

**Housing Authority of the
CITY OF HAMMOND**
Hammond, Louisiana

**General-Purpose Financial Statements and
Independent Auditor's Reports
As of and for the Year Ended December 31, 2003
With Supplemental Information Schedules**

**WILLIAM DANIEL McCASKILL, CPA
A PROFESSIONAL ACCOUNTING CORPORATION**

**6150 Highway 22, Suite C-14
Mandeville, Louisiana 70471**

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

Release Date 7-28-04

HOUSING AUTHORITY OF THE CITY OF HAMMOND
Hammond, Louisiana
General-Purpose Financial Statements
As of and for the Fiscal Year Ended December 31, 2000
With Supplemental Information Schedules

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William Daniel McCaskill, CPA
A Professional Accounting Corporation
5150 Highway 22, Suite C-14
Mandeville, Louisiana 70471

Telephone 985-845-1773
Fax 985-845-1915
E-mail dmcc@pdp1.com

Member of
Louisiana Society of CPAs
Mississippi Society of CPAs
American Institute of CPAs

INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying general-purpose financial statements of the Housing Authority of the City of Hammond as of and for the year ended December 31, 2003, as listed in the table of contents. These general-purpose financial statements are the responsibility of the authority's management. My responsibility is to express an opinion on these general-purpose financial statements based on my audit.

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

In my 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 Hammond as of December 31, 2003, and the results of its operations and the cash flows of its propriety fund types for the year ended in conformity with U.S. generally accepted accounting principles.

HOUSING AUTHORITY OF THE CITY OF HAMMOND

Hammond, Louisiana
Independent Auditor's Report, 2003
Page Two

In accordance with Government Auditing Standards, I have also issued a report dated May 20, 2004 on my consideration of the authority's internal control over financial reporting and my tests of its compliance with certain laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

My audit was conducted for the purpose of forming an opinion on the general-purpose financial statements of the authority taken as a whole. The accompanying Schedule of Expenditures of Federal Awards, required by the U.S. Office of Management and Budget Circular A-133, audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis, and is not a required part of the general-purpose financial statements. The accompanying Financial Data Schedule, required by HUD, is presented for purposes of additional analysis, 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 my opinion, is fairly presented in all material respects in relation to the financial statements and any other included supplementary information taken as a whole.



William Daniel McCaskill, CPA
A Professional Accounting Corporation

May 20, 2004

HOUSING AUTHORITY OF THE CITY OF HAMMOND
 Hammond, Louisiana
 Proprietary Fund Type - Enterprise Fund - Balance Sheet
 As of December 31, 2023

Exhibit A

Assets

Current Assets:	
Cash and Cash Equivalents	\$ 129,166
Accounts Receivable - HUD - Other Projects	26,747
Prepaid Expenses	3,833
Total Current Assets	<u>160,746</u>
Restricted Assets:	
Cash and cash equivalents	47,608
Total Restricted Assets	<u>47,608</u>
Fixed Assets, Net of Accumulated Depreciation:	
Land	35,500
Buildings	693,597
Furniture, Equipment & Machinery - Dwellings	65,499
Furniture, Equipment & Machinery - Administration	2,845
Leasehold Improvements	60,841
Accumulated Depreciation	<u>(381,512)</u>
Total Fixed Assets, Net of Accumulated Depreciation	<u>387,519</u>
Total Assets	<u>\$ 575,413</u>

Liabilities & Equity

Current Liabilities (payable from current assets):	
Accounts Payable - Vendors	\$ 3,833
Accrued Wages and Payroll Taxes Payable	2,720
Accrued Compensated Absences - Current	2,281
Current Portion of LT Debt - Capital Projects	11,808
Total Current Liabilities (payable from current assets)	<u>30,642</u>
Current Liabilities (payable from restricted assets):	
Toward Security Deposits	3,896
Long-term Liabilities:	
Long-term Debt, net of current - Capital Projects	383,679
Total Liabilities	<u>418,017</u>
Equity:	
Restricted Fund Balance	47,608
Retained Earnings	<u>130,804</u>
Total Equity	<u>188,412</u>
Total Liabilities and Equity	<u>\$ 575,413</u>

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

HOUSING AUTHORITY OF THE CITY OF HAMMOND
 Hammond, Louisiana
 Proprietary Fund Type - Enterprise Fund -
 Statement of Revenues, Expenses, and Changes in Retained Earnings
 For Fiscal Year Ended December 31, 2003

Exhibit B

Operating Revenues:	
Net Tenant Rental Revenue	\$ 23,851
Federal Grants	1,030,813
Total Operating Revenues	<u>1,054,664</u>
Operating Expenses:	
Administrative Expenses	134,876
Utilities	3,134
Ordinary Maintenance & Operation	29,821
General Expenses	10,885
Housing Assistance Payments	803,374
Depreciation Expense	17,356
Total Operating Expenses	<u>1,994,236</u>
Operating Loss	<u>(939,572)</u>
Non-operating Revenues:	
Federal Grants	46,248
Interest Income	621
Fraud Recovery	308
Other Revenue	7,888
Total Non-operating Revenues	<u>55,065</u>
Net Income	88,493
Retained Earnings at Beginning of Year	121,720
Prior Period Adjustments and Corrections of Errors	<u>(3,879)</u>
Retained Earnings at End of Year	<u>\$ 145,524</u>

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

HOUSING AUTHORITY OF THE CITY OF HAMMOND
 Hammond, Louisiana
 Proprietary Fund Type - Enterprise Fund - Statement of Cash Flows
 For Fiscal Year Ended December 31, 2003

Exhibit C

Cash flows from operating activities:	
Operating Loss	\$ (10,852)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	11,299
Decrease in Accounts Receivable - PPA/Projects	10,000
Increase in Prepaid Expenses	(3,403)
Increase in Accounts Payable - Vendors	75
Decrease in Accounts Payable - LT Debt	(10,591)
Increase in Accrued Wages and Payroll Taxes Payable	2,290
Increase in Tenant Security Deposits	309
Net cash used by operating activities	<u>(1,884)</u>
Cash flows from noncapital financing activities:	
Fraud Recovery	300
Other Revenue	7,882
Net cash provided by noncapital financing activities	<u>8,182</u>
Cash flows from capital and related financing activities:	
Payments to acquire, construct, or improve capital assets	(33,423)
Proceeds from other federal grants	48,241
Net cash provided by capital and related financing activities	<u>14,818</u>
Cash flow from investing activities:	
Investment Income (Interest Income)	621
Net cash provided by investing activities	<u>621</u>
Net increase in cash and cash equivalents	20,132
Cash and cash equivalents at beginning of year	<u>151,660</u>
Cash and cash equivalents at end of year	<u>\$ 171,814</u>
Exhibit A - Current Cash and Cash Equivalents	\$ 129,194
Exhibit A - Restricted Cash	42,620
	<u>\$ 171,814</u>

There were no noncash investing, capital or financing transactions.
 The accompanying notes are an integral part of these financial statements.

HOUSING AUTHORITY OF THE CITY OF HAMMOND
Hammond, Louisiana
Notes to the Financial Statements
For Fiscal Year Ended December 31, 2003

The Public Housing Authority (the authority) was chartered as a public corporation under the laws of the State of Louisiana for the purpose of providing safe and sanitary dwelling accommodations for the residents of Hammond, Louisiana. This creation was contingent upon the approval of the local governing body of the City. A five member Board of Commissioners governs the authority. The members, appointed by the City of Hammond, Louisiana, serve a four year staggered term.

Under the United States Housing Act of 1937, as amended, the U.S. Department of Housing and Urban Development (HUD) has direct responsibility for administering low rent housing programs in the United States. Accordingly, HUD has entered into an annual contributions contract with the authority for the purpose of assisting the authority in financing the acquisition, construction and leasing of housing units and to make annual contributions (subsidies) to the authority for the purpose of maintaining this low rent character.

At December 31, 2003, the authority was managing a Rural Rental Housing Loans Program and a Housing Choice Voucher Program.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Basis of Presentation

The accompanying financial statements of the authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The authority also applies all Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

(2) Financial Reporting Entity

GASB Codification Section 2100 defines criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Because the authority is legally separate and fiscally independent, the authority is a separate governmental reporting entity.

The authority is a related organization of the City of Hammond, Louisiana since the city appoints a voting majority of the authority's governing board. The city is not financially accountable for the authority as it cannot impose its will on the

HOUSING AUTHORITY OF THE CITY OF HAMMOND

Hammond, Louisiana

Notes to the Financial Statements, 2003 – Continued

authority and there is no potential for the authority to provide financial benefit to, or impose financial burdens on, the city. Accordingly, the authority is not a component unit of the financial reporting entity of the city.

Certain units of local government over which the authority exercises no oversight responsibility, such as the parish police jury, school board, and municipalities within the parish, are excluded from the accompanying financial statements. These units of government are considered separate reporting entities and issue financial statements separate from those of the authority. In addition, the accompanying financial statements do not include various tenant associations, which are legally separate entities.

The financial statements include all funds and activities that are within the oversight responsibility of the authority.

GASB Codification Section 2100 defines criteria for determining which component units should be considered part of the authority for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include:

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

The authority has no component units.

(C) Fund Accounting

The authority uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

HOUSING AUTHORITY OF THE CITY OF HAMMOND

Hammond, Louisiana

Notes to the Financial Statements, 2008 – Continued

The authority's fund is classified as a proprietary fund type – enterprise fund. Proprietary funds account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds differ from governmental funds in that their focus is on income measurement, which, together with the maintenance of equity, is an important financial indicator.

(4) Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Proprietary funds are accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Proprietary funds use the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized at the time the liabilities are incurred.

(5) Use of Estimates

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

(6) Cash and Cash Equivalents

Cash includes amounts in demand deposits and interest-bearing demand deposits. Cash equivalents include amounts in certificates of deposits and those investments with original maturities of 90 days or less.

Under state law, the authority may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts or time deposits with state banks organized under Louisiana law and national banks having principal offices in Louisiana.

(7) Investments

Investments are limited by HUD regulations, state law, and the authority's investment policy. Investments with original maturities of 60 days or greater are classified as investments. Deposits or investments with original maturities of 90 days or less, are classified as cash equivalents. Investments are stated at fair value based on quoted market prices.

(8) Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid expenses generally consist of prepaid insurance.

HOUSING AUTHORITY OF THE CITY OF HAMMOND
 Hammond, Louisiana
 Notes to the Financial Statements, 2003 - Continued

(H) Fixed Assets

Fixed assets are recorded at historical cost and depreciated over their estimated useful lives (excluding salvage value) using the straight-line method. Donated capital assets are recorded at their estimated fair value at the date of donation. The capitalization limit is \$5,000. Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	40 Years
Building Improvements	40 Years
Leasehold Improvements	40 Years
Equipment	5 Years

Interest costs during construction have been capitalized. 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.

(I) Compensated Absences

Employees earn from 40 to 100 hours and 8 to 56 hours per year in annual leave and sick leave, respectively. Employees may accumulate an unlimited number of annual leave hours. Depending on their length of service, employees receive payment for up to 60 annual leave hours and 48 sick leave hours upon termination or retirement at their then current rate of pay. Employees are not compensated for unused sick leave. The cost of current leave privileges, computed in accordance with GASB Codification Section 650 is recognized as a current year expense when leave is earned.

NOTE B - CASH AND CASH EQUIVALENTS

See Note A for discussion of policies related to cash and cash equivalents. At December 31, 2003, the authority has cash and cash equivalents (book balances) totaling \$171,814 as follows:

Interest-bearing demand deposits (unrestricted)	\$159,154
Interest-bearing demand deposits (restricted)	42,660
Total	<u>\$171,814</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal or exceed the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 2003,

HOUSING AUTHORITY OF THE CITY OF HAMMOND

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Notes to the Financial Statements, 2003 - Continued

the authority has \$181,811 in deposits (bank balances), categorized below to reflect the amount of risk assumed by the authority.

GASB Category 1	\$142,660
GASB Category 2	-
GASB Category 3	<u>39,151</u>
Total	<u>\$181,811</u>

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, R.S. 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 demand.

NOTE C - SUMMARY OF FIXED ASSETS

Land	\$35,680
Buildings	610,697
Furniture and Equipment:	
Dwellings	16,423
Administration	2,845
Leasehold Improvements	60,941
Total	<u>726,439</u>
Accumulated depreciation	<u>(383,517)</u>
Net fixed assets	<u>\$342,922</u>

NOTE D - RETIREMENT PLAN

The authority participates in the Louisiana Housing Council Group Retirement Plan, administered by Brousard, Bush and Hunt, which is a defined contribution plan. The plan consists of employees of various local and regional housing authorities, which are members of the Louisiana Housing Council. Through this plan, the authority provides pension benefits for all of its full-time employees. All full-time employees who have attained age 18 are eligible to participate in the plan on the first day of the month after completing three months of continuous and uninterrupted employment.

Under a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The employer is required to make monthly contributions equal to six percent (6%) of each participant's basic (includes overtime) compensation. Employees are required to contribute five percent (5%) of their annual covered salary.

HOUSING AUTHORITY OF THE CITY OF HAMMOND

Hammond, Louisiana

Notes to the Financial Statements, 2003 – Continued

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 sixty-fifth birthday. Early retirement may be elected on the first day of any month within 10 years of the employee's normal retirement date, provided the employee has completed five years of service with the authority. With the authority's consent, employees may defer retirement to the first day of any month beyond normal retirement date.

The authority's total payroll for the year ended December 31, 2003, was \$81,068. The authority's contributions were calculated using the base salary amount of \$31,000. The authority made the required contributions of \$2,480 for the year ended December 31, 2003.

NOTE E - COMPENSATED ABSENCES

At December 31, 2003, employees of the authority have accumulated and vested \$2,290 of employee leave benefits, which is presented as a current liability of the appropriate fund(s) in the balance sheet. The long-term portion of the liability is considered immaterial and has not been reclassified to long-term liabilities. Except as discussed above, the liability has been computed in accordance with GASB Codification Section C80.

NOTE F - PRIOR PERIOD ADJUSTMENTS AND CORRECTIONS OF ERRORS

The Rural Rental Housing Loans program recorded a total adjustment of \$(422,369) to transfer equity to debt service and record an insignificant correction of an error. The Housing Choice Voucher program made an adjustment of \$871 to correct prior year administrative fees.

NOTE G - RISK MANAGEMENT

The authority is exposed to all common perils associated with the ownership and rental of real estate properties. To minimize loss occurrence and to transfer risk, the authority carries various commercial insurance policies including property, casualty, employee dishonesty, public official's liability, business auto and other miscellaneous policies. These policies are reviewed for adequacy by management annually.

HOUSING AUTHORITY OF THE CITY OF HAMMOND
Hammond, Louisiana
Notes to the Financial Statements, 2003 - Continued

NOTE H - FEDERAL COMPLIANCE CONTINGENCIES

The authority 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.

William Daniel McCaskill, CPA
A Professional Accounting Corporation
5150 Highway 22, Suite C-14
Mandeville, Louisiana 70471

Telephone 985-845-1772
Fax 985-845-1313
E-mail staney@highperformer.net

Member of
Louisiana Society of CPAs
Mississippi Society of CPAs
American Institute of CPAs

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

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

I have audited the financial statements of the Housing Authority of the City of Hammond (the authority), as of and for the year ended December 31, 2003 and have issued my report thereon dated May 20, 2004. 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.

Conditions

As part of obtaining reasonable assurance about whether the authority's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards and is described in the accompanying schedule of findings and questioned costs as finding 2003-1.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the authority's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted a

HOUSING AUTHORITY OF THE CITY OF HAMMOND

Hammond, Louisiana
Independent Auditor's Report
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certain matter involving the internal control over financial reporting and its operation that I consider to be a reportable condition. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the authority's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. A reportable condition is described in the accompanying schedule of findings and questioned costs as finding 2000-1.

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 general purpose 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. My 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, and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However I consider the reportable condition described above to be a material weakness.

This report is intended solely for the information and use of the board of commissioners and management, others within the organization, the Louisiana Legislative Auditor and federal awarding agencies and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

 Williams Daniel
McCaskill, CPA
APAC

 LOUISIANA
LEGISLATIVE
AUDITOR

Williams Daniel McCaskill, CPA
A Professional Accounting Corporation

May 20, 2004

William Daniel McCaskill, CPA
A Professional Accounting Corporation
5150 Highway 22, Suite C-14
Mandeville, Louisiana 70471

Telephone 865-845-1772
Fax 865-845-1263
E-mail dmcay@higperformance.net

Member of
Louisiana Society of CPAs
Mississippi Society of CPAs
American Institute of CPAs

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

I have audited the compliance of the Housing Authority of the City of Hammond (the authority) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circle A-133 Compliance Supplement that are applicable to its major federal program for the year ended December 31, 2003. The authority's major federal program is 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 its major federal program is the responsibility of the authority's management. My responsibility is to express an opinion on the authority's compliance based on my audit.

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 OMB Circular A-133, Audit of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that I 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 authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the authority's compliance with those requirements.

HOUSING AUTHORITY OF THE CITY OF HAMMOND

Hammond, Louisiana
Independent Auditor's Report
on Compliance...A-133, 2003
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As described in finding 2003-1 in the accompanying schedule of findings and questioned costs, the authority did not comply with requirements related to reporting for the Housing Choice Vouchers and the Rural Rental Housing Loans programs. Compliance with such requirements is necessary, in my opinion, for the authority to comply with requirements applicable to the programs.

In my opinion, except for the noncompliance described in the preceding paragraph, the authority complied in all material respects with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2003.

Internal Control Over Compliance

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

I noted a certain matter involving the internal control over compliance and its operation that I consider to be a reportable condition. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in my judgment, could adversely affect the authority's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts and grants. A reportable condition is described in the accompanying schedule of findings and questioned costs as item 2003-1.

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. My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also

HOUSING AUTHORITY OF THE CITY OF HAMMOND

Hammond, Louisiana

Independent Auditor's Report
on Compliance, A-133, 2002

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considered to be a material weaknesses. However, I consider the reportable condition described above to be a material weakness.

This report is intended solely for the information and use of the board of commissioners and management, officers within the organization, the Louisiana Legislative Auditor and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



William Daniel McCaskill, CPA
A Professional Accounting Corporation

May 20, 2004

HOUSING AUTHORITY OF THE CITY OF HARMOND
 (Hammond), Louisiana
 Schedule of Expenditures of Federal Awards
 For Fiscal Year Ended December 31, 2003

Federal Grant/Pass-through Grant/ Program or Cluster Title	CFDA #	Federal Expenditures
U.S. Department of Housing and Urban Development:		
Direct Programs:		
Rural Rental Housing Loans	15.415	\$ 46,248
Housing Choice Voucher Program	14.871	1,090,548
Total Federal Expenditures		<u>\$ 1,096,796</u>

Note A - Basis of Presentation:

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the housing authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

HOUSING AUTHORITY OF THE CITY OF HAMMOND
Hammond, Louisiana
Schedule of Prior Year Audit Findings
Fiscal Year Ended December 31, 2003

There were no findings in the prior audit.

HOUSING AUTHORITY OF THE CITY OF HAMMOND
Hammond, Louisiana
Schedule of Current Audit Findings and Questioned Costs
Fiscal Year Ended December 31, 2003

Summary Schedule of Auditor's Results:

1. The auditor's report expresses an unqualified opinion on the general-purpose financial statements of the authority.
2. One (1) reportable condition disclosed during the audit of the financial statements is reported in the Independent Auditor's Report on Compliance And On Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards. The condition is reported as a material weakness.
3. One (1) instance of noncompliance material to the financial statements of the authority, which would be required to be reported in accordance with Government Auditing Standards, was disclosed during the audit.
4. One (1) reportable condition disclosed during the audit of internal control over major federal award programs is reported in the Independent Auditor's Report On Compliance With Requirements Applicable To Each Major Program And Internal Control Over Compliance In Accordance With OAG Circular A-133. The condition is reported as a material weakness.
5. The auditor's report on compliance for the major federal award programs for the authority expresses a qualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. Housing Choice Vouchers (CPDA #14.571) was tested as the major program.
8. The threshold used for distinguishing between Type A and B programs was \$250,000.
9. The authority does not qualify as a low-risk auditee.

HOUSING AUTHORITY OF THE CITY OF HAMMOND
Hammond, Louisiana
Schedule of Current Audit Findings and Questioned Costs (continued)
Fiscal Year Ended December 31, 2003

Financial Statement Audit and Major Federal Awards Programs Audit

Finding 2003-1

Program(s)

Rural Rental Housing Loans - CFDA #10.615

Housing Choice Vouchers - CFDA #14.871

Condition

- + Board minutes do not reflect board review of financial reports during the year
- + Annual budgets as well as budget revisions have not been approved by the Board
- + The SEMAP report to HUD has not been approved by the board
- + The Louisiana Compliance Questionnaire has not been approved by the Board
- + Minutes of the annual meeting were not transcribed
- + The annual meeting was described in other minutes as a Christmas Party
- + The board approved a small annual bonus to be divided among all PHA employees

Criteria

- The Board of Commissioners should review PHA financial reports during the fiscal year
- The Board of Commissioners should approve annual budgets for each PHA program prior to each fiscal year
- As required by reporting regulations for the program, the SEMAP electronic submission includes entries indicating that the Board of Commissioners approved of the SEMAP submission

HOUSING AUTHORITY OF THE CITY OF HAMMOND

Hammond, Louisiana

Schedule of Current Audit Findings and Questioned Costs (continued)

Fiscal Year Ended December 31, 2003

- As required by the Louisiana Governmental Audit Guide, the Louisiana Compliance Questionnaire should be approved by the Board, by means of a resolution
- The annual meeting should be transcribed in the board minutes
- Under article VII, Section 14 of the Louisiana Constitution, the PHA is prohibited from paying for a Christmas party
- Under article VII, Section 14 of the Louisiana Constitution, the PHA is prohibited from paying bonuses to PHA personnel

Cause

The Board of Commissioners was unaware of the requirements related to the above referenced finding.

Effect

The Board of Commissioners violated State law and Federal regulation.

Questioned Costs

None

Recommendation

See Corrective Action Plan

HOUSING AUTHORITY OF THE CITY OF HAMMOND
Hammond, Louisiana
Corrective Action Plan for Current Year Findings
For Fiscal Year Ended December 31, 2003

Financial Statement Audit and Major Federal Awards Programs Audit

Finding 2003-1

Recommendation

I recommend that the Board of Commissioners follow the action planned.

Action Planned

The Board of Commissioners will ensure that in the future:

- Financial statements will be reviewed at least on a quarterly basis.
- The annual budget will be adopted by the Board of Commissioners for each program prior to the beginning of the fiscal year and amended when variances from actual are significant.
- The Board of Commissioners will approve the SEMAP submission prior to it being submitted.
- The Board of Commissioners will formally adopt the Louisiana Compliance Questionnaire on an annual basis.
- Minutes of the annual meeting will be transcribed in the normal manner.
- The PHA will no longer consider the annual meeting a Christmas party.
- The Board of Commissioners will not approve employee bonuses unless the Rural Rental Program can legally pay for them.

Person Responsible

Mr. John Davis, Chairman of the Board

Anticipated Completion Date

On May 13, 2004, the Board of Commissioners addressed and resolved the issues at the first board meeting subsequent to our initial fieldwork.

HOUSING AUTHORITY OF THE CITY OF HAMMOND
 Hammond, Louisiana
 Financial Data Schedule
 For Fiscal Year Ending December 31, 2020

Line Item Number	Account Description	Housing Claims Available	Fund Total (Closing)	Total
111	Cash - unrestricted	\$ 148,330	\$ 37,771	186,101
112	Cash - other restricted	-	42,880	42,880
100	Total Cash	148,330	80,651	228,981
120	Accounts receivable - HUD other projects	26,747	-	26,747
121	Total receivables, net of allowances for doubtful accounts	26,747	-	26,747
140	Prepaid expenses and other assets	628	5,923	6,551
150	Total Current Assets	175,752	86,574	262,326
161	Land	-	50,000	50,000
162	Buildings	-	543,007	543,007
163	Furniture, equipment, and machinery - depreciable	-	18,495	18,495
164	Furniture, equipment, and machinery - administration	-	2,845	2,845
165	Leasehold improvements	-	88,841	88,841
166	Accumulated depreciation	-	(280,211)	(280,211)
167	Construction in progress	-	-	-
168	Total fixed assets, net of accumulated depreciation	-	369,977	369,977
170	Total Assets	175,752	456,551	632,303
210	Accounts payable - 90 days	2,400	1,100	3,500
211	Accrued wages/ payroll taxes payable	2,734	-	2,734
220	Accrued compensated absences	2,055	-	2,055
241	Taxable security deposits	-	3,008	3,008
242	Unexpended revenue	-	-	-
243	Current portion of long-term debt - capital projects	-	11,008	11,008
244	Current portion of long-term debt - operating borrowings	-	-	-
245	Other current liabilities	-	-	-
246	Account liabilities - other	-	-	-
260	Retirement - due in	-	-	-
270	Total Current Liabilities	7,189	25,116	32,305
281	Long-term debt, net of current - capital projects	-	390,578	390,578
282	Total non-current liabilities	-	390,578	390,578
300	Total Liabilities	-	415,694	422,883
310	Reserves for capital projects	-	42,880	42,880
311	Total Reserved Fund (Balance)	-	42,880	42,880
312	Unexpended fund balances/retained earnings	128,208	107,987	236,195
320	Total Equity	128,208	150,867	277,015
400	Total Liabilities and Equity	128,208	566,558	909,318

HOUSING AUTHORITY OF THE CITY OF HAMMOND
 Louisiana
 Financial Data Schedule
 For Fiscal Year Ended December 31, 2003

Line Item Number	Account Description	Housing Charge Revenue	Rent/ Rents/ Housing	Total
600	Net General Fund Receipts	-	20,881	20,881
600	Total General Receipts	-	20,881	20,881
700	MOI PMA grants	1,000,010	-	1,000,010
700	Other Government Grants	-	48,240	48,240
710	Investment Income - unrestricted	820	488	821
710	Investment Income - restricted	500	-	500
710	Other revenue	6,000	1,883	7,883
700	Total Receipts	1,506,330	1,399,611	1,128,880
810	Administrative salaries	70,000	12,000	82,000
810	Building fees	3,240	-	3,240
810	Employee benefit contributions - administrative	14,500	1,752	16,252
810	Other operating - administrative	74,874	4,524	79,398
820	Water	-	190	190
820	Electricity	-	2,824	2,824
820	Ordinary maintenance and operations - labor	-	4,800	4,800
820	Ordinary maintenance and operations - materials and other	-	3,750	3,750
820	Ordinary maintenance and operations - medical costs	-	14,450	14,450
820	Insurance premiums	4,888	8,007	12,895
820	Total Operating Expenses	120,682	33,223	153,905
830	Excess Operating Revenue Over Operating Expenses	385,648	36,388	594,936
840	Housing assistance payments	500,374	-	500,374
840	Depreciation expense	-	17,288	17,288
840	Total Expenses	1,000,656	50,596	1,051,252
850	Total other financing activities (net)	-	2,687,124	2,687,124
860	Excess (deficiency) of total revenue over (under) total expenses	385,648	2,674,256	2,659,904
MURK ACCOUNT INFORMATION				
1100	Beginning equity	784,480	400,254	504,608
1100	Fiscal period adjustments, equity transfers, and correction of errors	477	(402,800)	(42,323)
1110	Depreciation "net book"	17,288	-	17,288
1110	Maximum annual contributions restricted (PMA ADD)	-	1,074,288	1,074,288
1110	Contingency reserves, ACF program reserve	-	148,807	148,807
1110	Total annual Contributions available	-	1,223,095	1,223,095
1120	Unit Murks Available	248	3,433	3,681
1120	Number of unit murks leased	248	3,437	3,685