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HOUSING AUTHORITY OF THE CITY OF SULPHUR, LOUISIANA
REPORT ON EXAMINATION OF
FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA

TWELVE MONTHS ENDED DECEMBER 31, 1999

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

Release Date MAY 3 1 2000

MIKE ESTES, P.C.
A PROFESSIONAL ACCOUNTING CORPORATION

TABLE OF CONTENTS

	<u>EXHIBIT</u>	<u>PAGE</u>
Summary of Auditor's Results and Schedule of Findings and Questioned Costs		1 - 2
Independent Auditor's Report		3 - 4
<u>Financial Statements</u>		
Balance Sheet - Enterprise Fund	A	5 - 6
Statement of Revenues, Expenses, and Changes in Retained Earnings - Enterprise Fund	B	7
Statement of Cash Flows - Enterprise Fund	C	8 - 9
Comparison of Actual HUD Revenue and Expenses to HUD Budgeted	D	10
Notes to Financial Statements		11 - 18
<u>Supplementary Information</u>		
Statement and Certification of Actual Modernization Costs	E	19
Analysis of Surplus - "Old" Statutory Basis	F	20 - 25
Analysis of General Fund Cash Balance	G	26
Schedule of Federal Financial Assistance		27

TABLE OF CONTENTS

	<u>EXHIBIT</u>	<u>PAGE</u>
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133		28 - 29
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards		30 - 31
Schedule of Findings and Questioned Costs		32
Schedule of Audit Journal Entries		33

HOUSING AUTHORITY OF THE CITY OF SULPHUR

SUMMARY OF AUDITOR'S RESULTS AND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditor's Results

- A. We issued an unqualified opinion on the Housing Authority of the City of Sulphur, Louisiana for the audit of its financial statements for the year ended December 31, 1999.
- B. The financial statements are prepared on the Enterprise Method. See Auditor's Report and Note A.
- C. No reportable conditions in internal control were disclosed by our audit of the financial statements
- D. The audit did not disclose any noncompliance which is material to the financial statements.
- E. No reportable conditions in internal control were disclosed by our audit over major programs.
- F. We issued an unqualified opinion on compliance for major programs.
- G. Our audit disclosed two audit findings that we are required to report under 510(a) of OMB Circular A-133.
- H. Major programs are as follows, and see Schedule of Federal Expenditures for CFDA numbers and amounts:
 - 1. Low Income Housing
 - 2. CIAP
 - 3. Section 8 - Existing
 - 4. Section 8 - Voucher
 - 5. Section 8 - Moderate Rehab

HOUSING AUTHORITY OF THE CITY OF SULPHUR

SUMMARY OF AUDITOR'S RESULTS AND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

- I. The dollar threshold to distinguish Type A and Type B programs is \$ 300,000.
- J. The Housing Authority of the City of Sulphur, Louisiana did not qualify for the year ended December 31, 1999 as a low-risk auditee.

Schedule of Findings and Questioned Costs

- K. There are no findings in these financial statements that is required to be reported in accordance with GAGAS.
- L. There are two audit findings but no questioned costs for Federal awards which shall include audit findings as described in 510a of OMB Circular A-133.

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MIKE ESTES, CPA/PFS, CFP

MEMBER
AMERICAN BOARD CERTIFIED
PUBLIC ACCOUNTANTS

Independent Auditor's Report

Board of Commissioners
Housing Authority of the
City of Sulphur
Sulphur, Louisiana

Regional Inspector General for Audit
Office of Inspector General
Department of Housing and Urban
Development

We have audited the accompanying general-purpose financial statements of the Housing Authority of the City of Sulphur, Louisiana at and for the year ended December 31, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Housing Authority of the City of Sulphur, Louisiana's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and provisions of the Louisiana Governmental Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of the City of Sulphur, Louisiana as of December 31, 1999 and the results of its operations and changes in its total equity for the year then ended, in conformity with generally accepted accounting principles.

As described in Note A to the financial statements, the PHA has changed from the Governmental Funds to the Enterprise Funds method for the year ended December 31, 1999.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 18, 2000 on our consideration of Housing Authority of the City of Sulphur's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part on an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the Housing Authority of the City of Sulphur, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Mike Estes, P.C.

Fort Worth, Texas
May 18, 2000

HOUSING AUTHORITY OF THE CITY OF SULPHUR
BALANCE SHEET - ENTERPRISE FUND
DECEMBER 31, 1999

FW - 907

Assets

Current assets

Cash - Note B	\$	743,433.00
Investments - Note B		167,606.00
Accounts receivable - HUD		17,532.00
Accounts receivable - tenants, net of allowance for bad debts, \$4,303		1,627.00
Accounts receivable - other		339.00
Inventories		32,266.00
Prepaid insurance		20,055.00
Total current assets		982,858.00

Fixed Assets

Land		99,900.00
Buildings		7,102,515.00
Furniture, equipment & machinery		147,403.00
		7,349,818.00

Less: Accumulated depreciation		4,512,430.00
Net fixed assets		2,837,388.00

Total assets	\$	3,820,246.00
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The Notes to Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF THE CITY OF SULPHUR
BALANCE SHEET - ENTERPRISE FUND BASIS
DECEMBER 31, 1999

FW - 907

Liabilities*Current liabilities*

Tenant's security deposits	\$ 17,333.00
Accounts payable - HUD PHA programs	24,710.00
Accounts payable - other	117,238.00
Accrued wages, compensated absences	11,733.00
Deferred credit	52,864.00

Total current liabilities	<u>223,878.00</u>
----------------------------------	-------------------

Fund equity

Net HUD contributions	2,838,774.00
-----------------------	--------------

Total contributed capital	<u>2,838,774.00</u>
----------------------------------	---------------------

Retained earnings - Exhibit B	757,594.00
-------------------------------	------------

Total Equity	<u>3,596,368.00</u>
---------------------	---------------------

Total Liabilities and Equity	<u><u>\$ 3,820,246.00</u></u>
-------------------------------------	-------------------------------

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

HOUSING AUTHORITY OF THE CITY OF SULPHUR
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
RETAINED EARNINGS - ENTERPRISE FUND
YEAR ENDED DECEMBER 31, 1999

FW - 907

Revenues

Tenant revenue	\$	264,255.00
HUD subsidy - Low Rent		133,007.00
HUD subsidy - Section 8		671,643.00
HUD CIAP soft costs grant		954,746.00
Interest income		15,406.00
Other revenue - Note K		919,700.00
		<u>2,958,757.00</u>
Operating expenses		
Administrative		215,938.00
Utilities		43,627.00
Maintenance		257,115.00
General expense		101,246.00
Depreciation		308,671.00
CIAP soft costs		954,746.00
HAP payments		595,353.00
		<u>2,476,696.00</u>
Total operating expenses		2,476,696.00
Net operating income		482,061.00
Retained earnings (operating reserve), 9-30-98		214,820.00
Add: HUD - REAC prior year GAAP adjustments		60,713.00
		<u>275,533.00</u>
Retained earnings, 9-30-99	\$	757,594.00
Net HUD contribution, 9-30-98		7,393,430.00
Current year addition and REAC adjustments		(4,554,656.00)
		<u>2,838,774.00</u>
Net HUD contribution, 9-30-99		2,838,774.00
Total Equity, 9-30-99 - Exhibit A	\$	3,596,368.00

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

HOUSING AUTHORITY OF THE CITY OF SULPHUR
STATEMENT OF CASH FLOWS - ENTERPRISE FUND
YEAR ENDED DECEMBER 31, 1999

FW - 907

Cash flows from operating activities:

Tenant revenue	\$	264,255.00
Other operating revenue		919,700.00
Operating expenses		<u>(1,521,950.00)</u>
Net cash (used) in operating activities		<u><u>(337,995.00)</u></u>

Cash flows from noncapital financing activities

Operating subsidies received		<u>804,650.00</u>
Net cash provided by noncapital financing activities		<u><u>804,650.00</u></u>

Cash flows from capital and related financing activities

HUD CIAP hard cost advances		467,480.00
Equipment and CIAP additions		<u>515,696.00</u>
Net cash provided (required) by capital and financing activities		<u><u>(48,216.00)</u></u>

Cash flows from investing activities

Interest income		<u>15,406.00</u>
Net cash provided (used) from investing activities	\$	<u><u>15,406.00</u></u>

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

HOUSING AUTHORITY OF THE CITY OF SULPHUR
 STATEMENT OF CASH FLOWS - ENTERPRISE FUND (continued)
 YEAR ENDED DECEMBER 31, 1999

FW - 907

Adjustments

Depreciation	308,671.00
NET HUD - REAC adjustments - noncash	(194,100.00)
Changes in assets and liabilities:	
Decrease in accounts receivable	\$ 98,671.00
Increase in inventories	(32,266.00)
Increase in prepaid insurance	(3,672.00)
Increase in accrued wages and payroll taxes	11,733.00
Decrease in security deposits	(4,336.00)
Increase in deferred credits	16,934.00
Decrease in accounts payable	(10,862.00)
Total adjustments	<u>190,773.00</u>
Change in cash and equivalents	624,618.00
Cash and equivalents beginning of year	<u>286,421.00</u>
Cash and equivalents end of year - Exhibit A	<u>\$ 911,039.00</u>

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

HOUSING AUTHORITY OF THE CITY OF SULPHUR
COMPARISON OF ACTUAL HUD REVENUE AND
EXPENSES TO HUD BUDGETED
YEAR ENDED DECEMBER 31, 1999

FW - 907

	HUD Budget	Actual	Over (Under) Budget
	<u> </u>	<u> </u>	<u> </u>
Revenues			
Tenant revenue	\$ 304,550.00	\$ 264,255.00	\$ (40,295.00)
HUD subsidy - Low Rent	133,007.00	133,007.00	0.00
HUD subsidy - Section 8	687,096.00	671,643.00	(15,453.00)
HUD CIAP soft costs grant	954,746.00	954,746.00	0.00
Interest income	7,610.00	15,406.00	7,796.00
Other revenue - Note K	899,643.00	919,700.00	20,057.00
	<u>2,986,652.00</u>	<u>2,958,757.00</u>	<u>(27,895.00)</u>
Total operating revenue			
Operating expenses			
Administration, net of CIAP soft cost	238,170.00	215,938.00	(22,232.00)
Tenant services	600.00	0.00	(600.00)
Utilities	50,050.00	43,627.00	(6,423.00)
Maintenance	722,448.00	257,115.00	(465,333.00)
General expense	95,292.00	101,246.00	5,954.00
Depreciation	0.00	308,671.00	308,671.00
CIAP soft costs	954,746.00	954,746.00	0.00
HAP payments	612,706.00	595,353.00	(17,353.00)
	<u>\$ 2,674,012.00</u>	<u>\$ 2,476,696.00</u>	<u>\$ (197,316.00)</u>
Total operating expenses			
Excess (deficient) revenues	312,640.00	482,061.00	169,421.00
Add:			
Depreciation - not budgeted by HUD	0.00	308,671.00	308,671.00
Deduct:			
Capital expenditures - budgeted by HUD	(52,963.00)	(244,533.00)	(191,570.00)
Excess (deficiency) of budgeted revenues over expenses	<u>\$ 259,677.00</u>	<u>\$ 546,199.00</u>	<u>\$ 286,522.00</u>

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

HOUSING AUTHORITY OF THE CITY OF SULPHUR

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES AND CHANGE OF ACCOUNTING PRINCIPLE

The Housing Authority of Sulphur, Louisiana (the Authority), a public corporate body, was organized for the purpose of providing decent, safe, and sanitary dwelling accommodations for persons of low income.

The Authority is engaged in the acquisition, modernization, and administration of low-rent housing. In addition, the Authority has administrative responsibility for various other community development programs whose primary purpose is the development of viable urban communities by providing decent housing, a suitable living environment, and economic opportunities principally for persons of low and moderate income.

The Authority is administered by a governing Board of Commissioners (the Board), whose members are appointed by the Mayor of the City of Sulphur, Louisiana. Each member serves a five-year term on a rotating basis. Substantially all of the Authority's revenue is derived from subsidy contracts with the U.S. Department of Housing and Urban Development (HUD). The Annual Contributions Contracts entered into by the Authority and HUD provide operating subsidies for Authority-owned public housing facilities and housing assistance payments for eligible individuals.

(1) Financial Reporting Entity

Generally accepted accounting principles require that the financial statements present the accounts and operations of the Authority and its component units, entities for which the Authority is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the Authority's operations and data from these units, if any, are combined with data of the Authority. Each discretely presented component unit, if any, would be reported in a separate column in the combined financial statements to emphasize that it is legally separate from the Authority. As of December 31, 1999, and for the fiscal then ended, the Authority had no discretely presented component units or any component units required to be blended in these financial statements.

HOUSING AUTHORITY OF THE CITY OF SULPHUR

NOTES TO FINANCIAL STATEMENTS

(continued)

DECEMBER 31, 1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES AND CHANGE OF ACCOUNTING PRINCIPLE (continued)

(2) Change in Accounting Principle

For the year ended December 31, 1999, the PHA has changed from the Government Funds Method to the Enterprise Method. This change was strongly recommended by the Real Estate Assessment Center (REAC) of The Department of Housing and Urban Development.

The Enterprise Funds Method accounts for operations in a manner similar to a private business. Under this method, all assets, including fixed assets, and all liabilities are in one fund, and one financial statement.

The Enterprise Fund recognizes revenues and expenses on the full accrual basis. Revenues are recognized when earned and become measurable. Expenses are recognized in the period incurred, if measurable. In the prior method used, the Governmental Funds Method, the modified accrual method was necessary.

Depreciation expense must be recognized for the Enterprise Fund. Under the Governmental Funds Method, depreciation was optional and the PHA elected not to recognize it.

REAC suggests that accumulated depreciation be charged to HUD Capital Contributions, not Retained Earnings. REAC directs that soft costs from development and modernization be deleted from fixed assets and charged to HUD Capital Contributions.

REAC also directs PHA's to delete outstanding debt owed to HUD, annual contributions and debt amortization funds receivable due from HUD, and close them to HUD Capital Contributions.

HOUSING AUTHORITY OF THE CITY OF SULPHUR

NOTES TO FINANCIAL STATEMENTS

(continued)

DECEMBER 31, 1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES AND CHANGE OF ACCOUNTING PRINCIPLE (continued)

The amount of the December 31, 1998 operating reserve becomes the beginning retained earnings. There is no cumulative effect on beginning retained earnings resulting from the accounting method change.

(3) Budgetary Data

The Authority is required by its HUD Annual Contributions Contracts to adopt annual budgets for the Low-Rent Housing Program and the Section 8 Programs. Annual budgets are not required for CIAP grants as their budgets are approved for the length of the project. Both annual and project length budgets require grantor approval.

The Authority is under a limited budget review from HUD with the control category of total operating expenditures. If there are no overruns of the total operating expenditures, then HUD does not require budget revisions other than when there are substantial additions to nonroutine expenditures.

The budget is prepared on a statutory (HUD) basis and does not contain a provision for uncollectible tenant receivables, or depreciation. The budget does reflect furniture and equipment additions from operations.

(4) Cash and Cash Equivalents

The entity defines cash and cash equivalents to include certificates of deposit, money market funds, savings accounts, and demand deposits.

HOUSING AUTHORITY OF THE CITY OF SULPHUR

NOTES TO FINANCIAL STATEMENTS

(continued)

DECEMBER 31, 1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES AND CHANGE OF ACCOUNTING PRINCIPLE (continued)

(5) Tenant Receivables

Receivables for rentals and service charges are reported in the General Fund, net of allowances for doubtful accounts.

(6) Compensated Absences

Authority employees accrue personal leave, or compensated absences, by a prescribed formula based on length of service.

NOTE B - CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

It is the entity's policy for deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance. The entity's deposits are categorized to give an indication of the level of risk assumed by the entity at December 31, 1999. The categories are described as follows:

- Category 1 - Insured or collateralized with securities held by the entity or by its agent in the entity's name.
- Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.
- Category 3 - Uncollateralized, uninsured and unregistered, but with securities held by the bank, its trust department, or its agent, pledged to the PHA, but not in the PHA's name.

HOUSING AUTHORITY OF THE CITY OF SULPHUR

NOTES TO FINANCIAL STATEMENTS

(continued)

DECEMBER 31, 1999

NOTE B - CASH DEPOSITS WITH FINANCIAL INSTITUTIONS (continued)

Cash Deposits, categorized by level of risk, (at cost, which approximates market) are:

Total Bank Balance	Category		
	1	2	3
\$ <u>911,039</u>	\$ <u>200,000</u>	\$ <u> </u>	\$ <u>711,039</u>

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Housing Authority that the fiscal agent has failed to pay deposited funds upon demand.

NOTE C - ACTIVITIES OF THE PHA

At December 31, 1999, the PHA was managing 211 units of low-rent in three projects under Program FW - 907, 84 units of Section 8 Existing, 99 units of Mod Rehab, and 4 units of Voucher - the latter under program 2096

NOTE D - CONTINGENCIES

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

HOUSING AUTHORITY OF THE CITY OF SULPHUR

NOTES TO FINANCIAL STATEMENTS

(continued)

DECEMBER 31, 1999

NOTE E - FIXED ASSETS

As noted in Note A, soft costs formerly capitalized have been written off and fixed assets are now depreciated on the straight-line method over their estimated useful lives as follows:

Site improvements	15 Years
Buildings	33 Years
Buildings improvements	15 Years
Nondwelling structures	15 Years
Equipment	3 to 7 Years

	12/31/99 Cost	12/31/98 Accumulated Depreciation	Current Depreciation	12/31/99 Accumulated Depreciation
Land	\$ 99,900			
Buildings and Improvements	7,102,515	4,139,144	284,284	4,423,428
Equipment	147,403	64,615	24,387	89,002
	<u>\$ 7,349,818</u>	<u>4,203,759</u>	<u>308,671</u>	<u>4,512,430</u>

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

HOUSING AUTHORITY OF THE CITY OF SULPHUR

NOTES TO FINANCIAL STATEMENTS

(continued)

DECEMBER 31, 1999

NOTE F - LONG-TERM DEBT

As noted in Note A, long-term debt owed to HUD has been closed to HUD Capital Contributions. For the year ended December 31, 1999, Housing Agency bonds outstanding of \$ 130,909 were closed to capital contributions.

NOTE G RETIREMENT PLAN

The entity provides benefits for all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate after a six months exclusionary period. The employee contributes 6 % and the entity contributes 8 % of the employee's base salary each month. The entity's contributions for each employee (and interest allocated to the employee's account) are vested 20 % annually for each year of participation. An employee is fully vested after 5 years of participation.

The entity's total payroll in fiscal year ended December 31, 1999 was \$ 212,000. The entity's contributions were calculated using the base salary amount of approximately \$ 154,000. Contributions to the plan were \$ 9,240 and \$ 12,072 by the employee and the entity, respectively.

NOTE H - DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and Investments

The carrying amount approximates fair value because of the short maturity of these instruments.

HOUSING AUTHORITY OF THE CITY OF SULPHUR

NOTES TO FINANCIAL STATEMENTS

(continued)

DECEMBER 31, 1999

NOTE I - ACCOUNTING FOR THE IMPAIRMENT OF LONG - LIVED ASSETS

The full amount of the carrying value of buildings and land improvements are deemed recoverable from future cash flows.

NOTE J - USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE K- OTHER REVENUE

\$ 889,142 of the \$ 919,700 of Other Revenue are CIAP awards coded to Operations. This money may be used by the PHA to pay capital expenditures, salaries, travel, maintenance, or other operating expenses. HUD-REAC directs the PHA's to record this as income in the year received.

SUPPLEMENTARY INFORMATION

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

FW - 907

1 The Actual Modernization Costs are as follows:

	<u>1997</u>	<u>1998</u>	<u>1999</u>
Funds Approved	\$ 500,000.00	\$ 764,500.00	\$ 400,228.00
Funds Expended	<u>500,000.00</u>	<u>764,500.00</u>	<u>400,228.00</u>
Excess of Funds Approved	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Funds Advanced	\$ 500,000.00	764,500.00	\$ 400,228.00
Funds Expended	<u>500,000.00</u>	<u>764,500.00</u>	<u>400,228.00</u>
Excess of Funds Advanced	\$ <u>0.00</u>	<u>0.00</u>	\$ <u>0.00</u>

2. The distribution of costs by project as shown on the Final Statements of Modernization Costs accompanying the Actual Modernization Costs Certificates submitted to HUD dated 12/7/99, 10/29/99 and 1/5/00, respectively, for approval is in agreement with the PHA's records.
3. All modernization costs have been paid and all related liabilities have been discharged through payment.

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

HOUSING AUTHORITY OF THE CITY OF SULPHUR
 ANALYSIS OF SURPLUS - "OLD" STATUTORY BASIS
 TWELVE MONTHS ENDED DECEMBER 31, 1999

ANNUAL CONTRIBUTION CONTRACT
 FW - 2096

Existing

Unreserved Surplus

Balance per prior audit at 12/31/98	\$ (4,593,082.63)
Net Loss for the year ended 12/31/99, before subsidy	(281,995.56)
Provision for (reduction of) Operating Reserve for year ended 12/31/99	(9,105.44)
Provision for (reduction of) Project Account for year ended 12/31/99	(73,997.00)
HUD GAAP and other adjustments	<u>69,516.94</u>
Balance at 12/31/99	<u>(4,888,663.69)</u>

Reserved Surplus

Balance per prior audit at 12/31/98	(4,209.43)
Provision for (reduction of) Operating Reserve for the year ended 12/31/99	9,105.44
HUD Adjustment	<u>333.00</u>
Balance at 12/31/99	<u>5,229.01</u>

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

HOUSING AUTHORITY OF THE CITY OF SULPHUR

ANALYSIS OF SURPLUS - "OLD" STATUTORY BASIS
TWELVE MONTHS ENDED DECEMBER 31, 1999ANNUAL CONTRIBUTION CONTRACT
FW - 2096ExistingProject Account

Balance per prior audit at 12/31/98	\$ 181,915.00
HUD Adjustment	52,814.00
Provision of (reduction of) Project Account for year ended 12/31/99	<u>73,997.00</u>
Balance at 12/31/99	<u>308,726.00</u>

Cumulative HUD Contributions

Balance per prior audit at 12/31/98	4,289,660.05
Annual contribution for year ended 12/31/99	291,097.00
HUD Adjustment	<u>333.00</u>
Balance at 12/31/99	<u>4,581,090.05</u>

Net Contributions - A/C - 2810

Accumulated depreciation	<u>(962.28)</u>
Balance at 12/31/99	<u>(962.28)</u>
Total at 12/31/99	<u>\$ 5,419.09</u>

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

HOUSING AUTHORITY OF THE CITY OF SULPHUR
 ANALYSIS OF SURPLUS - "OLD" STATUTORY BASIS
 TWELVE MONTHS ENDED DECEMBER 31, 1999

ANNUAL CONTRIBUTION CONTRACT
 FW - 2096

Moderate Rehab

Unreserved Surplus

Balance per prior audit at 12/31/98	\$ (4,869,788.00)
Net Loss for the year ended 12/31/99	(356,087.64)
Provision for (reduction of) Operating Reserve for year ended 12/31/99	(15,559.33)
Provision for (reduction of) Project Account for year ended 12/31/99	(90,305.00)
HUD GAAP Adjustment	<u>(265,826.16)</u>
Balance at 12/31/99	<u>(5,597,566.13)</u>

Reserved Surplus

Balance per prior audit at 12/31/98	7,355.58
Provision for (reduction of) Operating Reserve for the year ended 12/31/99	15,559.33
HUD Adjustment	<u>452.00</u>
Balance at 12/31/99	<u>23,366.91</u>

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

HOUSING AUTHORITY OF THE CITY OF SULPHUR
 ANALYSIS OF SURPLUS - "OLD" STATUTORY BASIS
 TWELVE MONTHS ENDED DECEMBER 31, 1999
 ANNUAL CONTRIBUTION CONTRACT
 FW - 2096

Moderate Rehab

Project Account

Balance per prior audit at 12/31/98	\$ 1,770,082.00
Provisions for (reduction of) Project Account for year ended 12/31/99	90,305.00
HUD Adjustment	<u>119,936.00</u>
Balance at 12/31/99	<u>1,980,323.00</u>

Cumulative HUD Contributions

Balance per prior audit at 12/31/98	3,246,610.80
Annual contribution for year ended 12/31/99	371,647.00
HUD Adjustment	<u>452.00</u>
Balance at 12/31/99	<u>3,618,709.80</u>

Net Contributions - A/C 2810

Accumulated depreciation	<u>(1,224.72)</u>
Balance at 12/31/99	<u>(1,224.72)</u>
Total at 12/31/99	<u>\$ 23,608.83</u>

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

HOUSING AUTHORITY OF THE CITY OF SULPHUR
 ANALYSIS OF SURPLUS - "OLD" STATUTORY BASIS
 TWELVE MONTHS ENDED DECEMBER 31, 1999

ANNUAL CONTRIBUTION CONTRACT
 FW - 2096

Voucher

Unreserved Surplus

Balance per prior audit at 12/31/98	\$	0.00
Net Loss for the year ended 12/31/99		(7,935.00)
Provision for (reduction of) Operating Reserve for year ended 12/31/99		(964.00)
Provision for (reduction of) Project Account for year ended 12/31/99		(658.00)
Balance at 12/31/99		(9,557.00)

Reserved Surplus

Balance per prior audit at 12/31/98		0.00
Provision for (reduction of) Operating Reserve for the year ended 12/31/99		964.00
Balance at 12/31/99		964.00

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

HOUSING AUTHORITY OF THE CITY OF SULPHUR
 ANALYSIS OF SURPLUS - "OLD" STATUTORY BASIS
 TWELVE MONTHS ENDED DECEMBER 31, 1999

ANNUAL CONTRIBUTION CONTRACT
 FW - 2096

Voucher

Project Account

Balance per prior audit at 12/31/98	\$	0.00
Provisions for (reduction of) Project Account for year ended 12/31/99 - Existing		658.00
Balance at 12/31/99		658.00

Cumulative HUD Contributions

Balance per prior audit at 12/31/98		0.00
Annual contribution for year ended 12/31/99 - Existing		8,899.00
Balance at 12/31/99		8,899.00
Total at 12/31/99	\$	964.00

The Note to Financial Statements are an integral part of these statements

HOUSING AUTHORITY OF THE CITY OF SULPHUR
ANALYSIS OF GENERAL FUND CASH BALANCE
ANNUAL CONTRIBUTION CONTRACT
FW - 907

Composition Before Adjustments	
Net operating receipts retained:	
Retained earnings - Exhibit B	\$ 757,594.00
	<u>757,594.00</u>
Adjustments	
Expenses/costs not paid:	
Current liabilities	223,878.00
Unlocated fund imbalance	1,386.00
Income not received:	
Accounts receivable	<u>(19,498.00)</u>
General Fund Cash Available	963,360.00
General Fund Cash:	
Invested	(167,606.00)
Applied to deferred charges (prepaid insurance, inventories, etc.)	<u>(52,321.00)</u>
General Fund Cash - Exhibit A	<u><u>743,433.00</u></u>

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

HOUSING AUTHORITY OF THE CITY OF SULPHUR
 SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

YEAR ENDED DECEMBER 31, 1999

FEDERAL GRANTOR PROGRAM TITLE	<u>C DFA NO.</u>	<u>GRANT ID NO.</u>	<u>PROGRAM EXPENDITURES</u>
U.S. Department of Housing and Urban Development			
Direct Programs:			
Low-Income Housing			
Operating Subsidy	14.850	FW - 907	133,007.00
Major Program Total			<u>133,007.00</u>
 Section 8 Hap -			
Vouchers	14.855	FW - 907	7,935.00
Major Program Total			<u>7,935.00</u>
 Section 8 Hap -			
Certificates	14.857	FW - 907	283,085.00
Major Program Total			<u>283,085.00</u>
 Section 8 Hap -			
Moderate Rehab	14.182	FW - 907	356,840.00
Major Program Total			<u>356,840.00</u>
 Comprehensive			
Improvement			
Assistance Program			1,422,226.00
Major Program Total			<u>1,422,226.00</u>
 Total HUD			 \$ <u><u>2,203,093.00</u></u>

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MEMBER
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PUBLIC ACCOUNTANTS

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

Housing Authority of the
City of Sulphur
Sulphur, Louisiana

We have audited the compliance of the Housing Authority of the City of Sulphur, Louisiana with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 1999. The Housing Authority of the City of Sulphur, Louisiana's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Housing Authority of the City of Sulphur, Louisiana's Management. Our responsibility is to express an opinion on the Housing Authority of the City of Sulphur, Louisiana's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority of the City of Sulphur, Louisiana's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Housing Authority of the City of Sulphur, Louisiana's compliance with those requirements. Our audit disclosed two instances of noncompliance. They are listed as the first two audit findings.

In our opinion, the Housing Authority of the City of Sulphur, Louisiana complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 1999.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Mike Estes, P.C.

Fort Worth, Texas
May 18, 2000

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

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

Housing Authority of the
City of Sulphur
Sulphur, Louisiana

We have audited the financial statements of the Housing Authority of the City of Sulphur, Louisiana as of and for the year ended December 31, 1999, and have issued our report thereon dated May 18, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States, and provisions of the Louisiana Governmental Audit Guide.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Housing Authority of the City of Sulphur, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce, to a relatively low level, the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is a matter of public record and its distribution is not limited.

Mike Estes, P. C.

Fort Worth, Texas
May 18, 2000

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

HOUSING AUTHORITY OF THE CITY OF SULPHUR
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

DECEMBER 31, 1999

Prior Audit Findings and Questioned Costs

All prior audit findings have been satisfactorily resolved.

Current Audit Findings

Incorrect PFS Calculation

1. The PFS Operating Subsidy Calculation, HUD - 52723, for year ended 12/31/99, shows the 10/1/98 rent roll on line 12 as \$23,716. The actual amount per the 10/1/98 rent roll was \$25,691.

Recommendation

The PHA needs to doublecheck all figures used for PFS calculations. I emphasized to PHA personnel the importance of using correct information for subsidy calculations.

Reply

We will comply with the above.

Appliance Inventory

2. The depreciable schedule reflects only 129 ranges and 86 refrigerators that have a 9/30/99 depreciated value of \$ 26,627.

Recommendation

The PHA has 213 Low Rent units. It should have more ranges and refrigerators than listed above.

Reply

Our actual inventory list has approximately 213 ranges and refrigerators. We miscommunicated with our fee accountant. When we submitted the updated cost information for them to begin depreciating our equipment, we gave them only the costs for a portion of our ranges and refrigerators.

We will submit the cost information on our remaining ranges and refrigerators to our fee accountant.

HOUSING AUTHORITY OF THE CITY OF SULPHUR
 SCHEDULE OF AUDIT JOURNAL ENTRIES
 YEAR ENDED DECEMBER 31, 1999

FW - 907

	<u>ACCT. # FOR AUDIT PURPOSES</u>	<u>DR</u>	<u>CR</u>	<u>ACCT. # FOR POSTING TO PHA BOOKS</u>
<1> Capital outlay	1101	191,570.00		Audit only
Maintenance expense	971		191,570.00	Audit only
Site improvement	FDS - 162	191,570.00		1450
Unreserved surplus	FDS - 504		191,570.00	1450

To capitalize capital expenditures made in November and December 1999.