

**HOUSING AUTHORITY OF THE CITY OF PATTERSON**  
**REPORT ON EXAMINATION OF**  
**FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA**  
**TWELVE MONTHS ENDED JUNE 30, 2004**

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

Release Date 2-23-04

**Mike Estes, P.C.**  
A Professional Accounting Corporation

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MEMBER AMERICAN  
INSTITUTE OF CERTIFIED  
PUBLIC ACCOUNTANTS

Independent Auditor's Report

Board of Commissioners  
Housing Authority of Patterson  
Patterson, Louisiana

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Housing Authority of Patterson, Louisiana as of and for the year ended June 30, 2004, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Housing Authority of Patterson, Louisiana, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2004, on our consideration of the Housing Authority of Patterson's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority of Patterson's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Housing Authority of Patterson. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Mike Estes, P.C.  
Fort Worth, Texas  
December 14, 2004

**Housing Authority of the City of Patterson**  
**Required Supplemental Information**  
**Management Discussion and Analysis (MD&A)**  
**FYE June 30, 2004**

## **Housing Authority of the Town of Patterson**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**For the Year Ended June 30, 2004**

As management of the Housing Authority of the Town of Patterson, we offer the readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Director, Housing Authority of the Town of Patterson, P. O. Box 10, Patterson, Louisiana 70392.

#### **Financial Highlights**

- The assets of the Authority exceeded its liabilities as of June 30, 2004 by \$1,485,757 (net assets).
- The Authority's cash and cash equivalent balance as of June 30, 2004 was \$244,710, representing a decrease of \$4,216 from the year ended June 30, 2003.
- The Authority had intergovernmental revenue of \$208,456 in HUD operating subsidies, \$32,263 in operating grants, and \$115,566 in capital grants for the year ended June 30, 2004.

#### **Overview of Financial Statements**

The financial statements included in this annual report are those of a special-purpose government engaged in a business-type activity. The following statements are included:

- *Statement of Net Assets* – reports the Authority's assets and liabilities at the end of the operating year and provides information about the nature and amounts of investment of resources and obligations to creditors.
- *Statement of Revenue, Expenses, and Change in Net Assets* – reports the results of activity over the course of the current year. It details the costs associated with operating the Authority and how those costs were funded. It also provides an explanation of the change in net assets from the previous operating period to the current operating period.
- The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.
- Other information in addition to the basic financial statements and accompanying notes - presents certain supplementary information regarding the Authority's electronic data submitted to HUD REAC.

**Housing Authority of the Town of Patterson**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**  
**For the Year Ended June 30, 2004**

Our analysis of the Authority as a whole begins on this page. The most important question asked about the Authority's finances is, "Is the Authority, as a whole, better or worse off as a result of the year's activities?"

The attached analysis of entity wide net assets, revenue, and expenses are provided to assist with answering the above question. This analysis includes all assets and liabilities using the accrual basis of accounting.

Accrual accounting is similar to the accounting used by most private sector companies. Accrual accounting recognizes revenue and expenses when earned regardless of when cash is received or paid.

Our analysis also presents the Authority's net assets and changes in them. You can think of the Authority's net assets as the difference between what the Authority owns (assets) and what the Authority owes (liabilities). The change in net assets analysis will assist the reader with measuring the health or financial position of the Authority.

Over time, significant changes in the Authority's net assets are an indicator of whether its financial health is improving or deteriorating. To fully assess the financial health of any Authority, the reader must also consider other non-financial factors such as changes in family composition, fluctuations in the local economy, HUD mandated program administrative changes, and the physical condition of the Authority's capital assets.

**Total Assets as of June 30, 2003 and 2004, respectively, were \$1,926,807 and \$1,562,556. This represents a net decrease of \$364,251. This decrease is due to a re-evaluation of original capital asset costs as well as the function of current depreciation exceeding capital outlays.**

**Current Assets** increased by \$27,228. The primary cause of this increase was related to the total amount accrued for Capital Fund Program grants receivable. The total receivable from HUD increased by \$17,241 or 536%. The CFP grants fluctuate annually due to changes and the nature of the projects. All funds not received from HUD for CFP expenditures incurred by the Authority at the fiscal year end are recorded as grants receivable from HUD. For example, grant funds receivable were \$3,219 in 2003 and \$20,460 in 2004. In 2003, the funds due to the Authority were for CFP 2001 program management expenditures. In 2004, the Authority incurred CFP 2002 expenses of \$17,000 and CFP 2003 expenses of \$3,460 for architect fees to provide plans for new roofs for all units. This 2004 total of \$20,460 is also recorded as a Low Rent interprogram fund receivable from CFP, which is a \$12,979 increase from 2003.

**Housing Authority of the Town of Patterson**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**  
**For the Year Ended June 30, 2004**

Current assets also decreased 80% in miscellaneous accounts receivable balances in 2004, but tenant account receivable balances increased 243%. Many tenants were laid off in 2004 due to several major and small business closings and have not been able to pay their balances in full each month. The Authority has arranged payment agreements with the majority of tenants.

**Net Capital Assets** decreased by \$392,233. A thorough review of available historical fixed asset records was made by management in 2000 for conversion to the generally accepted method of accounting. Nevertheless, new information became available recently. After reviewing this information, the 2004 beginning balances of capital assets was decreased by \$426,039 and miscellaneous adjustments of \$4,330 also resulted. Net Capital Assets were also decreased because Accumulated Depreciation is lowering the values of capital assets. The Authority incurred approximately \$115,566 in capital outlays. The overall effect was a net decrease in capital assets because cost adjustments and current depreciation exceeded capital outlays.

**Current Liabilities** increased by \$9,024 in 2004. The interprogram balance due to Low Rent Housing from the Capital Fund Program for funds expended during the fiscal year went from \$7,481 in 2003 to \$20,460 in 2004. As stated on page 2 in the Current Assets section, the CFP funds receivable and payable fluctuate from year to year, depending on the amount of funds that have been received for expenditures. The details on the \$20,460 balance due to the Low Rent program for 2004 are also stated on page 2 in the Current Assets section.

Current liability decreases also occurred in amounts outstanding at year-end of \$8,776 in vendor accounts payable and \$4,262 in PHDEP expenses payable. However, the total amount due at the end of 2004 to the local government for Payment in Lieu of Taxes increased by \$8,525 or 56%.

**Net Assets** -- The difference between an organization's assets and its liabilities is its net assets. Net assets are categorized as one of three types.

1. **Invested in capital assets, net of related debt** -- Capital assets, net of accumulated depreciation and reduced by debt attributable to the acquisition of those assets;
2. **Restricted** -- net assets whose use is subject to constraints imposed by law or agreement;
3. **Unrestricted** -- net assets that are neither invested in capital assets nor restricted.



**Housing Authority of the Town of Patterson**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**  
**For the Year Ended June 30, 2004**

Housing Authority of Patterson - Net Assets

	<u>2004</u>	<u>2003</u>
Current assets	\$ 324,664	\$ 297,436
Restricted assets	11,984	11,230
Capital assets (net)	<u>1,225,908</u>	<u>1,618,141</u>
Total assets	<u>1,562,556</u>	<u>1,926,807</u>
Current liabilities	57,032	48,976
Tenant security deposits	11,984	11,230
Long-term liabilities	<u>7,783</u>	<u>7,569</u>
Total Liabilities	<u>76,799</u>	<u>67,775</u>
Invested in capital assets (net)	1,225,908	1,127,916
Restricted Net Assets	0	0
Unrestricted Net Assets	<u>259,849</u>	<u>731,116</u>
Total Net Assets	<u>1,485,757</u>	<u>1,859,032</u>
Total Liabilities and Net Assets	<u>\$1,562,556</u>	<u>\$1,926,807</u>

For the year ended 2004 and 2003, total revenue was \$539,891 and \$713,470, respectively. Comparatively, 2004 revenue was less than 2003 revenue by \$173,579. The primary result was due to a decrease in HUD capital grant revenues. As stated earlier, the Capital Fund Program grants and expenditures fluctuate due to changes and the nature of the programs. During 2003 the Authority received \$299,911 for capital grants. These funds were used for cleaning out and replacing sewer lines. The Authority also started refurbishing 15 units by installing new cabinets, floors, doors, locks, and painting the units. In 2004 the Authority received \$115,566 to complete the work begun in 2003 to refurbish the 15 units and to obtain architectural plans to replace roofs on all units in 2005.

**Total Operating Expenses** decreased by 15% compared to 2003. This is primarily the net result of a decrease in depreciation expense. Since the adjustment to capital assets reduced the original costs, the annual depreciation expense is also reduced. The total decrease in depreciation expense for 2004 as compared to 2003 is \$86,030, or 52%.

**General and administrative** expenditures decreased by \$1,459, or 1%, as compared to 2003. The Authority experienced a \$3,268, or 92%, decrease in compensated absences expense because employees have reached the maximum amounts allowed. Since dwelling rent increased in 2004, the taxes due to the town of Patterson for PILOT also

**Housing Authority of the Town of Patterson**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**  
**For the Year Ended June 30, 2004**

increased by \$1,401. In addition, the authority incurred an increase of \$1,717 or 77% in collection losses from tenants due to employment layoffs in the area as previously stated in the Current Assets section.

Housing Authority of Patterson - Changes in Net Assets

	<u>2004</u>	<u>2003</u>
Revenues:		
Operating revenues:		
Public housing operating subsidy	\$ 208,456	\$ 210,685
Operating grants	32,263	28,923
Dwelling rental	176,319	164,353
Nonoperating revenues:		
Capital grants	115,566	299,911
Interest revenue	2,178	2,869
Miscellaneous	<u>5,109</u>	<u>6,729</u>
Total revenues	<u>539,891</u>	<u>713,470</u>
Expenses:		
General and administrative	189,911	191,370
Repairs and maintenance	128,716	126,339
Utilities	91,070	93,110
Depreciation and amortization	<u>81,760</u>	<u>167,790</u>
Total expenses	<u>491,457</u>	<u>578,609</u>
Increase in net assets	<u>48,434</u>	<u>134,861</u>
Net assets – July 1	* <u>1,437,323</u>	<u>1,724,171</u>
Net assets – June 30	<u>\$ 1,485,757</u>	<u>\$ 1,859,032</u>

\* NOTE: Balance of beginning net assets for 2004 does not equal ending net assets for 2003 due to capital asset cost adjustments.

**Budgetary Analysis – General Fund (Low Rent) Program Budgetary Highlights**

The only operating budget for the Low Rent program (there were no revisions) reflected a budget excess of revenues over expenditures of \$12,616. There were no significant variations in actual compared to budget for any income or expense account, at the total category level.

**Housing Authority of the Town of Patterson**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**  
**For the Year Ended June 30, 2004**

Capital Assets

**Capital assets.** The Housing Authority of the Town of Patterson's investment in capital assets as of June 30, 2004, amounts to \$1,225,908 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and furniture and equipment. The total decrease in the Authority's investment in capital assets for the current operating year was 25%. As previously stated, this was due to a re-evaluation of original capital asset costs and balances.

Additional capital asset purchases were only made through CFP funds as described on Page 4. No equipment purchases were made.

**Housing Authority of the Town of Patterson's Capital Assets (Restated)**

	<u>2004</u>	<u>2003 (Restated)</u>
Land	\$ 166,104	\$ 166,104
Buildings and improvements	1,051,416	1,025,291
Furniture and equipment	<u>8,388</u>	<u>707</u>
Total Capital Assets, net of depreciation	<u>\$1,225,908</u>	<u>\$1,192,102</u>

The Authority primarily acquires its assets with the proceeds from federal capital grants. *Commitments on approved capital asset construction projects currently consist of \$195,000 for roofing contracts due to be completed during fiscal year 2005. The contract will be funded through the CFP grants.*

**Economic Factors**

Significant economic factors affecting the Authority are as follows:

- Federal funding provided by Congress to the Department of Housing and Urban Development,
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore tenant rental income,
- Inflationary pressure on utility rates, supplies and other costs.

HOUSING AUTHORITY OF PATTERSON  
ENTERPRISE FUNDS - BALANCE SHEET  
YEAR ENDED JUNE 30, 2004

	General	Capital Fund Program	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 74,993	\$ 0	\$ 74,993
Investments	169,717	0	169,717
Accounts receivable net	4,318	20,460	24,778
Interest receivable	607	0	607
Interfund receivable	20,460	0	20,460
Prepaid items and other assets	30,288	0	30,288
Inventory	3,821	0	3,821
<b>Total Current Assets</b>	<b>304,204</b>	<b>20,460</b>	<b>324,664</b>
Restricted Assets			
Cash	11,984	0	11,984
Capital Assets, net			
Land	166,104	0	166,104
Buildings, and equipment (net)	640,566	419,238	1,059,804
<b>Total Capital Assets, net</b>	<b>806,670</b>	<b>419,238</b>	<b>1,225,908</b>
<b>Total Assets</b>	<b>\$ 1,122,858</b>	<b>\$ 439,698</b>	<b>\$ 1,562,556</b>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable	\$ 9,962	\$ 0	\$ 9,962
Compensated absences payable	2,829	0	2,829
Interfund payable	0	20,460	20,460
Accrued PILOT	23,781	0	23,781
<b>Total Current Liabilities</b>	<b>36,572</b>	<b>20,460</b>	<b>57,032</b>
Current Liabilities - payable from Current Restricted Assets -			
Deposits due others	11,984	0	11,984
Noncurrent Liabilities			
Compensated absences pa	7,783	0	7,783
<b>Total Liabilities</b>	<b>56,339</b>	<b>20,460</b>	<b>76,799</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	806,670	419,238	1,225,908
Unrestricted	259,849	0	259,849
<b>Net Assets</b>	<b>1,066,519</b>	<b>419,238</b>	<b>1,485,757</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 1,122,858</b>	<b>\$ 439,698</b>	<b>\$ 1,562,566</b>

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

HOUSING AUTHORITY OF PATTERSON  
 ENTERPRISE FUNDS – STATEMENT OF REVENUES,  
 EXPENSES AND CHANGES IN FUND NET ASSETS  
 YEAR ENDED JUNE 30, 2004

	General	Capital Fund Program	Total
<b>OPERATING REVENUES</b>			
Dwelling rental	\$ 170,077	\$ 0	\$ 170,077
Other	11,351	0	11,351
Total Operating Revenues	<u>181,428</u>	<u>0</u>	<u>181,428</u>
<b>OPERATING EXPENSES</b>			
Administration	118,090	16,075	134,165
Utilities	91,070	0	91,070
Ordinary maintenance & operations	128,716	0	128,716
General expenses	55,746	0	55,746
Depreciation	66,321	15,439	81,760
Total Operating Expenses	<u>459,943</u>	<u>31,514</u>	<u>491,457</u>
Income (loss) from Operations	<u>(278,515)</u>	<u>(31,514)</u>	<u>(310,029)</u>
Non Operating Revenues (Expenses)			
Interest earnings	2,178	0	2,178
Federal grants	224,644	131,641	356,285
Total Non-Operating Revenues (Expenses)	<u>226,822</u>	<u>131,641</u>	<u>358,463</u>
Income (loss) before contribution	<u>(51,693)</u>	<u>100,127</u>	<u>48,434</u>
Capital Contribution			
Transfers in	171,114	0	171,114
Transfers out	0	171,114	(171,114)
Change in net assets	<u>119,421</u>	<u>(70,987)</u>	<u>48,434</u>
Total net assets - beginning as originally stated	1,368,807	490,225	1,859,032
Prior period adjustment - Note 12	<u>(421,709)</u>	<u>0</u>	<u>(421,709)</u>
Total net assets - beginning as restated	947,098	0	1,437,323
Total net assets - ending	<u>\$ 1,066,519</u>	<u>\$ 419,238</u>	<u>\$ 1,485,757</u>

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

HOUSING AUTHORITY OF PATTERSON  
 ENTERPRISE FUNDS – STATEMENT OF CASH FLOWS  
 YEAR ENDED JUNE 30, 2004

	General	Capital Fund Program	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Rental receipts	\$ 168,192	\$ 0	\$ 168,192
Other receipts	(24,654)	17,241	(7,413)
Payments to vendors	(260,159)	(16,075)	(276,234)
Payments to employees – net	(104,506)	0	(104,506)
Net cash provided (used) by operating activities	(221,127)	1,166	(219,961)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Federal grants	224,644	(1,166)	223,478
Net cash provided (used) by non-capital financing activities	224,644	(1,166)	223,478
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of capital assets	0	(115,566)	(115,566)
Federal Capital Grants	0	115,566	115,566
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest income	2,167	0	2,167
Purchase of investments	(4,573)	0	(4,573)
Net cash provided (used) by interest income net of purchases of investment	(2,406)	0	(2,406)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	1,111	0	1,111
<b>CASH AND CASH EQUIVALENTS Beginning of Fiscal Year</b>	85,866	0	85,866
<b>CASH AND CASH EQUIVALENTS End of Fiscal Year</b>	\$ 86,977	\$ 0	\$ 86,977

Continued

HOUSING AUTHORITY OF PATTERSON  
 ENTERPRISE FUNDS – STATEMENT OF CASH FLOWS  
 YEAR ENDED JUNE 30, 2004

	General	Capital Fund Program	Total
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ (278,515)	\$ (31,514)	\$ (310,029)
Adjustment to reconcile operating income to net cash provided by operating activities:			
Depreciation Expense	66,321	15,439	81,760
Provision of uncollectible accounts	210	0	210
Provision for obsolete inventory	1,150	0	1,150
Change in assets and liabilities:			
Receivables	(2,095)	0	(2,095)
Due from other funds	(12,979)	0	(12,979)
Inventories	(807)	0	(807)
Prepaid items	772	0	772
Account payables	(10,245)	0	(10,245)
Accrued expenses	23,585	0	23,585
Deferred revenue	(4,262)	0	(4,262)
Due to other funds	(4,262)	17,241	12,979
Net cash provided by operations	\$ (221,127)	\$ 1,166	\$ (219,961)

Concluded

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

HOUSING AUTHORITY OF PATTERSON  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2004

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HOUSING AUTHORITY OF PATTERSON  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2004

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

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

The Housing Authority has the following units:

PHA Owned Housing	FW – 1426	104
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GASB Statement 14 establishes criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Housing Authority is considered a primary government, since it is a special purpose government that has a separate governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement 14, fiscally independent means that the Housing Authority may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt with HUD approval.

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

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

HOUSING AUTHORITY OF PATTERSON  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2004

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

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

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

All funds of the Housing Authority are classified as proprietary. The general fund accounts for the transactions of the public housing Low Rent program and the Drug Elimination program. The Capital Funding program accounts for Capital Funding grants.

### **C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

**New Accounting Standards Adopted** During the year ended June 30, 2004, the Authority adopted three new statements of financial accounting standards issued by the Government Accounting Standards Board (GASB):

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

HOUSING AUTHORITY OF PATTERSON  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2004

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

**PROPRIETARY FUNDS** Proprietary funds are accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The Housing Authority has elected, pursuant to GASB Statement No. 20, to apply all GASB pronouncements and only FASB pronouncements issued before November 13, 1989.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds' principal ongoing operations. The principal operating revenues of the Housing Authority's funds are rent and maintenance charges to residents and administration fees earned. Operating expenses for proprietary funds include the administrative costs of providing the service and the housing assistance payments to residents. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

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

HOUSING AUTHORITY OF PATTERSON  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2004

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

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

Definitions:

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

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

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

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

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

**I. CAPITAL ASSETS** Capital assets are recorded at historical cost and depreciated over their estimated useful lives (excluding salvage value). The capitalization threshold is \$5,000. Donated capital assets are recorded at their estimated fair value at the date of donation. Estimated useful live is management's estimate of how long the asset is expected to meet service demands. Straight line depreciation is used based on the following estimated useful lives:

Site improvements	10 years
Buildings	20 years
Building improvements	10 years
Furniture and equipment	3-7 years
Computers	3 years

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

HOUSING AUTHORITY OF PATTERSON  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2004

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

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

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

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

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

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

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

HOUSING AUTHORITY OF PATTERSON  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2004

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

- Category 1 - Insured or collateralized with securities held by the entity or by its agent in the entity's name
- Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name
- Category 3 - Uninsured and unregistered investments held by the counter-party, its trust department, or its agent, but not in the Authority's name

At June 30, 2004 the Housing Authority has Cash equivalents, and investments totaling \$256,694 as follows:

Cash on hand	\$	130
Demand deposits		76,412
Interest-bearing demand deposits		6,754
Time deposits		173,398
Total	\$	256,694
Cash and cash equivalents	\$	74,993
Cash and cash equivalents – restricted		11,984
Investments		169,717
Total	\$	256,694

Deposits are stated at cost, which approximates fair value.

Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The fair value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At June 30, 2004, the Housing Authority's carrying amount of deposits was \$256,564 and the bank balance was \$343,815. Of the bank balance, \$200,000 was covered by federal depository insurance (GASB Category 1). The remaining \$143,815 was collateralized with securities held by the pledging financial institution's trust department or agent but not in the Housing Authority's name (GASB Category 3).

HOUSING AUTHORITY OF PATTERSON  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2004

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

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

**NOTE 3 – ACCOUNTS RECEIVABLE** The receivables at June 30, 2004, are as follows:

<u>Class of Receivables</u>	<u>General</u>	<u>Housing Choice Voucher Fund</u>	<u>Total</u>
Local sources			
Tenants	3,668	0 \$	3,668
Other	650	0	650
Federal sources:			
Grants	0	20,460	20,460
Total	<u>4,318</u>	<u>20,460 \$</u>	<u>24,778</u>

The tenants account receivable is net of an allowance for doubtful accounts of \$431.

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

	Balance 6-30-03	Additions	Deletions	Balance 6-30-04
Land	\$ 166,104	\$ 0	\$ 0	\$ 166,104
Buildings	3,876,848	105,626	0	3,982,474
Furniture and equipment	20,280	9,940	0	30,220
Total	<u>4,063,232</u>	<u>115,566</u>	<u>0</u>	<u>4,178,798</u>
Less: accumulated depreciation				
Buildings	2,851,557	79,501	0	2,931,058
Furniture and equipment	19,573	2,259	0	21,832
Total	<u>2,871,130</u>	<u>81,760</u>	<u>0</u>	<u>2,952,890</u>
Fixed assets, net	<u>\$ 1,192,102</u>	<u>\$ 33,806</u>	<u>\$ 0</u>	<u>\$ 1,225,908</u>

HOUSING AUTHORITY OF PATTERSON  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2004

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

*Under a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The employer is required to make monthly contributions equal to 10% percent of each participant’s basic (excludes overtime) compensation. This payment represents a 4% contribution by the employee, and an 6% contribution by the Housing Authority.*

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

The Housing Authority’s contributions were calculated using the base salary amount of \$77,925. The Housing Authority made the required contributions of \$8,182 for the year ended June 30, 2004, of which \$5,065 was paid by the Housing Authority and \$3,117 was paid by employees. No payments were made out of the forfeiture account.

**NOTE 6 – ACCOUNTS PAYABLE** The payables at June 30, 2004 are as follows:

		General		Total
Vendors	\$	9,962	\$	9,962
Total	\$	9,962	\$	9,962



HOUSING AUTHORITY OF PATTERSON  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2004

**NOTE 7 – COMMITMENTS AND CONTINGENCIES**

**Litigation** The Housing Authority is not presently involved in litigation.

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

**Construction Projects** There are certain renovation or construction projects in progress at June 30, 2004. These include modernizing rental units. These projects are being funded by HUD. Funds are requested periodically as the cost is incurred.

**Risk Management** The Housing Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Housing Authority carries commercial insurance.

**NOTE 8 – INTERFUND RECEIVABLES / PAYABLES** Interfund receivables / payables at June 30, 2004 are as follows:

At June 30, 2004, the Capital Fund program owed \$20,460 to the Low Rent program.

**NOTE 9 – COMPENSATED ABSENCES** At June 30, 2004, employees of the Housing Authority have accumulated and vested \$10,612 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 June 30, 2004.

		Compensated Absences
Balance, beginning	\$	10,321
Additions		582
Deductions		291
Balance, ending		10,612
Amounts due in one year	\$	2,829

HOUSING AUTHORITY OF PATTERSON  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2004

**NOTE 11 – INTERFUND TRANSFERS** Interfund transfers for the year June 30, 2004 consists of the following:

<u>Transfer To</u>	<u>Transfer From</u>
Low Rent	Capital Fund

An equity transfer of the capital costs of a completed rehabilitation grant program of \$171,114 was finalized during the fiscal year.

**NOTE 12 – PRIOR YEAR ADJUSTMENTS** The PHA has obtained information, principally from Parish (county) court records, on original capital costs that differs from the previously available accounting information. The Authority has two projects, consisting of three sites per project. The information resulted in a total adjustment of \$421,709, of capital costs adjustments and the related accumulated depreciation.

**SUPPLEMENTARY INFORMATION**

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

YEAR ENDED JUNE 30, 2004

1. The Actual Modernization Costs are as follows:

	2000 Capital Fund	2001 Capital Fund
Funds approved	\$ 215,206	\$ 219,461
Funds expended	<u>215,206</u>	<u>219,461</u>
Excess of funds approved	<u>\$ 0</u>	<u>\$ 0</u>
Funds advanced	\$ 215,206	\$ 219,461
Funds expended	<u>215,206</u>	<u>219,461</u>
Excess of funds advanced	<u>\$ 0</u>	<u>\$ 0</u>

2. The distribution of costs by project as shown on the Final Statements of Modernization Costs dated October 14, 2003 and October 18, 2004 accompanying the Actual Modernization Costs Certificates submitted to HUD for approval are in agreement with the PHA's records.
3. All modernization costs have been paid and all related liabilities have been discharged through payment.

HOUSING AUTHORITY OF PATTERSON  
STATEMENT OF MODERNIZATION COSTS - UNCOMPLETED

YEAR ENDED JUNE 30, 2004

CASH BASIS

	2002 <u>Capital Fund</u>	2003 <u>Capital Fund</u>
Funds approved	\$ 212,889	\$ 165,282
Funds expended	<u>20,500</u>	<u>3,460</u>
Excess of funds approved	<u>\$ 192,389</u>	<u>\$ 161,822</u>
Funds advanced	\$ 3,500	\$ 0
Funds expended	<u>20,500</u>	<u>3,460</u>
Excess of funds advanced	<u>\$ (17,000)</u>	<u>\$ (3,460)</u>

**MIKE ESTES, P.C.**  
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MEMBER AMERICAN  
INSTITUTE OF CERTIFIED  
PUBLIC ACCOUNTANTS

MIKE ESTES, CPA

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

Housing Authority of Patterson  
Patterson, Louisiana

We have audited the financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Housing Authority of the City of Patterson state as of and for the year ended June 30, 2004, which collectively comprise the Housing Authority of the City of Patterson state's, basic financial statements and have issued our report thereon dated December 14, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Housing Authority of the City of Patterson'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*. We noted one immaterial instance of non-compliance. It is Audit Finding 04-01.

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

Mike Estes, P. C.  
Fort Worth, Texas  
December 14, 2004

HOUSING AUTHORITY OF PATTERSON  
STATEMENT OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2004

FEDERAL GRANTOR PROGRAM TITLE	<u>CDFA NO.</u>	<u>PROGRAM EXPENDITURES</u>
U. S. Department of Housing and Urban Development Direct Programs:		
Low-Income Housing Operating Subsidy	14.850	<u>208,456</u>
Drug Elimination Program	14.854	<u>16,188</u>
Public Housing Capital Fund	14.872	<u>131,641</u>
Total United States Department of Housing and Urban Development	\$	<u>356,285</u>
Total Expenditures of Federal Awards	\$	<u>356,285</u>



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

YEAR ENDED JUNE 30, 2004

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

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

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

		Federal Sources
Enterprise funds:		
Public Housing	\$	208,456
Drug Elimination		16,188
Capital Fund		131,641
Total	\$	356,285

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

**NOTE 5 – FEDERAL AWARDS PROGRAMS** In accordance with HUD Notice PIH 98-14, “federal awards” do not include Housing Authority operating income from rents or investments (or other non-federal sources). In addition, debt service annual contribution payments made by HUD directly to fiscal agents for holders of Housing Authority bonds or for Housing Authority notes held by the federal financing bank (FFB), are not considered when determining if the Single Audit Act “federal awards expended” threshold is met by the Housing Authority in a fiscal year. In addition, the entire amount of operating subsidy received during the fiscal year is considered to be “expended” during the fiscal year.

HOUSING AUTHORITY OF PATTERSON  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2004

**Financial Statement Audit**

- i. The type of audit report issued was unqualified.
- ii. There were no reportable conditions required to be disclosed by Government Auditing Standards issued by the Comptroller General of the United States.
- iii. There were no instances of noncompliance considered material, as defined by the Government Auditing Standards to the financial statements.

HOUSING AUTHORITY OF PATTERSON  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2004

Prior Audit Findings and Questioned Costs

The prior audit report contained three audit findings, as follows:

Finding 03-01 – Independent Verification of Income

In one of the eight tenant files we reviewed, in one instance employer income was verified by a review of the payroll check stubs, instead of written confirmation with the employer. This audit finding is repeated as Audit Finding 04-01.

Finding 03-02 – Inventory Needs Updating

The PHA did not have a complete inventory of ranges and refrigerators, listed by serial numbers and unit number. In addition, the PHA did not have a complete listed inventory of non expendable equipment. The PHA does now. This finding is cleared.

Finding 03-03 – Board Minutes

The PHA was not publishing the proceedings of its Board minutes. The PHA is now. This finding is cleared.

Current Audit Findings

Low Rent

Finding 04-01 – Independent Verification of Income

Statement of Condition

We reviewed eight tenant files. In two instances, the only evidence in the files that income was verified was social security statements received by the tenant. The PHA claims they obtained independent verification on the internet, from TASS. But, there was no evidence of this in the workpapers. In another instance, earned income was independently verified, but we could not recalculate the income used by the PHA to calculate tenant rent.

Criteria

Document review (which was evident from the social security benefit statements) is an acceptable method of income verification. However, per HUD Notice PIH 2004-1, page 9, the PHA must document why third party verification was not available.

Effect

On two of the exceptions, there was probably no effect. An immaterial instance in rental income was determined in the third exception – earned income was verified but we could not reconcile to the income used by the PHA.

HOUSING AUTHORITY OF PATTERSON  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2004

Cause

In two instances, apparent oversight in not keeping the documentation of the unsuccessful TASS verification attempt. In the third instance, either a note or calculation was possibly misplaced that reconciled Form 50058 reported income to that received from the employer.

Recommendation

From conversations, it is evident that personnel are familiar with the HUD-Notice PIH 2004-1. But, the PHA must document all types of income verification. If the HUD-preferred verification hierarchy is not possible, the PHA should document the reasons why.

There is anecdotal evidence that the Executive Director reviews the tenant file work done by the clerical assistant. But this should be better documented. I have reviewed quality control checklists with the Executive Director.

Corrective Action Plan - Response 04-01

I am Susan Mendoza, Executive Director and Designated Person to answer this finding. We will immediately improve our income verification documentation. On our next move-in or recertification I will start preparing the reviewer quality control checklists, on a test basis.

**SEE MANAGEMENT LETTER ON NEXT PAGE**

HOUSING AUTHORITY OF THE CITY OF PATTERSON  
SCHEDULE OF MANAGEMENT LETTER ITEMS

YEAR ENDED JUNE 30, 2004

04-MI – Board Minutes

The Board of Commissioners review a list of bills paid also the most recent bank statement. However, recent unaudited financial statements (no older than sixty days) should also be reviewed. I have discussed with the Executive Director how to approach this.

04-MI – Corrective Action Plan – Response

We will do this, starting at our February 2005 board meeting.

04-M2 – PHAS MASS

The PHA was exempt from filing the PHAS-MASS for the year ended June 30, 2004. But, the PHA filed it voluntarily. The PHA had vacancy days due casualty losses to two units. The vacant days were incorrectly not shown on V126. The V131 originally reported 63.69 for average unit turn-around days. The correct number was 51. The PHA should carefully review the instructions on the internet as soon as possible.

04-M2 – Corrective Action Plan – Response

I am already in the process of doing this.

04-M3 – Unpaid PILOT

At June 30, 2004, the PHA owed three years of PILOT. Normally, if a waiver is not obtained, PILOT should be paid – it is annually included in the PHA budget. This authority is negotiating with the City for the City to construct a parking lot at one site. The authority maintains that according to the cooperation agreement, this is the City's responsibility.

The PHA should aggressively pursue a resolution to this.

04-M3 – Corrective Action Plan – Response

We will try to resolve this as soon as possible.

PHA: LA070 FYED: 06/30/2004

Line Item No.	Account Description	Low Rent Public Housing	Public Housing Comprehensive Improvement Assistance Program	Public and Indian Housing Drug Elimination Program	Public Housing Capital Fund Program	Total
111	Cash - Unrestricted	\$74,993	\$0	\$0	\$0	\$74,993
114	Cash - Tenant Security Deposits	\$11,984	\$0	\$0	\$0	\$11,984
100	Total Cash	\$86,977	\$0	\$0	\$0	\$86,977
122	Accounts Receivable - HUD Other Projects	\$0	\$0	\$0	\$20,460	\$20,460
125	Accounts Receivable - Miscellaneous	\$207	\$0	\$0	\$0	\$207
126	Accounts Receivable - Tenants - Dwelling Rents	\$4,099	\$0	\$0	\$0	\$4,099
126.1	Allowance for Doubtful Accounts - Dwelling Rents	\$-431	\$0	\$0	\$0	\$-431
126.2	Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0
129	Accrued Interest Receivable	\$607	\$0	\$0	\$0	\$607
120	Total Receivables, net of allowances for doubtful accounts	\$4,482	\$0	\$0	\$20,460	\$24,942
131	Investments - Unrestricted	\$169,717	\$0	\$0	\$0	\$169,717
142	Prepaid Expenses and Other Assets	\$30,288	\$0	\$0	\$0	\$30,288
143	Inventories	\$4,971	\$0	\$0	\$0	\$4,971
143.1	Allowance for Obsolete Inventories	\$-1,150	\$0	\$0	\$0	\$-1,150
144	Interprogram Due From	\$20,460	\$0	\$0	\$0	\$20,460
150	Total Current Assets	\$315,745	\$0	\$0	\$20,460	\$336,205
161	Land	\$166,104	\$0	\$0	\$0	\$166,104
162	Buildings	\$2,919,917	\$0	\$0	\$401,777	\$3,321,694
164	Furniture, Equipment & Machinery - Administration	\$30,220	\$0	\$0	\$0	\$30,220
165	Leasehold Improvements	\$627,880	\$0	\$0	\$32,900	\$660,780
166	Accumulated Depreciation	\$-2,937,451	\$0	\$0	\$-15,439	\$-2,952,890
160	Total Fixed Assets, Net of Accumulated Depreciation	\$806,670	\$0	\$0	\$419,238	\$1,225,908
174	Other Assets	\$443	\$0	\$0	\$0	\$443
180	Total Non-Current Assets	\$807,113	\$0	\$0	\$419,238	\$1,226,351
190	Total Assets	\$1,122,858	\$0	\$0	\$439,698	\$1,562,556

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Line Item No.	Account Description	Low Rent Public Housing	Public Housing Comprehensive Improvement Assistance Program	Public and Indian Housing Drug Elimination Program	Public Housing Capital Fund Program	Total
312	Accounts Payable <= 90 Days	\$9,962	\$0	\$0	\$0	\$9,962
322	Accrued Compensated Absences - Current Portion	\$2,829	\$0	\$0	\$0	\$2,829
333	Accounts Payable - Other Government	\$23,781	\$0	\$0	\$0	\$23,781
341	Tenant Security Deposits	\$11,984	\$0	\$0	\$0	\$11,984
347	Interprogram Due To	\$0	\$0	\$0	\$20,460	\$20,460
310	Total Current Liabilities	\$48,556	\$0	\$0	\$20,460	\$69,016
354	Accrued Compensated Absences - Non Current	\$7,783	\$0	\$0	\$0	\$7,783
350	Total Noncurrent Liabilities	\$7,783	\$0	\$0	\$0	\$7,783
300	Total Liabilities	\$56,339	\$0	\$0	\$20,460	\$76,799
508	Total Contributed Capital	\$0	\$0	\$0	\$0	\$0
508.1	Invested in Capital Assets, Net of Related Debt	\$806,670	\$0	\$0	\$419,238	\$1,225,908
511	Total Reserved Fund Balance	\$0	\$0	\$0	\$0	\$0
511.1	Restricted Net Assets	\$0	\$0	\$0	\$0	\$0
512.1	Unrestricted Net Assets	\$259,849	\$0	\$0	\$0	\$259,849
513	Total Equity/Net Assets	\$1,066,519	\$0	\$0	\$419,238	\$1,485,757
600	Total Liabilities and Equity/Net Assets	\$1,122,858	\$0	\$0	\$439,698	\$1,562,556

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Line Item No.	Account Description	Low Rent Public Housing	Public Housing Comprehensive Improvement Assistance Program	Public and Indian Housing Drug Elimination Program	Public Housing Capital Fund Program	Total
703	Net Tenant Rental Revenue	\$170,077	\$0	\$0	\$0	\$170,077
704	Tenant Revenue - Other	\$6,242	\$0	\$0	\$0	\$6,242
705	Total Tenant Revenue	\$176,319	\$0	\$0	\$0	\$176,319
706	HUD PHA Operating Grants	\$208,456	\$0	\$16,188	\$16,075	\$240,719
706.1	Capital Grants	\$0	\$0	\$0	\$115,566	\$115,566
711	Investment Income - Unrestricted	\$2,178	\$0	\$0	\$0	\$2,178
715	Other Revenue	\$5,109	\$0	\$0	\$0	\$5,109
700	Total Revenue	\$392,062	\$0	\$16,188	\$131,641	\$539,891

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Line Item No.	Account Description	Low Rent Public Housing	Public Housing Comprehensive Improvement Assistance Program	Public and Indian Housing Drug Elimination Program	Public Housing Capital Fund Program	Total
911	Administrative Salaries	\$57,731	\$0	\$0	\$0	\$57,731
912	Auditing Fees	\$5,330	\$0	\$0	\$0	\$5,330
914	Compensated Absences	\$291	\$0	\$0	\$0	\$291
915	Employee Benefit Contributions - Administrative	\$18,872	\$0	\$0	\$0	\$18,872
916	Other Operating - Administrative	\$19,678	\$0	\$16,188	\$16,075	\$51,941
931	Water	\$23,169	\$0	\$0	\$0	\$23,169
932	Electricity	\$6,447	\$0	\$0	\$0	\$6,447
933	Gas	\$39,992	\$0	\$0	\$0	\$39,992
938	Other Utilities Expense	\$21,462	\$0	\$0	\$0	\$21,462
941	Ordinary Maintenance and Operations - Labor	\$38,616	\$0	\$0	\$0	\$38,616
942	Ordinary Maintenance and Operations - Materials and Other	\$28,812	\$0	\$0	\$0	\$28,812
943	Ordinary Maintenance and Operations - Contract Costs	\$48,707	\$0	\$0	\$0	\$48,707
945	Employee Benefit Contributions - Ordinary Maintenance	\$12,581	\$0	\$0	\$0	\$12,581
961	Insurance Premiums	\$43,260	\$0	\$0	\$0	\$43,260
962	Other General Expenses	\$3	\$0	\$0	\$0	\$3
963	Payments in Lieu of Taxes	\$8,525	\$0	\$0	\$0	\$8,525
964	Bad Debt - Tenant Rents	\$3,958	\$0	\$0	\$0	\$3,958
969	Total Operating Expenses	\$377,434	\$0	\$16,188	\$16,075	\$409,697
970	Excess Operating Revenue over Operating Expenses	\$14,628	\$0	\$0	\$115,566	\$130,194
974	Depreciation Expense	\$66,321	\$0	\$0	\$15,439	\$81,760
900	Total Expenses	\$443,755	\$0	\$16,188	\$31,514	\$491,457
1010	Total Other Financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	-\$51,693	\$0	\$0	\$100,127	\$48,434

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Line Item No.	Account Description	Low Rent Public Housing	Public Housing Comprehensive Improvement Assistance Program	Public and Indian Housing Drug Elimination Program	Public Housing Capital Fund Program	Total
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0	\$0	\$0	\$0
1103	Beginning Equity	\$1,368,807	\$171,114	\$0	\$319,111	\$1,859,032
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	-\$250,595	-\$171,114	\$0	\$0	-\$421,709
1120	Unit Months Available	1,261	0	0	0	1,261
1121	Number of Unit Months Leased	1,039	0	0	0	1,039