\$0	\$0	\$8,626,403	\$0	\$8,626,403
						\$0
\$0	\$0	\$0	\$0	\$90,188	\$0	\$90,188
\$0	\$0	\$589,729	\$292,600	\$16,845,410	\$7,068,006	\$23,913,416
\$0	\$0	\$589,729	\$292,600	\$25,562,001	\$7,068,006	\$32,630,007
						\$0
\$0	\$0	\$589,729	\$583,560	\$37,580,873	\$8,332,664	\$45,913,537

Housing Authority of the City of Lake Charles  
Lake Charles, Louisiana  
For the Year Ended September 30, 2022

Account Description	14.850 Low Rent Public Housing	14.871 Housing Choice Vouchers	Business Activities	Elimination	14.HCC HCV Care Act Funding
Net Tenant Rental Revenue	\$209,300	\$0	\$280,706	\$0	\$0
Tenant Revenue-Other	\$0	\$0	\$0	\$0	\$0
Total Tenant Revenue	\$209,300	\$0	\$280,706	\$0	\$0
HUD PHA Operating Grants	\$2,180,172	\$7,862,499	\$0	\$0	\$114,321
Capital Grants	\$872,437	\$0	\$0	\$0	\$0
Management Fee	\$79,682	\$0	\$0	\$0	\$0
Asset Management Fee	\$194,532	\$0	\$0	\$0	\$0
Bookkeeping Fee	\$97,800	\$0	\$0	\$0	\$0
Investment Income-Unrestricted	\$37,513	\$11,760	\$3,832	\$0	\$0
Mortgage Interest Income	\$195,621	\$0	\$0	\$0	\$0
Fraud Recovery	\$0	\$17,418	\$0	\$0	\$0
Other Revenue	\$150,713	\$19,358	\$4,599	\$0	\$0
Gain or Loss on Sale of Capital Assets	\$0	\$0	\$0	\$0	\$0
Investment Income-Restricted	\$0	\$0	\$0	\$0	\$0
Total Revenue	\$4,017,770	\$7,911,035	\$289,137	\$0	\$114,321
Administrative Salaries	\$645,306	\$239,803	\$48,403	\$0	\$0
Book-keeping and Auditing Fees	\$32,600	\$106,255	\$5,276	\$0	\$9,563
Management Fees	\$205,682	\$0	\$0	\$0	\$0
Office expenses	\$0	\$0	\$11,421	\$0	\$0
Employee Benefit Contributions-Administrative	\$254,696	\$120,570	\$0	\$0	\$0
Asset Management Fees	\$54,720	\$133,752	\$0	\$0	\$15,300
Travel	\$2,066	\$603	\$21,788	\$0	\$0
Legal Expenses	\$8,899	\$700	\$6,038	\$0	\$0
Other-Administrative	\$422,354	\$81,496	\$13,965	\$0	\$0
Tenant Services-Salaries	\$0	\$0	\$0	\$0	\$0
Relocation Services	\$0	\$0	\$0	\$0	\$0
Employee Benefit Contributions-Tenant Services	\$0	\$0	\$0	\$0	\$0
Tenant Services-other	\$0	\$0	\$0	\$0	\$83,108
Water	\$24,552	\$0	\$577	\$0	\$0
Electricity	\$82,503	\$0	\$3,071	\$0	\$0
Gas	\$30,679	\$0	\$139	\$0	\$0
Ordinary Maintenance and Operations-Labor	\$317,990	\$0	\$0	\$0	\$0
Ordinary Maintenance and Operations-Materials and O	\$58,333	\$678	\$6,430	\$0	\$0
Ordinary Maintenance and Operations-Contract Costs	\$334,969	\$9,839	\$69,181	\$0	\$0
Employee Benefit Contributions-Ordinary Maintenance	\$163,837	\$0	\$0	\$0	\$0
Property Insurance	\$622,668	\$79,982	\$139,973	\$0	\$0
Liability Insurance	\$4,935	\$2,126	\$0	\$0	\$0
Workmen's Compensation	\$22,369	\$2,015	\$274	\$0	\$0
All Other Insurance	\$53,220	\$1,204	\$452	\$0	\$0
Other General Expenses	\$0	\$14,634	\$0	\$0	\$0
Payments in Lieu of Taxes	\$11,861	\$0	\$25,522	\$0	\$0
Interest on Notes Payable	\$0	\$0	\$104,258	\$0	\$0
Bad Debt-Tenant Rents	\$0	\$0	\$0	\$0	\$0
Total Operating Expenses	\$3,354,239	\$793,657	\$456,768	\$0	\$107,971
Excess Operating Revenue over Operating Expenses	\$0	\$0	\$0	\$0	\$6,350
Extraordinary Maintenance	\$0	\$0	\$0	\$0	\$0
Casualty Losses-Non-Capitalized	(\$149,378)	\$0	\$0	\$0	\$0
Housing Assistance Payments	\$0	\$7,072,371	\$0	\$0	\$0
HAP Portability In	\$0	\$16,341	\$0	\$0	\$0
Depreciation Expense	\$972,211	\$0	\$116,128	\$0	\$0
Total Expenses	\$4,177,072	\$7,882,369	\$572,896	\$0	\$107,971
Special Items (Net Gain/Loss)	\$0	\$0	\$0	\$0	\$0
Operating Transfers In (Out)	(\$27,432)	\$0	\$0	\$0	\$0
Transfers between Program and Project-In	\$0	\$0	\$0	\$0	\$0
Transfers between Project and Program-Out	\$0	\$0	\$0	\$0	\$0
Total Other Financing Sources (Uses)	(\$27,432)	\$0	\$0	\$0	\$0
Excess-Deficiency of Operating Revenue Over (Under)	(\$186,734)	\$28,666	(\$283,759)	\$0	\$0
Beginning Equity	\$20,616,154	\$1,716,437	\$2,788,908	\$0	\$0
Prior Period Adjustments, Equity Transfers and Correct of Errors	\$0	\$0	\$0	\$0	(\$6,350)
Unit Months Available	5,472	23,808	1,368	\$0	\$0
Number of Unit Months Leased	1,389	11,146	399	\$0	\$0

14.PHC Public Housing CARES Act Funding	14.CCC Central Office Cost Ctr CARES Act	14.IKE DHAP- Ike	14.856 Lower Income Section 8 Mod Rehab MR002/MR003	Total	6.1 Component Unit Discretely Presented	
\$0	\$0	\$0	\$0	\$490,006	\$0	\$490,006
\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$490,006	\$0	\$490,006
\$17,732	\$0	\$0	\$246,417	\$10,421,141	\$0	\$10,421,141
\$0	\$0	\$0	\$0	\$872,437	\$0	\$872,437
\$0	\$0	\$0	\$0	\$79,682	\$0	\$79,682
\$0	\$0	\$0	\$0	\$194,532	\$0	\$194,532
\$0	\$0	\$0	\$0	\$97,800	\$0	\$97,800
\$0	\$0	\$4,432	\$1,683	\$59,220	\$16,426	\$75,646
\$0	\$0	\$0	\$0	\$195,621	\$0	\$195,621
\$0	\$0	\$0	\$88	\$17,506	\$0	\$17,506
\$0	\$24,862	\$0	\$0	\$199,532	\$248,706	\$448,238
\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$375	\$375	\$0	\$375
\$17,732	\$24,862	\$4,432	\$248,563	\$12,627,852	\$265,132	\$12,892,984
\$0	\$18,417	\$0	\$24,140	\$976,069	\$0	\$976,069
\$0	\$0	\$5,262	\$7,179	\$166,135	\$0	\$166,135
\$0	\$0	\$0	\$0	\$205,682	\$0	\$205,682
\$0	\$0	\$0	\$0	\$11,421	\$0	\$11,421
\$0	\$6,445	\$0	\$15,151	\$396,862	\$0	\$396,862
\$0	\$0	\$0	\$6,060	\$209,832	\$0	\$209,832
\$0	\$0	\$0	\$0	\$24,457	\$0	\$24,457
\$0	\$0	\$0	\$0	\$15,637	\$5,675	\$21,312
\$0	\$0	\$0	\$1	\$517,816	\$6,231	\$524,047
\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$17,732	\$0	\$0	\$0	\$100,840	\$0	\$100,840
\$0	\$0	\$0	\$0	\$25,129	\$1,559	\$26,688
\$0	\$0	\$0	\$0	\$85,574	\$36,033	\$121,607
\$0	\$0	\$0	\$0	\$30,818	\$470	\$31,288
\$0	\$0	\$0	\$0	\$317,990	\$0	\$317,990
\$0	\$0	\$0	\$0	\$65,441	\$390	\$65,831
\$0	\$0	\$0	\$0	\$413,989	\$35,815	\$449,804
\$0	\$0	\$0	\$0	\$163,837	\$0	\$163,837
\$0	\$0	\$0	\$0	\$842,623	\$79,513	\$922,136
\$0	\$0	\$0	\$0	\$7,061	\$0	\$7,061
\$0	\$0	\$0	\$591	\$25,249	\$4,968	\$30,217
\$0	\$0	\$0	\$977	\$55,853	\$0	\$55,853
\$0	\$0	\$0	\$0	\$14,634	\$0	\$14,634
\$0	\$0	\$0	\$0	\$37,383	\$0	\$37,383
\$0	\$0	\$0	\$0	\$104,258	\$0	\$104,258
\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$17,732	\$24,862	\$5,262	\$54,099	\$4,814,590	\$170,654	\$4,985,244
\$0	\$0	(\$830)	\$194,464	\$199,984	\$0	\$199,984
\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$403,725	\$0	\$254,347	\$0	\$254,347
\$0	\$0	\$0	\$184,994	\$7,257,365	\$0	\$7,257,365
\$0	\$0	\$0	\$0	\$16,341	\$0	\$16,341
\$0	\$0	\$0	\$0	\$1,088,339	\$20,769	\$1,109,108
\$17,732	\$24,862	\$408,987	\$239,093	\$13,430,982	\$191,423	\$13,622,405
\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	(\$27,432)	\$0	(\$27,432)
\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	(\$27,432)	\$0	(\$27,432)
\$0	\$0	(\$404,555)	\$9,470	(\$830,562)	\$73,709	(\$756,853)
\$0	\$0	\$987,934	\$283,130	\$26,392,563	\$6,994,297	\$33,386,860
\$0	\$0	\$6,350	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0
			840	31,488		
			505	13,439		

**Housing Authority of The City of Lake Charles  
Lake Charles, Louisiana**

Schedule of Compensation, Benefits and Other Payments to the Chief Executive Officer  
For the Year Ended September 30, 2022

Expenditure Purpose

Salary	\$ 131,817
Benefits-Health Insurance	5,346
Benefits-Retirement	11,484
Cell Phone	910
Travel (including per diem and advances)	<u>1,521</u>
Total Compensation, Benefits and Other Payments	\$ <u>151,078</u>

Agency Head: S. Benjamin Taylor, Chief Executive Officer

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

Board of Commissioners  
Housing Authority of the City of Lake Charles  
Lake Charles, Louisiana

I have audited, in accordance with the auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller of the United States, the financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of Housing Authority of the City of Lake Charles, as of and for the year ended September 30, 2022, and the related notes to the financial statements, and have issued my report thereon dated March 3, 2023.

**Report on Internal Control over Financial Reporting**

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

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weakness or, significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, there was a significant deficiency that is required to be reported under *Government Auditing Standards* and is reported on the accompanying Schedule of Findings and Questioned Costs (page # 47) as item # 2022-001. *Government Auditing Standards* require the auditor to perform limited procedures on Housing Authority of Lake Charles's response to the noncompliance finding identified. Housing Authority of the City of Lake Charles's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Housing Authority of the City of Lake Charles's financial statements are free from material misstatement, I 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 financial statements.



However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion.

### **Purpose of This Report**

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

*William V. Trimm, CPA*

*Trimm Consulting, APAC*

March 3, 2023

*Trimm Consulting, APAC*

1901 Sampson St Westlake, LA 70669 (337)478-0993

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Commissioners  
Housing Authority of the City of Lake Charles  
Lake Charles, Louisiana

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

I have audited Housing Authority of the City of Lake Charles's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Housing Authority of the City of Lake Charles's major federal programs for the year ended September 30, 2022. Housing Authority of the City of Lake Charles's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In my opinion, Housing Authority of the City of Lake Charles complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2022.

***Basis for Opinion on Each Major Federal Program***

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). My responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of my report.

I am required to be independent of the Housing Authority of the City of Lake Charles and the meet my other ethical responsibilities, in accordance with relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion on compliance for each major federal program. My audit does not provide a legal determination of Housing Authority of the City of Lake Charles's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Housing Authority of the City of Lake Charles's federal programs.

***Auditor's Responsibilities for the Audit of Compliance***

My objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Housing Authority of the City of Lake Charles's compliance based on my audit.

Reasonable assurance is a high level of assurance but it is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists.

The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about Housing Authority of the City of Lake Charles's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, I:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Housing Authority of the City of Lake Charles's compliance with the compliance requirements referred to above and performing such other procedures as I consider necessary in the circumstances.
- Obtain an understanding of Housing Authority of the City of Lake Charles's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Housing Authority of the City of Lake Charles's internal control over compliance. Accordingly, no such opinion is expressed.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weakness in internal control over compliance that I identified during the audit.

### **Report on Internal Control over Compliance**

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

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weakness or significant deficiencies in internal control over compliance. Given these limitations, during my audit I did not identify any deficiencies in internal control over compliance that I consider to be material weakness, as defined above. However, material weakness or significant deficiencies in internal control over compliance may exist that were not identified.

My audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

It is intended for the information and use of the Board, management, the Louisiana Legislative Auditor, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties. Although the intended use of these reports may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the office of the Louisiana Legislative Auditor as a public document.

*William V. Trimm, CPA*  
Trimm Consulting, APAC

March 3, 2023

Housing Authority of The City of Lake Charles  
Lake Charles, Louisiana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2022

Federal Grantor/Pass-through Grantor/Program Name	Assistance Listing #	Grant Number	Grants	
			Receipts	Expenses
<u>Department of HUD</u>				
PHA Owned Housing	14.850	FW-1132	\$ 1,892,965	\$ 1,892,965
Capital Grant(s)	14.872		1,159,644	1,159,644
HCV Cares Act Funding ARRA - Cap	14.HCC		114,321	114,321
Public housing Cares Act	14.PHC		17,732	17,732
Sect. 8 Mod. Rehabilitation	14.856	FW-2074	246,417	246,417
Sect. 8 Housing Choice Vouchers	14.871	FW-2228V	<u>7,862,499</u>	<u>7,862,499</u>
			Total	<u>\$ 11,293,578</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

Housing Authority of The City of Lake Charles  
Lake Charles, Louisiana

Notes to the Schedule of Federal Financial Assistance

For the Year Ended September 30, 2022

**Note 1 - Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of all federal awards programs of the Housing Authority of The City of Lake Charles (the Authority). The Authority's reporting entity is defined in Note 1 of the notes to the basic financial statements. The information in this schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations Part 200, Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance").

**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 to the Authority's basic financial statements. The entity did not elect to use the 10 percent de-minimus indirect rate.

**Note 3 – Relationship to Basic Financial Statements**

Federal awards revenues are reported in the Authority's basic financial statements as follows:

<u>Federal Sources</u>	<u>Amount</u>
General	\$ 2,180,172
Section 8	<u>8,240,969</u>
	<u>\$ 10,421,141</u>

**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 accounting principles generally accepted in the United States of America.

**Note 5 - Sub-recipients**

There were no awards passed through to sub-recipients.

Housing Authority of The City of Lake Charles  
Lake Charles, Louisiana

SCHEDULE OF FINDINGS & QUESTIONED COSTS

For the Year Ended September 30, 2022

**SECTION I- Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report issued: **Unmodified**

A significant deficiency disclosed during the audit of the financial statements is reported in the audit report. No material weaknesses are reported.

**Internal Control over financial reporting:**

- Material weakness(es) identified?    \_\_\_ yes      x   none reported
- Significant deficiency(ies) identified?      x   yes    \_\_\_ none reported

**Noncompliance material to financial statements noted?**

\_\_\_ yes      x   no

*Federal Awards*

**Internal control over major programs:**

- Material weakness(es) identified?    \_\_\_ yes      x   none reported
- Significant deficiency(ies) identified?    \_\_\_ yes      x   none reported

Type of auditor's report issued on compliance for major programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance    \_\_\_ yes      x   no

Identification of major programs:

- AL# 14.871 Section 8 Housing Choice Voucher Program
- AL# 14.850 PHA Owned – Low Rent Public Housing
- AL# 14.872 Capital Fund Public Housing (CFP)

Dollar threshold used to distinguish between type A & B programs: \$ 750,000.

Auditee qualified as low-risk auditee?      x   yes    \_\_\_ no

Housing Authority of The City of Lake Charles  
Lake Charles, Louisiana

SCHEDULE OF FINDINGS & QUESTIONED COSTS  
For the Year Ended September 30, 2022

**Section II-Financial Statement Findings**

Department of Housing & Urban Development  
AL# 14.850 Low Rent Public Housing

**SIGNIFICANT DEFICIENCY**

**Finding 2022-001:** During the current audit period two LCHA computers were hacked.

**Condition:** Computers were hacked. Emails were accessed. Tenant information was accessed. The information accessed included, but was not limited to, social security numbers, financial account information, driver's license numbers and passport information. There were more than 6,000 tenants affected.

**Criteria:** There must be effective control over the access of computer data to include, but not limited to, emails.

**Cause:** There was a lack of data security in place to ensure that the LCHA computer data could not be accessed by outside parties.

**Effect:** This failure allowed hackers to gain access to sensitive LCHA tenant information.

**Context:** As part of the audit process, the minutes of the BOD meeting are reviewed. One of the items in the board meeting minutes highlighted the fact that the LCHA had been hacked in August of 2022. Computer hackers accessed sensitive tenant information. Details of the hacking incident note that once the hack was discovered a legal team of forensic experts was hired and a privileged forensic investigation of the incident ensued. A call center was set up for tenant inquiries. The legal team hired submitted state regulatory notices to (11) states. Credit monitoring was set up with Experian and will be available to affected tenants for one year.

**Recommendation:** I recommend that a full review of data security take place. A plan must be put in place to mitigate the efforts of future hackers. Sensitive LCHA information must be protected.

**Management's Response:** Since the incident occurred, a 3<sup>rd</sup> party authentication application has been downloaded to employee's phones. In order to login to Microsoft programs the computer being accessed will send out a notification to ensure that access is legitimately verified before allowing that access. In addition, quarterly reviews of data security will be conducted with the outside data security company to stay abreast of current data security issues.



Housing Authority of The City of Lake Charles  
Lake Charles, Louisiana

SCHEDULE OF FINDINGS & QUESTIONED COSTS  
For the Year Ended September 30, 2022

**Section III-Findings and Questioned Costs for Federal Awards**

None.

Housing Authority of The City of Lake Charles  
Lake Charles, Louisiana

SCHEDULE OF FINDINGS & QUESTIONED COSTS  
For the Year Ended September 30, 2022

**Section IV-Schedule of Prior Year Findings & Questioned Costs**  
**For the year ended September 30, 2021**

Department of Housing & Urban Development  
CFDA 18.850 Low Rent Public Housing

**SIGNIFICANT DEFICIENCY**

Finding 2021-001: Bank deposits exceeding the FDIC insurance limit of \$250,000 were not secured by collateral outside of the bank.

**Condition:** The Housing Authority opened up a new bank account at Jeff Davis Bank in order to segregate and deposit insurance proceeds. Under state law, the Authority's demand deposits are required to be fully collateralized at all times. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

**Criteria:** There must be effective control over, and accountability for all bank deposits as it relates to those bank deposits being protected by either FDIC insurance coverage or through outside pledged securities.

**Cause:** There was a lack of procedures in place to ensure that the bank deposits were fully insured.

**Effect:** This failure caused demand deposits to remain unsecured for several months.

**Context:** During the audit bank confirmations were requested of all of the Authority's banks. A review of these confirmations found that some demand deposits were not secured by outside collateral. The amount of deposits that were determined to be uncollateralized totaled \$ **3,917,735**. Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. This custodial credit risk is mitigated by ensuring that demand deposits exceeding the FDIC insurance limit are fully collateralized outside of the bank holding the funds.

**Recommendation:** I recommend that a periodic review of all bank deposits be conducted to ensure that the Authority's demand deposits are fully secured, either by FDIC insurance and/or outside pledged securities.

**Management's Response:** The Authority has stated that more careful attention will be paid to this aspect of their accounting functions and that a periodic review of bank deposits versus FDIC insurance and outside pledged security collateralization will take place. During the month of February 2022 the uninsured deposits were fully collateralized by pledged securities.