

HOUSING AUTHORITY OF THE CITY OF SULPHUR

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2013

HOUSING AUTHORITY OF THE CITY OF SULPHUR
SULPHUR, LOUISIANA

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HOUSING AUTHORITY OF SULPHUR, LOUISIANA

REQUIRED SUPPLEMENTAL INFORMATION

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

DECEMBER 31, 2013

The management of Public Housing Authority of Sulphur, Louisiana presents the following discussion and analysis (MD&A) of the Housing Authority's financial activities for the fiscal year ending December 31, 2013. This represents an overview of financial information. Please read this discussion and analysis in conjunction with the Authority's included audited financial statements.

IMPACT OF RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In June, 2011, the Governmental Accounting Standards Board (GASB) issued Statement 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. GASB 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and includes five components: assets, deferred outflows of resources (none applies to this Housing Authority this year), liabilities, deferred inflows of resources (none applies to this Housing Authority this year), and a residual amount, referred to as the net position. The provisions of this Statement are now effective and apply to these financial statements.

In March, 2012, GASB issued Statement 65, Items Previously Reported as Assets and Liabilities, which expands account classifications that are affected by GASB 63, in which the Housing Authority is currently implementing.

FINANCIAL HIGHLIGHTS

- The primary source of funding for these activities continues to be subsidies and grants from the Department of Housing and Urban Development (HUD), whereas tenant rentals provide a secondary but also significant source of funding.
- The Housing Authority's assets exceeded its liabilities by \$4,036,366 at the close of the fiscal year ended 2013.
 - ✓ Of this amount \$2,699,210 represents a restriction equal to the net amount invested in land, buildings, furnishings, leasehold improvements, equipment, and construction in progress, minus associated debts.
 - ✓ Also of this amount, \$48,295 of net position is restricted for the Housing Choice Voucher program
 - ✓ The remainder of \$1,288,861 of unrestricted assets could be used to meet the Housing Authority's ongoing obligations to citizens and creditors. As a measure of financial strength, this amount equals 93% of the total operating expenses of \$1,379,100 for the fiscal year 2013, which means the Authority might be able to operate about 11 months using the unrestricted assets alone, compared to 6 months in the prior fiscal year.
- The Housing Authority's total net position decreased by \$91,344, a 2% decrease from the prior fiscal year 2012. This decrease is attributable to significant increases in Federal grants for both operations and capital improvements, described in more detail below.
- The decrease in net position of these funds was accompanied by an increase in unrestricted cash by \$269,984 from fiscal year 2012, primarily due to spending \$178,854 less for operations than Federal funds received for operations; spending \$91,567 less for capital assets than Federal capital grants received; and transferring \$436 of excess cash into investments.
- The Authority spent \$57,631 on capital asset additions and \$15,708 on construction in progress during the current fiscal year.
- These changes led to a decrease in total assets by \$104,060 and a decrease in total liabilities by \$12,715. As related measure of financial health, there are still over \$20 of current assets covering each dollar of total current liabilities, which compares to \$12 covering the prior fiscal year's liabilities.

Management's Discussion and Analysis (MD&A)
December 31, 2013

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Reporting on the Housing Authority as a Whole

One of the most important questions asked about the Authority's finances is, "Is the Housing Authority as a whole better off, or worse off, as a result of the achievements of fiscal year 2013?" The Statement of net position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the Housing Authority as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Fund Financial Statements

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

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

USING THIS ANNUAL REPORT

The Housing Authority's annual report consists of financial statements that show combined information about the Housing Authority's most significant programs:

Low Rent Public Housing	\$ 499,219
Public Housing Capital Fund Program	140,108
Housing Choice Vouchers	463,687
Moderate Rehab	467,151
Shelter Plus	96,276
Total funding received this current fiscal year	<u>\$1,666,441</u>

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

Housing Authority of Sulphur, Louisiana

Management's Discussion and Analysis (MD&A)
December 31, 2013

Reporting the Housing Authority's Most Significant Funds

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

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

FINANCIAL ANALYSIS

The Housing Authority's net position was \$4,036,366 as of December 31, 2013. Of this amount, \$2,699,210 was invested in capital assets, and the remaining \$1,288,861 was unrestricted. There were \$48,295 in specific assets restricted Housing Choice Voucher (HCV) program, for tenant security deposits and future housing payment reserves

CONDENSED FINANCIAL STATEMENTS

Condensed Statement of Net Position

As of December 31, 2013

	<u>2013</u>	<u>2012</u>
ASSETS		
Current assets	\$1,397,134	\$1,250,487
Assets restricted for Housing Choice Voucher (HCV) program,	48,295	7,993
Capital assets, net of depreciation	2,699,210	2,990,219
Other non-current assets	-	-
Total assets	<u>4,144,639</u>	<u>4,248,699</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred payments to government assistance programs	-	-
LIABILITIES		
Current liabilities	69,865	101,231
Non-current liabilities	<u>38,408</u>	<u>19,757</u>
Total liabilities	<u>108,273</u>	<u>120,988</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred revenues from government assistance programs	-	-
NET POSITION		
Invested in capital assets, net of depreciation	2,699,210	2,990,218
net position restricted for the Housing Choice Voucher program	48,295	7,993
Unrestricted net position	<u>1,288,861</u>	<u>1,129,500</u>
Total net position	<u>\$ 4,036,366</u>	<u>\$ 4,127,711</u>

Housing Authority of Sulphur, Louisiana

Management's Discussion and Analysis (MD&A)
December 31, 2013

CONDENSED FINANCIAL STATEMENTS (Continued)

The net position of these funds decreased by \$91,344, or by 2%, from those of fiscal year 2012, as explained below. In the narrative that follows, the detail factors causing this change are discussed:

**Condensed Statement of Revenues, Expenses, and Changes in Fund Net Position
Fiscal Year Ended December 31, 2013**

	<u>2013</u>	<u>2012</u>
OPERATING REVENUES		
Tenant rental revenue	\$ 440,410	\$ 386,490
Government grants for operations	1,575,443	1,439,646
Other tenant revenue	66,795	40,571
Total operating revenues	<u>2,082,648</u>	<u>1,866,707</u>
OPERATING EXPENSES		
General	186,414	166,983
Ordinary maintenance and repairs	466,063	589,560
<i>Administrative expenses and management fees</i>	349,331	311,231
Utilities	71,775	67,706
Federal Housing Assistance Payments (HAP) to landlords & Ports	914,168	1,021,923
Protective services	14,280	13,080
Depreciation	382,007	374,688
Tenant services	450	685
Total operating expenses	<u>2,384,487</u>	<u>2,545,856</u>
Income (losses) from operations	<u>(301,839)</u>	<u>(679,149)</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest income	784	1,278
Gains from sale or disposal of assets	1,550	-
Fraud Recovery	5,827	4,327
Other non-tenant revenue	111,335	72,074
Total non-operating revenues (expenses)	<u>119,496</u>	<u>77,679</u>
Income (losses) before capital contributions	<u>(182,343)</u>	<u>(601,470)</u>
CAPITAL CONTRIBUTIONS	<u>90,998</u>	<u>271,809</u>
CHANGES IN NET POSITION	<u>(91,344)</u>	<u>(329,661)</u>
NET POSITION, BEGINNING OF FISCAL YEAR	<u>4,127,711</u>	<u>4,457,372</u>
NET POSITION, END OF FISCAL YEAR	<u>\$ 4,036,366</u>	<u>\$ 4,127,711</u>

EXPLANATIONS OF FINANCIAL ANALYSIS

Compared with the prior fiscal year, total operating and non-operating revenues increased \$76,947, or by 3%, from a combination of larger offsetting factors. Reasons for most of this change are listed below:

- Total tenant revenue increased by \$80,144, or by 19%, from that of the prior fiscal year, due to the amount of rent each tenant pays which is based on a sliding scale of their personal income. Some tenants' personal incomes increased, so rent revenue from these tenants increased accordingly, raising the overall total. Finally, other tenant revenues (such as fees collected from tenants for late payment of rent, damages to their units, and other assessments) increased by \$26,224, or by 65%.
- Federal revenues from HUD for operations increased by \$135,797, or by 9%, from that of the prior fiscal year. The determination of operating grants is based in part upon operations performance of prior years. This amount fluctuates from year-to-year because of the complexities of the funding formula HUD employs. Generally, this formula calculates an allowable expense level adjusted for inflation, occupancy, and other factors, and then uses this final result as a basis for determining the grant amount. The amount of rent subsidy received from HUD depends upon an eligibility scale of each tenant. There was an increase in the number of eligible tenants receiving subsidies, so Housing Assistance Grants increased accordingly.
- Federal Capital Funds from HUD decreased by \$180,811, or by 67%, from that of the prior fiscal year. The Housing Authority was still in the process of completing projects funded from grants by HUD for fiscal years 2011 through 2012, and submitted a new grant during this current fiscal year.
- Total other non-operating revenue increased by \$40,761, or by 53%, from that of the prior fiscal year, because the Authority received some waivers of payments in lieu of taxes (PILOT) from its related City taxing authority as well as an increase in administration fees from portable housing vouchers. In addition, the Authority recorded gains on the sale of capital assets by \$1,550.
- Interest income totaling \$784, did not change significantly from the prior to the current year.

Compared with the prior fiscal year, total operating and non-operating expenses decreased \$161,369, or by 6%, but this also was made up of a combination of offsetting factors. Again, reasons for most of this change are listed below:

- Depreciation expense increased by \$7,319, or by 2%, from that of the prior fiscal year, because there was an increase in capital assets by \$73,339.
- Maintenance and repairs decreased by \$123,497, or by 21%, from that of the prior fiscal year, due to several factors: Repair staff wages decreased by \$19,975, or by 12%, and related employee benefit contributions decreased by \$4,424, or by 7%. Also, materials used decreased by \$45,209, or by 34%, and contract labor costs decreased by \$53,889, or by 23%.
- General Expenses increased by \$19,431, or by 12%, from that of the prior fiscal year, and payments in lieu of taxes (PILOT) increased by \$5,253, or by 16%. PILOT is calculated as a percentage of rent minus utilities which, therefore, changed proportionately to the changes in each of these. Insurance premiums decreased by \$4,288, or by 4%, since property and casualty insurance premiums decreased. Whereas, other general expenses increased by \$40. Lastly, bad debts increased by \$610, and compensated absences increased by \$17,816.

Housing Authority of Sulphur, Louisiana

Management's Discussion and Analysis (MD&A)
December 31, 2013

- Administrative Expenses increased by \$38,100, or by 12%, from that of the prior fiscal year, due to a combination of offsetting factors: Administrative staff salaries increased by \$3,781, and related employee benefit contributions increased by \$3,608; therefore, total staff salaries and benefit costs increased by 4%. In addition, audit fees increased by \$5,000, and legal fees increased by \$6,209; thus, total outside professional fees increased by 86%. Finally, staff training/travel reimbursements increased by \$2,759, office expenses decreased by \$18,492, and sundry expenses increased by \$35,235; therefore, other staff administrative expense increased by 21%.
- Housing Assistance Payments to landlords decreased by \$107,755, or by 11%, from that of the prior fiscal year, because there was a decrease in the number of tenants qualifying for subsidy during the year.
- Utilities Expense increased by \$4,069, or by 6%, from that of the prior fiscal year, due to numerous cumulative factors: Water cost increased by \$1,135, due to an increase in rate by 4%; electricity cost increased by \$896, due to an increase in rate by 11%; gas cost decreased by \$66, due to a decrease in consumption by 58%; and finally, other utilities expense (such as labor, benefits, garbage, sewage, and waste removal) increased by \$2,037, or by 7%.
- Tenant services and Protective services, totaling \$14,730, did not change significantly from the prior to the current year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2013, the Housing Authority had a total cost of \$11,602,934 invested in a broad range of assets and construction in progress from projects funded in 2011 through 2012, listed below. This amount, not including depreciation, represents increases of \$73,339 from the prior year. More detailed information about capital assets appears in the notes to the financial statements.

**Capital Assets, Net of Accumulated Depreciation
As of December 31, 2013**

	<u>2013</u>	<u>2012</u>
Land	\$ 349,900	\$ 349,900
Construction in progress	-	271,809
Buildings	1,880,493	1,877,962
Leasehold improvements	424,146	450,109
Furniture and equipment	44,671	40,438
Total	<u>\$ 2,699,210</u>	<u>\$ 2,990,218</u>

As of the end of the 2013 fiscal year, the Authority was still in the process of completing HUD grants of \$458,938 obtained during 2011 through 2012 fiscal years. A total remainder of \$0 will be received and spent for completing these projects during fiscal year 2014.

Debt

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Housing Authority is primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by Federal budget than by local economic conditions. The capital budgets for the 2014 fiscal year have already been submitted to HUD for approval and no major changes are expected.

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

CONTACTING THE HOUSING AUTHORITY'S FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, investors, and creditors with a general overview of the Housing Authority's finances, and to show the Housing Authority's accountability for the money it receives. If you have questions about this report, or wish to request additional financial information, contact Vena F. Bertrand, at Public Housing Authority of Sulphur, Louisiana; 312 Brook St; Sulphur, LA 70663.

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Independent Auditors' Report

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

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Housing Authority of the City of Sulphur, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Frenchman's Creek Limited Partnership, a component unit, which statements reflect total assets of \$6,530,201, as of December 31, 2013, and total revenues of \$325,103, for the year then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Frenchman's Creek Limited Partnership, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the

Members

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aggregate remaining fund information of the Housing Authority of the City of Sulphur, as of December 31, 2013, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted un the United States of America require that the management's discussion and analysis on pages 3-10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority of the City of Sulphur's basic financial statements. The Schedule of Expenditures of Federal Awards as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, the Financial Data Schedule, and the Statement of Actual Modernization Cost required by the U.S. Department of Housing and Urban Development, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards, the Financial Data Schedule, and the Statement of Actual Modernization Cost are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our 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*, we have also issued our report dated June 13, 2014, on our consideration of the Housing Authority of the City of Sulphur's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority of the City of Sulphur's internal control over financial reporting and compliance.

McMullen and Mancuso, CPAs, LLC

McMullen and Mancuso CPAs

Sulphur , Louisiana
June 26, 2014

Housing Authority of the City of Sulphur
Sulphur, Louisiana

ENTERPRISE FUNDS
Statement of Net Position

December 31, 2013

	<u>General</u>	<u>Section 8</u>	<u>(Memorandum Only) Totals Primary Government</u>	<u>Component Unit</u>
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 730,257	\$ 254,646	\$ 984,903	\$ 49,155
Investments	195,598	168,081	363,679	-
Accounts receivable	-	403	403	-
Accounts receivable-tenants, net	965	-	965	563
Accounts receivable-HUD, net	-	14,264	14,264	-
Interfund receivable	-	2,544	2,544	-
Inventory	4,743	-	4,743	-
Prepaid items and other assets	24,617	1,120	25,737	12,521
Total Current Assets	<u>956,180</u>	<u>441,058</u>	<u>1,397,238</u>	<u>62,239</u>
Restricted Assets				
Security deposits	50,734	-	50,734	12,306
Escrow accounts	-	-	-	59,483
Total Restricted Assets	<u>50,734</u>	<u>-</u>	<u>50,734</u>	<u>71,789</u>
Capital Assets				
Land	349,900	-	349,900	542,316
Construction in progress	-	-	-	-
Buildings, improvements and equipment, net	2,349,310	-	2,349,310	5,714,544
Total Capital Assets, Net	<u>2,699,210</u>	<u>-</u>	<u>2,699,210</u>	<u>6,256,860</u>
Other Assets				
Loan fees and tax credit monitoring fees, net	-	-	-	36,633
Syndication costs	-	-	-	22,500
Permanent closing fees	-	-	-	80,180
Total Other Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>139,313</u>
TOTAL ASSETS	<u>3,706,124</u>	<u>441,058</u>	<u>4,147,182</u>	<u>6,530,201</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Housing Authority of the City of Sulphur
Sulphur, Louisiana

ENTERPRISE FUNDS
Statement of Net Position (Continued)

December 31, 2013

	<u>General</u>	<u>Section 8</u>	<u>(Memorandum Only) Totals Primary Government</u>	<u>Component Unit</u>
LIABILITIES AND NET POSITION				
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 3,655	\$ -	\$ 3,655	\$ -
Accounts payable - other government	-	57	57	-
Other payable	2,295	-	2,295	-
Interfund payable	2,544	-	2,544	-
Accrued interest payable	-	-	-	4,524
Deferred revenues	2,352	1,869	4,221	541
Current portion of long term debt - compensated absences payable	8,203	699	8,902	-
Current portion of long term debt - capital projects/mortgage	-	-	-	16,687
	<u>19,049</u>	<u>2,625</u>	<u>21,674</u>	<u>21,752</u>
Current Liabilities Payable from Current Restricted Assets				
Deposits due others	50,734	-	50,734	12,306
	<u>50,734</u>	<u>-</u>	<u>50,734</u>	<u>12,306</u>
Total Current Liabilities	69,783	2,625	72,408	34,058
Noncurrent Liabilities				
Compensated absences payable	36,107	2,301	38,408	-
Development fee payable	-	-	-	339,458
Long term debt	-	-	-	1,886,511
	<u>36,107</u>	<u>2,301</u>	<u>38,408</u>	<u>2,225,969</u>
Total Noncurrent Liabilities	36,107	2,301	38,408	2,225,969
Total Liabilities	105,890	4,926	110,816	2,260,027
DEFERRED INFLOWS OF RESOURCES				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION				
Invested in capital assets, net of related debt	2,699,210	-	2,699,210	4,014,204
Restricted for housing choice voucher program	-	48,295	48,295	-
Unrestricted	901,024	387,837	1,288,861	255,970
Total Net Position	\$ 3,600,234	\$ 436,132	\$ 4,036,366	\$ 4,270,174

Housing Authority of the City of Sulphur
Sulphur, Louisiana

ENTERPRISE FUNDS
Statement of Revenues, Expenses, and Changes in Net Position

December 31, 2013

	General	Section 8	(Memorandum Only) Totals Primary Government	Component Unit
OPERATING REVENUES				
Dwelling rental	\$ 440,410	\$ -	\$ 440,410	\$ 317,140
Other	137,122	49,163	186,285	7,897
Federal grants	498,947	1,027,114	1,526,061	-
Total Operating Revenues	<u>1,076,479</u>	<u>1,076,277</u>	<u>2,152,756</u>	<u>325,037</u>
OPERATING EXPENSES				
Administration	268,187	81,755	349,942	72,881
Tenant services	450	-	450	-
Utilities	71,774	-	71,774	5,344
Ordinary maintenance and operation	466,064	-	466,064	58,969
Protective services	14,280	-	14,280	-
Insurance	92,765	6,849	99,614	38,502
General expenses	83,575	3,226	86,801	19,609
Interest and amortization	-	-	-	109,383
Extraordinary maintenance	-	-	-	-
Housing and assistance payments	-	914,168	914,168	-
Depreciation	382,006	-	382,006	211,054
Total Operating Expenses	<u>1,379,101</u>	<u>1,005,998</u>	<u>2,385,099</u>	<u>515,742</u>
Income (Loss) from Operations	(302,622)	70,279	(232,343)	(190,705)
NONOPERATING REVENUES (EXPENSES)				
Entity expenses - asset and partnership fees	-	-	-	-
Interest earnings	473	145	618	66
Total Nonoperating Revenues	<u>473</u>	<u>145</u>	<u>618</u>	<u>66</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(302,149)	70,424	(231,725)	(190,639)
Capital Grant Contributions	<u>140,380</u>	<u>-</u>	<u>140,380</u>	<u>-</u>
CHANGE IN NET POSITION	(161,769)	70,424	(91,345)	(190,639)
NET POSITION AT BEGINNING OF YEAR	3,762,003	365,708	4,127,711	4,460,813
NET POSITION AT END OF YEAR	<u>\$ 3,600,234</u>	<u>\$ 436,132</u>	<u>\$ 4,036,366</u>	<u>\$ 4,270,174</u>

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

Housing Authority of the City of Sulphur
Sulphur, Louisiana

ENTERPRISE FUNDS
Statement of Cash Flows

December 31, 2013

	General	Section 8	(Memorandum Only)	
			Totals Primary Government	Component Unit
CASH FLOWS FROM OPERATING ACTIVITIES				
Rental receipts	\$ 441,364	\$ -	\$ 441,364	\$ 329,094
Payments to vendors	(689,493)	(51,672)	(741,165)	(234,455)
Payments to employees	(324,940)	(36,391)	(361,331)	(67,348)
Other receipts (payments)	140,139	45,878	186,017	-
Federal grants	498,947	1,110,755	1,609,702	-
Payments to private landlords	-	(914,168)	(914,168)	-
Net cash provided by (used in) operating activities	66,017	154,402	220,419	27,291
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	(90,997)	-	(90,997)	-
Capital grant contributions	140,380	-	140,380	-
Payments on mortgage payable	-	-	-	(15,585)
Increase in accrued interest - NEF	-	-	-	18,761
Deposits to reserve for replacements	-	-	-	(12,036)
Entity expenses - asset and partnership management fee	-	-	-	-
(Decrease) in asset management fee payable	-	-	-	(5,896)
Increase in partnership management fees payable and related financing activities	49,383	-	49,383	1,198
CASH FLOWS FROM INVESTING ACTIVITIES				
Dividend reinvestment	(233)	(102)	(335)	-
Interest and dividends received	473	145	618	66
Net cash provided by (used in) investing activities	240	43	283	66
Net increase (decrease) in cash and cash equivalents	115,640	154,445	270,085	28,555
Cash and cash equivalents at beginning of year	665,351	100,201	765,552	20,600
Cash and cash equivalents at end of year	\$ 780,991	\$ 254,646	\$ 1,035,637	\$ 49,155

Housing Authority of the City of Sulphur
Sulphur, Louisiana

ENTERPRISE FUNDS
Statement of Cash Flows (Continued)

December 31, 2013

	General	Section 8	(Memorandum Only) Totals	Component Unit
RECONCILIATION OF OPERATING INCOME				
(LOSS) TO NET CASH PROVIDED BY (USED FOR)				
OPERATING ACTIVITIES				
Operating income (loss)	\$ (302,622)	\$ 70,279	\$ (232,343)	\$ (190,705)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	382,006	-	382,006	216,729
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	-	7,531	7,531	-
(Increase) decrease in accounts receivable-HUD	-	76,110	76,110	-
(Increase) decrease in accrued interest receivable	37	-	37	-
(Increase) decrease in accounts receivable-tenants	17	-	17	(525)
(Increase) decrease in interfund receivable	-	(2,544)	(2,544)	-
(Increase) decrease in inventory	(972)	-	(972)	-
(Increase) decrease in prepaid items	(1,324)	2,073	749	(2,215)
(Increase) decrease in real estate tax/insurance escrow	-	-	-	4,245
Increase (decrease) in accounts payable	(1,393)	-	(1,393)	-
Increase (decrease) in accounts payable-other government	(32,131)	57	(32,074)	-
Increase (decrease) in other payable	2,295	-	2,295	-
Increase (decrease) in interfund payable	2,544	-	2,544	-
Increase (decrease) in deposit due others	57	-	57	-
Increase (decrease) in deferred revenue	937	(741)	196	-
Increase (decrease) in accrued interest payable	-	-	-	(238)
Increase (decrease) in compensated absences	16,566	1,637	18,203	-
Net cash provided by (used in) operating activities	<u>66,017</u>	<u>154,402</u>	<u>220,419</u>	<u>27,291</u>
Supplemental Disclosure of Cash Flow Information:				
Cash Paid During the Year For:				
Interest	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 85,184</u>
Reconciliation of cash and cash equivalents at end of year to balance sheet presentation:				
Cash	\$ 730,257	\$ 254,646	\$ 984,903	\$ 49,155
Security deposits	50,734	-	50,734	12,300
Escrow accounts	-	-	-	59,483
Cash and cash equivalents at end of year	<u>\$ 780,991</u>	<u>\$ 254,646</u>	<u>\$ 1,035,637</u>	<u>\$ 120,938</u>

Housing Authority of The City of Sulphur
Sulphur, Louisiana

Notes to the Financial Statements
December 31, 2013

Note 1 - Summary of Significant Accounting Policies

The Housing Authority of the City of Sulphur (the Authority) was incorporated July 13, 1961 under the authority of the Constitution of statutes (LSA:R.S. 40:381) of the state of Louisiana for the purpose of providing safe and sanitary dwellings accommodations in Sulphur, Louisiana.

A. Financial Reporting Entity

GASB Statement 14, *The Financial Reporting Entity*, establishes criteria for determining the governmental reporting entity 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 Sulphur since the Honorable Mayor of the City of Sulphur appoints the Authority's governing board. The Authority's governing board is composed of five members appointed for staggered multi-year terms. The City of Sulphur 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 Sulphur. Accordingly, the Authority is not a component unit of the financial reporting entity of the City of Sulphur or any other governmental unit.

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

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 include 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 is a component unit that should be considered as part of the Authority's reporting entity:

Frenchman's Creek Limited Partnership involves the new construction of 40 family Low Income Housing Tax Credit units located in Sulphur, Louisiana, and is a legally separate entity. The managing general partner of Frenchman's Creek Limited Partnership is the FCD GP, LLC, of which FCD Corporation, a Louisiana non-profit corporation, is the only member of the limited liability company. The Board of Directors of FCD Corporation consists entirely of the Board of Commissioners of the Housing Authority, which provides the Housing Authority with a voting majority of the governing body of Frenchman's Creek Limited Partnership. In addition, there is the potential for Frenchman's Creek Limited Partnership to impose financial burden on the Housing Authority.

The governing body of the Housing Authority is not considered to have complete control over Frenchman's Creek Limited Partnership. As a result, the Frenchman's Creek Limited Partnership is included in the Housing Authority's financial statements through discrete presentation. The financial position, changes in net assets, and cash flows of Frenchman's Creek Limited Partnership are presented as of and for the year ended December 31, 2013. Separate audited statements of Frenchman's Creek Limited Partnership were issued for the year ended December 31, 2013 and are available from the Housing Authority's main office, 312 Brook Street, Sulphur, LA 70663.

Housing Authority of The City of Sulphur
Sulphur, Louisiana

Notes to the Financial Statements
December 31, 2013

Note I - 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 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 202 units of low-income public housing are owned by the Housing Authority of the City of Sulphur. 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 Sulphur makes up the difference between the tenants 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) - 100 units

Moderate Rehab (FW-2074) - 75 units

- **Shelter Plus Care Housing** - This program provides for housing for homeless individuals and families with special disabilities. The basic Section 8 rules 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, the moderate rehab program, and the shelter plus care housing program.

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 balance sheet. The Authority has elected, pursuant to Governmental Accounting Standards Board (GASB) Statement 20, to apply all GASB pronouncements and only

Housing Authority of The City of Sulphur
Sulphur, Louisiana

Notes to the Financial Statements
December 31, 2013

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

C. Measurement Focus and Basis of Accounting (continued)

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.

Total columns on the basic financial statements are captioned as "Memorandum Only," because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of these data.

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 legally required for financial statement presentation.

E. Deposits and Investments

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State law and the Authority's investment policy allow the entity to invest in collateralized certificates of deposits, government back securities, commercial paper, the state sponsored investments pool, and mutual funds consisting solely of government back securities.

F. Short-term Interfund 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 interfund receivables/payables.

G. Inventory

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

H. Prepaid Items

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

I. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Housing Authority of The City of Sulphur
Sulphur, Louisiana

Notes to the Financial Statements
December 31, 2013

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

J. Restricted Assets

Certain assets are classified as restricted assets on the balance sheet because their use is restricted for security deposits held in trust.

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 capitalizes equipment and/or personal property with an initial cost of \$2,500 or more and an anticipated life or useful value of said equipment or property of more than one year.

The costs of normal maintenance and repairs that do not add value of the asset or materially extend asset lives are not capitalized.

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

Original buildings	33 years
Building improvements	15 years
Site improvements	15 years
Furniture and equipment	5 – 7 years
Automobile and trucks	5 years
Computers	3 years

L. Deferred Revenues

The Authority reports deferred revenues on its balance sheet. Deferred revenues arise when the Authority receives resources before it has a legal claim to them. In subsequent periods, when the Authority has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and the revenue is recognized.

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.

Housing Authority of The City of Sulphur
Sulphur, Louisiana

Notes to the Financial Statements
December 31, 2013

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

N. Restricted Net Position

Net position is reported as restricted when constraints placed on net position are either:

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

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

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.

Note 2 – Cash and Cash Equivalents

At December 31, 2013, the Authority has cash and cash equivalents (book balances) totaling \$1,035,311, all in interest – bearing demand deposit accounts. 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 equal the amount on deposit with the fiscal agent at all times. 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, 2013, the Authority had \$1,072,503 in deposits (collected bank balances). These deposits are secured by \$500,000 of federal deposit insurance and \$572,503 pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement No. 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 District that the fiscal agent has failed to pay deposited funds on demand.

Note 3 - Investments

The Authority's investments are limited to those allowed by state statute. At December 31, 2013, the Authority's investments consisted of a certificate of deposit with a carrying amount of \$30,000, and two (2) money market accounts with collective balances of \$333,780.

Note 4 - Accounts Receivable

The accounts receivables at December 31, 2013 are as follows:

Class of Receivable	General	Section 8	(Memorandum Only Total)
HUD	\$ -	\$ 14,264	\$ 14,264
Tenants	965	-	965
Miscellaneous	-	403	403
	<u>\$ 965</u>	<u>\$ 14,667</u>	<u>\$ 15,632</u>

The tenants account receivable is net of an allowance for doubtful accounts of \$5,163.

Housing Authority of The City of Sulphur
Sulphur, Louisiana

Notes to the Financial Statements
December 31, 2013

Note 5 - Prepaid Items

Prepaid items as of December 31, 2013 consisted of prepaid insurance of \$25,737.

Note 6 - Capital Assets

Capital assets and depreciation activity as of and for the year ended December 31, 2013 is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Land	\$ 349,900	\$ -	\$ -	\$ 349,900
Construction in Progress	271,809	-	(271,809)	-
Total capital assets, not being depreciated	<u>621,709</u>	<u>-</u>	<u>(271,809)</u>	<u>349,900</u>
Capital assets being depreciated				
Site Improvements	1,768,234	337,806	-	2,106,040
Buildings	8,812,394	-	-	8,812,394
Furniture and Equipment	325,441	25,000	(17,659)	332,782
Total capital assets being depreciated	<u>10,906,069</u>	<u>362,806</u>	<u>(17,659)</u>	<u>11,251,216</u>
Less accumulated depreciation	<u>8,537,559</u>	<u>382,006</u>	<u>17,659</u>	<u>8,901,906</u>
Total capital assets being depreciated, net	<u>2,368,510</u>	<u>(19,200)</u>	<u>-</u>	<u>2,349,310</u>
Total capital assets	<u>\$ 2,990,219</u>	<u>\$ (19,200)</u>	<u>\$ (271,809)</u>	<u>\$ 2,699,210</u>

Component unit capital assets of \$6,256,860 consisted of buildings, improvements and equipment (\$5,714,544) and land (\$542,316).

Note 7 – Construction Commitments

The Authority had no active construction projects as of December 31, 2013.

Note 8 - Accounts Payable

The accounts payable at December 31, 2013 are as follows:

Class of Payables	General	Section 8	(Memorandum Only Total)
Due to Other Governments:			
Other	\$ -	\$ 57	\$ 57
Operating	5,950	-	5,950
	<u>\$ 5,950</u>	<u>\$ 57</u>	<u>\$ 6,007</u>

Housing Authority of The City of Sulphur
Sulphur, Louisiana

Notes to the Financial Statements
December 31, 2013

Note 9 – Compensated Absences Payable

As of December 31, 2013, employees of the Housing Authority have accumulated and vested \$44,310 of employee leave computed in accordance with GASB Codification Section C60.

Note 10 - General Long-Term Obligations

The following is a summary of the long-term obligation transactions for the year ended December 31, 2013, which consisted of compensated absences:

	General	Section 8	(Memorandum Only Total)
Balance, beginning	\$ 43,815	\$ 1,363	\$ 45,178
Additions	16,032	1,850	17,882
Deductions	(15,537)	(213)	(15,750)
Balance, ending	<u>\$ 44,310</u>	<u>\$ 3,000</u>	<u>\$ 47,310</u>
Amounts due in one year	<u>\$ 8,203</u>	<u>\$ 699</u>	<u>\$ 8,902</u>

Note 11 – Interfund Transactions (FFS Level Only)

Interfund receivables/payables at December 31, 2013, are as follows:

<u>Receivable</u>	<u>Amount</u>	<u>Payable</u>	<u>Amount</u>
Tenant-Based Section 8	<u>\$ 2,544</u>	General Fund	<u>\$ 2,544</u>

The purpose of the interfund transaction was the funds loaned to help cover the costs of administering the programs.

Note 12 - 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 full time employees are eligible to participate in the plan on the first day of the month after completing one month of continuous and uninterrupted employment. 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 6.5%. The Authority's contribution for each employee and income allocated to the employee's account are fully vested after five years of continuous service.

Housing Authority of The City of Sulphur
Sulphur, Louisiana

Notes to the Financial Statements
December 31, 2013

Note 12 - Retirement Plan (Continued)

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 65th birthday or after 10 years of participation in the plan.

The Authority's total payroll for the year ended December 31, 2013 was \$353,089. The members' contributions were \$15,480 for the year ended December 31, 2013. The Authority made the required contributions of \$20,242 for the year ended December 31, 2013.

Note 13 - Contingencies and Commitments

Grant Disallowances In the normal course of operations, the Authority receives grant funds from federal agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with reimbursement by the grantor agency for expenditures disallowed under terms of the grants. Management of the Authority believes that the amount of disallowances, if any, which may arise from future audits will not be material.

Construction Projects There are no construction projects in progress at December 31, 2013.

Note 14 - Risk Management

The Authority is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Authority carries commercial insurance. The current policy limits on most commercial coverage has been in effect for multiple years. Settled claims have not exceeded commercial excess coverage in any of the last three years.

Note 15- Economic Dependence and Current Vulnerability Due to Certain Concentrations

Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 280-10-50-42 requires disclosure in financial statements of a situation where one entity provides more than 10% of the audited entity's revenues. The Department of Housing and Urban Development provided \$1,666,168 to the Authority, which represents approximately 78% 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. HUD subject to change by an act of congress or an administrative change mandates such administrative directives, rules, and regulations. Such changes may occur with little notice or inadequate funding to pay the related cost, including additional administrative burden, to comply with a change.

Note 16 – Subsequent Events

Subsequent events were evaluated through June 26, 2014, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

Housing Authority of The City of Sulphur
Sulphur, Louisiana

FINANCIAL DATA SCHEDULE
For the Year Ended December 31, 2013

Line Item No.	Account Description	Lower Income Housing Assistance Program Section 8					Elimination	Total
		Project Totals	Housing Choice Vouchers	Shelter Plus Care	Component Unit	Moderate Rehabilitation		
111	Cash - Unrestricted	\$ 730,257	\$ 32,381	\$ -	\$ 49,155	\$ 173,913	\$ -	985,706
112	Cash - Restricted - Modernization and development	-	-	-	-	-	-	-
113	Cash - Other Restricted	-	48,295	-	59,483	-	-	107,778
114	Cash - Tenant Security Deposits	50,734	-	-	12,306	-	-	63,040
115	Cash - Restricted for payment of current liability	-	57	-	-	-	-	57
100	Total Cash	780,991	80,733	-	120,944	173,913	-	1,156,581
121	Accounts Receivable - PHA Projects	-	-	-	-	-	-	-
122	Accounts Receivable - HUD Other Projects	-	-	-	-	-	-	-
124	Accounts Receivable - Other Government	-	-	-	-	-	-	-
125	Accounts Receivable - Miscellaneous	-	403	-	-	14,264	-	14,667
126	Accounts Receivable - Tenants	6,128	-	-	563	-	-	6,691
126.1	Allowance for Doubtful Accounts - Tenants	(5,163)	-	-	-	-	-	(5,163)
126.2	Allowance for Doubtful Accounts - Other	-	-	-	-	-	-	-
127	Notes, Loans, & Mortgages Receivable - Current	-	-	-	-	-	-	-
128	Fraud Recovery	-	-	-	-	-	-	-
128.1	Allowance for Doubtful Accounts - Fraud	-	-	-	-	-	-	-
129	Accrued Interest Receivable	-	-	-	-	-	-	-
120	Total Receivables, net of allowance for doubtful accounts	965	403	-	563	14,264	-	16,195
131	Investments - Unrestricted	195,598	168,081	-	-	-	-	363,679
132	Investments - Restricted	-	-	-	-	-	-	-
135	Investments - Restricted for payment of current liability	-	-	-	-	-	-	-
142	Prepaid Expenses and Other Assets	24,617	560	-	12,521	560	-	38,258
143	Inventories	4,993	-	-	-	-	-	4,993
143.1	Allowance for Obsolete Inventories	(250)	-	-	-	-	-	(250)
144	Interprogram- Due From	-	2,544	-	-	-	(2,544)	-
145	Assets Held for Sale	-	-	-	-	-	-	-
150	Total Current Assets	1,006,914	252,321	-	134,028	188,737	(2,544)	1,579,456
161	Land	349,900	-	-	542,316	-	-	892,216
162	Buildings	9,418,396	-	-	6,119,545	-	-	15,538,141
163	Furniture, Equipment & Machinery - Dwellings	35,392	-	-	181,612	-	-	217,004
164	Furniture, Equipment & Machinery - Administration	201,176	1,485	-	-	332	-	202,993
165	Leasehold Improvements	1,396,034	-	-	255,759	-	-	1,851,813
166	Accumulated Depreciation	(8,901,908)	(1,485)	-	(842,372)	(332)	-	(9,746,097)
167	Construction In Progress	-	-	-	-	-	-	-
168	Infrastructure	-	-	-	-	-	-	-
160	Total Capital Assets, Net of Accumulated Depreciation	2,699,210	-	-	6,256,860	-	-	8,956,070
171	Notes, Loans & Mortgages Receivable - Non-Current	-	-	-	-	-	-	-
172	Notes, Loans & Mortgages Receivable - Non-Current - Past Due	-	-	-	-	-	-	-
173	Grants Receivable - Non - Current	-	-	-	-	-	-	-
174	Other Assets	-	-	-	139,313	-	-	139,313
176	Investment in Joint Venture	-	-	-	-	-	-	-
180	Total Non-Current Assets	2,699,210	-	-	6,396,173	-	-	9,095,383
190	Total Assets	\$ 3,706,124	\$ 252,321	\$ -	\$ 6,530,201	\$ 188,737	\$ (2,544)	\$ 10,674,839

Housing Authority of The City of Sulphur
Sulphur, Louisiana

FINANCIAL DATA SCHEDULE
For the Year Ended December 31, 2013

Line Item No.	Account Description	Housing Choice				Lower Income Housing Assistance Program Section 8		Elimination	Total
		Project Totals	Vouchers	Shelter Plus Care	Component Unit	Moderate Rehabilitation			
311	Bank Overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
312	Accounts Payable <= 90 Days	3,655	-	-	-	-	-	3,655	
313	Accounts Payable > 90 Days Past Due	-	-	-	-	\$ -	\$ -	-	
321	Accrued Wage/Payroll Taxes Payable	810	-	-	-	-	-	810	
322	Accrued Compensated Absences - Current Portion	8,203	699	-	-	-	-	8,902	
324	Accrued Contingency Liability	-	-	-	-	-	-	-	
325	Accrued Interest Payable	-	-	-	4,524	-	-	4,524	
331	Accounts Payable - HUD PHA Programs	-	57	-	-	-	-	57	
332	Accounts Payable - PHA Projects	-	-	-	-	-	-	-	
333	Accounts Payable - Other Government	-	-	-	-	-	-	-	
341	Tenant Security Deposits	50,734	-	-	12,306	-	-	63,040	
342	Deferred Revenue	2,352	1,869	-	541	-	-	4,762	
343	Current Portion of Long-Term Debt - Capital Projects/Mortgage Revenue Bond	-	-	-	16,687	-	-	16,687	
344	Current Portion of Long-Term Debt - Operating Borrowings	-	-	-	-	-	-	-	
345	Other Current Liabilities	-	-	-	-	-	-	-	
346	Accrued Liabilities - Other	1,485	-	-	-	-	-	1,485	
347	Interprogram Due To	2,544	-	-	-	-	(2,544)	-	
348	Loan Liability - Current	-	-	-	-	-	-	-	
310	Total Current Liabilities	69,783	2,625	-	34,058	-	(2,544)	103,922	
351	Capital Projects/Mortgage Revenue Bonds	-	-	-	1,886,511	-	-	1,886,511	
352	Long-Term Debt, Net of Current - Operating Borrowings	-	-	-	-	-	-	-	
353	Non - Current Liabilities - Other	-	-	-	339,458	-	-	339,458	
354	Accrued Compensated Absences - Non Current	36,107	2,301	-	-	-	-	38,408	
355	Loan Liability - Noncurrent	-	-	-	-	-	-	-	
356	FASB 5 Liabilities	-	-	-	-	-	-	-	
357	Accrued Pension and OPEB Liability	-	-	-	-	-	-	-	
350	Total Noncurrent Liabilities	36,107	2,301	-	2,225,969	-	-	2,264,377	
300	Total Liabilities	105,890	4,926	-	2,260,027	-	(2,544)	2,368,299	
508.4	Net Investment in Capital Assets	2,699,210	-	-	4,014,204	-	-	6,713,414	
509.2	Fund Balance Reserved	-	-	-	-	-	-	-	
511.4	Restricted Net Assets	-	48,295	-	59,483	-	-	107,778	
511.2	Unreserved, Designated Fund Balance	-	-	-	-	-	-	-	
512.4	Unrestricted Net Assets	901,024	199,100	-	196,487	188,737	-	1,485,348	
512.2	Unreserved, Undesignated Fund Balance	-	-	-	-	-	-	-	
513	Total Equity/Net Assets	3,600,234	247,395	-	4,270,174	188,737	-	8,306,540	
600	Total Liabilities and Equity/Net Assets	\$ 3,706,124	\$ 252,321	\$ -	\$ 6,530,201	\$ 188,737	\$ (2,544)	\$ 10,674,839	

Housing Authority of The City of Sulphur
Sulphur, Louisiana

FINANCIAL DATA SCHEDULE
For the Year Ended December 31, 2013

Line Item No.	Account Description	Housing Choice				Lower Income Housing Assistance Program, Section 8		Total
		Project Totals	Vouchers	Shelter Plus Care	Component Unit	Moderate Rehabilitation		
70300	Net Tenant Rental Revenue	\$ 440,410	\$ -	\$ -	\$ 317,140	\$ -	\$ 757,550	
70400	Tenant Revenue - Other	66,795	-	-	7,897	-	74,692	
70500	Total Tenant Revenue	507,205	-	-	325,037	-	832,242	
70600	HUD PHA Operating Grants	548,339	463,687	96,276	-	467,151	1,575,413	
70610	Capital Grants	90,998	-	-	-	-	90,998	
70710	Management Fee	-	-	-	-	-	-	
70720	Asset Management Fee	-	-	-	-	-	-	
70730	Book-Keeping Fee	-	-	-	-	-	-	
70740	Front Line Service Fee	-	-	-	-	-	-	
70750	Other Fees	-	-	-	-	-	-	
70700	Total Fee Revenue	-	-	-	-	-	-	
70800	Other Government Grants	-	-	-	-	-	-	
71100	Investment Income - Unrestricted	473	145	-	-	-	618	
71200	Mortgage Interest Income	-	-	-	-	-	-	
71300	Proceeds from Disposition of Assets Held for Sale	-	-	-	-	-	-	
71310	Cost of Sale of Assets	-	-	-	-	-	-	
71400	Fraud Recovery	-	4,483	-	-	-	4,483	
71500	Other Revenue	68,777	43,171	-	66	1,507	113,521	
71600	Gain or Loss on Sale of Capital Assets	1,550	-	-	-	-	1,550	
72000	Investment Income - Restricted	-	-	-	-	-	-	
7000	Total Revenue	1,217,332	511,488	96,276	325,103	468,658	2,618,857	
91100	Administrative Salaries	112,401	27,174	5,800	30,402	-	175,777	
91200	Auditing Fees	13,825	812	-	-	813	15,500	
91300	Management Fee	-	-	-	-	-	-	
91310	Book-Keeping Fee	-	-	-	-	-	-	
91400	Advertising and Marketing	144	-	-	-	-	144	
91500	Employee Benefit Contributions - Administrative	46,969	18,638	-	7,608	-	73,215	
91600	Office Expense	32,887	14,030	-	32,876	12,188	91,981	
91700	Legal Expense	8,770	-	-	359	-	9,129	
91800	Travel	13,038	583	412	-	348	14,381	
91810	Allocated Overhead	-	-	-	-	-	-	
91900	Other	40,103	957	-	1,635	-	42,695	
91000	Total Operating - Administrative	268,187	62,194	6,212	72,881	13,349	422,823	
92000	Asset Management Fee	-	-	-	-	-	-	
92100	Tenant Services - Salaries	-	-	-	-	-	-	
92200	Relocation Costs	-	-	-	-	-	-	
92300	Employee Benefit Contributions - Tenant Services	-	-	-	-	-	-	
92400	Tenant Services - Other	450	-	-	-	-	450	
92500	Total Tenant Services	450	-	-	-	-	450	
93100	Water	26,912	-	-	633	-	27,545	
93200	Electricity	15,472	-	-	3,984	-	19,456	
93300	Gas	417	-	-	-	-	417	
93400	Fuel	-	-	-	-	-	-	
93500	Labor	-	-	-	-	-	-	
93600	Server	28,973	-	-	727	-	29,700	
93700	Employee Benefit Contributions - Utilities	-	-	-	-	-	-	
93800	Other Utilities Expense	-	-	-	-	-	-	
93000	Total Utilities	71,774	-	-	5,344	-	77,118	
94100	Ordinary Maintenance and Operations - Labor	141,473	-	-	31,429	-	172,902	
94200	Ordinary Maintenance and Operations - Materials and Other	86,054	-	-	4,205	-	90,259	
94300	Ordinary Maintenance and Operations Contracts	178,971	-	-	15,717	-	194,688	
94500	Employee Benefit Contributions - Ordinary Maintenance	59,566	-	-	7,918	-	67,484	
94000	Total Maintenance	466,064	-	-	58,069	-	524,133	
95100	Protective Services - Labor	-	-	-	-	-	-	
95200	Protective Services - Other Contract Costs	14,280	-	-	-	-	14,280	
95300	Protective Services - Other	-	-	-	-	-	-	
95500	Employee Benefit Contributions - Protective Services	-	-	-	-	-	-	
95000	Total Protective Services	14,280	-	-	-	-	14,280	
96110	Property Insurance	63,876	-	-	35,419	-	99,295	
96120	Liability Insurance	8,996	829	-	-	829	10,654	
96130	Workmen's Compensation	12,980	1,507	-	3,083	1,507	19,077	
96140	All Other Insurance	6,913	1,200	-	977	-	9,090	
96100	Total Insurance Premium	92,765	3,536	-	38,502	3,313	138,116	
96200	Other General Expenses	-	40	-	19,609	-	19,649	
96210	Compensated Absences	29,266	3,186	-	-	-	32,452	
96300	Payments in Lieu of Taxes	37,384	-	-	-	-	37,384	
96400	Bad Debt - Tenant Rents	16,925	-	-	-	-	16,925	
96500	Bad Debt - Mortgages	-	-	-	-	-	-	
96600	Bad Debt - Other	-	-	-	-	-	-	
96800	Severance Expense	-	-	-	-	-	-	
96000	Total Other General Expenses	83,575	3,226	-	19,609	-	106,410	
96710	Interest of Mortgage (or Bonds) Payable	-	-	-	84,946	-	84,946	
96720	Interest on Notes Payable (Short and Long Term)	-	-	-	18,762	-	18,762	
96730	Amortization of Bond Issue Costs	-	-	-	5,675	-	5,675	
96700	Total Interest Expense and Amortization Cost	-	-	-	109,383	-	109,383	
96900	Total Operating Expenses	997,095	68,956	6,212	304,658	16,662	1,393,613	
97000	Excess Operating Revenue Over Operating Expenses	220,737	442,532	90,064	20,415	451,996	1,225,244	
97100	Extraordinary Maintenance	-	-	-	-	-	-	
97200	Casualty Losses - Non-Capitalized	-	-	-	-	-	-	
97300	Housing Assistance Payments	-	383,650	90,064	-	405,853	879,567	
97350	HAP Portability - In	-	34,601	-	-	-	34,601	
97400	Depreciation Expense	382,006	-	-	211,054	-	593,060	
97500	Fraud Losses	-	-	-	-	-	-	
97600	Capital Outlays - Governmental Funds	-	-	-	-	-	-	
97700	Debt Principal Payment - Governmental Funds	-	-	-	-	-	-	
97800	Dwelling Units Rent Expense	-	-	-	-	-	-	
9000	Total Expenses	1,379,101	487,207	96,276	515,742	422,515	2,900,841	
10010	Operating Transfers In	27,696	-	-	-	-	27,696	
10020	Operating Transfers Out	(27,696)	-	-	-	-	(27,696)	
10030	Operating Transfers from / to Primary Government	-	-	-	-	-	-	
10040	Operating Transfers from / to Component Unit	-	-	-	-	-	-	
10050	Proceeds from Notes, Loans and Bonds	-	-	-	-	-	-	
10060	Proceeds from Property Sales	-	-	-	-	-	-	
10070	Extraordinary Items, Net Gain/Loss	-	-	-	-	-	-	
10080	Special Items, Net Gain/Loss	-	-	-	-	-	-	
10091	Inter Project Excess Cash Transfer In	-	-	-	-	-	-	
10092	Inter Project Excess Cash Transfer Out	-	-	-	-	-	-	
10093	Transfers Between Programs and Projects - In	-	-	-	-	-	-	
10094	Transfers Between Programs and Projects - Out	-	-	-	-	-	-	
10100	Total Other Financing Sources (Uses)	-	-	-	-	-	-	
10000	Excess/Deficiency of Operating Revenue Over (Under) Expenses	\$ (161,769)	\$ 24,281	\$ -	\$ (190,639)	\$ 46,143	\$ (281,984)	

Housing Authority of The City of Sulphur
Sulphur, Louisiana

FINANCIAL DATA SCHEDULE
For the Year Ended December 31, 2013

Line Item No.	Account Description	Project Totals	Housing Choice		Capital Fund Stimulus Grant	Component Unit	Section 8 Rental Voucher Program	Lower Income Housing Assistance Program Section 8		Total
			Vouchers	Shelter Plus Care				Moderate Rehabilitation		
11020	Required Annual Debt Principle Payments	\$ -	\$ -	\$ -	\$ -	16,687	\$ -	\$ -	\$ 16,687	
11030	Beginning Equity	3,762,003	223,114	-	-	-	-	142,594	4,127,711	
11040	Prior Period Adjustments, Equity Transfers and Correction of	-	-	-	-	4,460,813	-	-	4,460,813	
11050	Changes in Compensated Absence Balance	-	-	-	-	-	-	-	-	
11060	Changes in Contingent Liability Balance	-	-	-	-	-	-	-	-	
11070	Changes in Unrecognized Pension Transition Liability	-	-	-	-	-	-	-	-	
11080	Changes in Special Term/Severance Benefits Liability	-	-	-	-	-	-	-	-	
11090	Changes in Allowance for Doubtful Accounts - Dwelling Rents	-	-	-	-	-	-	-	-	
11100	Changes in Allowance for Doubtful Accounts - Other	-	-	-	-	-	-	-	-	
11170	Administrative Fee Equity	-	199,100	-	-	-	-	-	199,100	
11180	Housing Assistance Payments Equity	-	48,295	-	-	-	-	-	48,295	
11190	Unit Months Available	2376	1029	273	-	480	-	984	5142	
11210	Units Months Leased	2341	938	240	-	342	-	822	4783	
11270	Excess Cash	826,465	-	-	-	-	-	-	826,465	
11610	Land Purchases	-	-	-	-	-	-	-	-	
11620	Building Purchases	65,998	-	-	-	-	-	-	65,998	
11630	Furniture & Equipment - Dwelling Purchases	-	-	-	-	-	-	-	-	
11640	Furniture & Equipment - Administrative Purchases	25,000	-	-	-	-	-	-	25,000	
11650	Leaschold Improvements Purchases	-	-	-	-	-	-	-	-	
11660	Infrastructure Purchases	-	-	-	-	-	-	-	-	
13510	CFFP Debt Service Payments	-	-	-	-	-	-	-	-	
13901	Replacement Housing Factor Funds	-	-	-	-	-	-	-	-	

Housing Authority of the City of Sulphur
Sulphur, Louisiana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2013

Federal Grantor/Pass-through Grantor/Program Name	1/1/13 - 12/31/13 Grants CFDA Number	Expenditures
Department of Housing and Urban Development:		
PHA Owned Housing	14.850	\$ 498,947
Public Housing Capital Fund	14.872	140,107
Section 8 Moderate Rehabilitation	14.856	467,151
Section 8 Housing Choice Vouchers	14.871	463,687
Shelter Plus Care Renewal	14.238	96,276
		<u>\$ 1,666,168</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

**Housing Authority of the City of Sulphur
Sulphur, Louisiana**

**Notes to the Schedule of Expenditures of Federal Awards
December 31, 2013**

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 Sulphur (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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

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.

Note 3 - Relationship to Basic Financial Statements

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

<u>Federal Sources</u>	<u>Amount</u>
General	\$ 498,947
Section 8	1,027,114
Capital Fund - General	<u>140,107</u>
	<u>\$ 1,666,168</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.

**Housing Authority of the City of Sulphur
Sulphur, Louisiana**

**Compensation Paid Board Members
December 31, 2013**

The members of the Board of Commissioners serve without compensation. The members of the Board of Commissioners are as follows:

Franklin Foote, Chairman

Shirley Hoffpauir, Vice-Chairman

Joy Abshire

James Milton

Fedra Williams

**Housing Authority of the City of Sulphur
Sulphur, Louisiana**

**Statement of Actual Modernization Cost Certificate
For the Year Ended December 31, 2013**

1 The actual modernization costs for the completed modernization programs are as follows.

	<u>Grant PO63501-11</u>	<u>Grant PO63501-12</u>
Funds Approved	\$ 238,326	\$ 220,612
Funds Expended	<u>238,326</u>	<u>220,612</u>
Excess of Funds Approved	<u>NONE</u>	<u>NONE</u>
Funds Advanced	\$ 238,326	\$ 220,612
Funds Expended	<u>238,326</u>	<u>220,612</u>
Excess of Funds Advanced	<u>NONE</u>	<u>NONE</u>

2 The distribution of costs as shown on the Actual Modernization Cost Certificates submitted to HUD for approval is in agreement with the Housing Authority's records.

3 All modernization costs have been paid and all related liabilities have been charged through payment.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of each major fund and the aggregate remaining fund information of the Housing Authority of the City of Sulphur, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Housing Authority of the City of Sulphur's basic financial statements and have issued our report thereon dated June 26, 2014. The financial statements of Frenchman's Creek Limited Partnership were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses, or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

MCMULLEN AND MANCUSO, CPAs, LLC

McMullen and Mancuso CPAs

Sulphur, Louisiana

June 26, 2014

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the City of Sulphur's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Housing Authority of the City of Sulphur major federal programs for the year ended December 31, 2013. The Housing Authority of the City of Sulphur's major federal programs is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Housing Authority of the City of Sulphur's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our 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, *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's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Housing Authority of the City of Sulphur's compliance.

Opinion on Each Major Federal Program

In our opinion, the Housing Authority of the City of Sulphur complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Members

American Institute of Certified Public Accountants
Louisiana Society of Certified Public Accountants

Other Matters

The results of our auditing procedures disclosed instances on noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items [2013-1]. Our opinion on each major federal program is not modified with respect to these matters.

Housing Authority of the City of Sulphur's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Housing Authority of the City of Sulphur's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the Housing Authority of the City of Sulphur is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Housing Authority of the City of Sulphur's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority of the City of Sulphur's 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 combination of 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weakness or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item [2013-1] that we consider to be significant deficiencies.

Housing Authority of the City of Sulphur response to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Housing Authority of the City of Sulphur's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

MCMULLEN AND MANCUSO, CPAs, LLC

M. Mullen and Mancuso CPAs

Sulphur, Louisiana

June 26, 2014

Housing Authority of the City of Sulphur
Sulphur, Louisiana
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2013

Part I: Summary of the Auditor's Report

1. The auditors' report expresses an unmodified opinion on the financial statements of the Housing Authority of the City of Sulphur.
2. There were no significant deficiencies in internal control required to be disclosed by *Government Auditing Standards* issued by the Comptroller General of the United States.
3. There were no instances of noncompliance considered material, as defined by the *Government Auditing Standards*, to the financial statement.
4. There was one (1) significant deficiency in internal control over major federal award programs required to be disclosed by OMB Circular A-133. The significant deficiency was not considered to be a material weakness.
5. The auditors' report on compliance for the major federal award programs for the Housing Authority of the City of Sulphur expresses an unmodified opinion on all major federal programs.
6. The audit disclosed one (1) finding required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major program included:
 - PHA Owned Housing – CFDA 14.850
8. The threshold for distinguishing Types A and B programs was 300,000.
9. The Housing Authority of the City of Sulphur was determined to be a low risk auditee as defined by OMB Circular A-133.

**Housing Authority of the City of Sulphur
Sulphur, Louisiana
SCHEDULE OF FINDINGS
December 31, 2013**

Part II: Findings related to financial statements which are required to be reported in accordance with Governmental Auditing Standards generally accepted in the United States of America:

None Reported

Housing Authority of the City of Sulphur
Sulphur, Louisiana
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2013

Part III: Findings and questioned costs for federal awards which are required to be reported under OMB Circular No. A-133 Section .510(a):

2013-1 Test of Resident Files

Federal program and specific federal award identification:

This finding relates to PHA Owned Housing, CFDA #14.850, for Federal Award Year 2013 received from the Department of Housing and Urban Development.

Criteria or specific requirement:

The PHA must reexamine family income and composition at least once every 12 months and adjust the tenant rent and housing assistance payment as necessary using documentation from third-party verification.

Condition found:

On two (2) of the forty (40) tenant files sampled, the rental payment calculation contained errors that understated the tenant's portion of the rental payment.

Effect:

The tenant's rent payments were incorrectly calculated and the tenants' files were not in compliance with HUD regulations.

Cause:

The PHA obtained information to reexamine family income and incorrectly calculated the tenant portion of the rent payment.

Recommendation:

The PHA should have procedures in place to ensure that all calculations are correct and supported by documentation maintained in the tenant file and that amounts used in calculations agree to the support obtained. The PHA should re-perform calculations to ensure they are accurate and clearly reconcile to supporting documentation retained in the tenant file.

Correction Action Planned:

The PHA management and staff recognize and accept the results of this finding. The PHA personnel had corrected and communicated the corrections to the residents in the year during interim examinations. The management and staff will increase and improve both its periodic review of tenant files and tenant rent calculations. Contact person is Vena Bertrand, Executive Director with 12/31/14 as the anticipated completion date.

Housing Authority of the City of Sulphur
Sulphur, Louisiana
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2013

The status of the audit findings reported for the year ended December 31, 2012, are as follows:

Findings related to financial statements which are required to be reported in accordance with Governmental Auditing Standards generally accepted in the United States of America:

Finding 2012-1 Test of Resident Files

Condition: It was noted during the review of tenant files, the rental payment calculation contained errors that overstated the tenant's portion of the rental payment.

Status: See current year finding 2013-1

Findings and questioned costs for federal awards with are required to be reported under OMB Circular A-133 Section .510(a):

Finding 2012-1 Test of Resident Files

Federal Program and Specific Federal Award Identification:

This finding related to the Section 8 Housing Choice Vouchers, CFDA #14.871 received from the Department of Housing and Urban Development.

Condition: It was noted during the review of tenant files, the rental payment calculation contained errors that overstated the tenant's portion of the rental payment.

Status: See current year finding 2013-1