

RECEIVED  
LEGISLATIVE AUDITOR  
05 MAY -3 AM 11:08

**HOUSING AUTHORITY OF KINDER**  
**REPORT ON EXAMINATION OF**  
**FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA**  
**(UNAUDITED)**  
**TWELVE MONTHS ENDED DECEMBER 31, 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 6-29-05

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

## TABLE OF CONTENTS

	<u>EXHIBIT</u>	<u>PAGE</u>
<u>General Purpose Financial Statements</u>		
Compilation Report		1
Basic Financial Statements		
Balance Sheet - Enterprise Fund	A	2
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Enterprise Fund	B	3
Statement of Cash Flows - Enterprise Fund	C	4 - 5
Notes to the General-Purpose Financial Statements		6 - 15
Index		6
Notes to Financial Statements		7 - 15
<u>Supplementary Information</u>		
Statement of Actual Modernization Costs	E(1)	16
Statement of Modernization Costs - Uncompleted	E(2)	17
Schedule of Expenditures of Federal Awards		18
Notes to the Schedule of Expenditures of Federal Awards		19
Independent Accountant's Report on Applying Agreed - Upon Procedures		20 - 22
Louisiana Attestation Questionnaire		23 - 24
Schedule of Findings and Questioned Costs		25

**MIKE ESTES, P.C.**  
A PROFESSIONAL ACCOUNTING CORPORATION  
4200 AIRPORT FREEWAY ~ SUITE 100  
FORT WORTH, TEXAS 76117

---

(817) 831-3553  
METRO (817) 654-4063  
FAX (817) 831-3560  
e-mail: mestespc@swbell.net

MEMBER AMERICAN  
INSTITUTE OF CERTIFIED  
PUBLIC ACCOUNTANTS

MIKE ESTES, CPA

Board of Commissioners  
Housing Authority of Kinder  
Kinder, Louisiana

We have compiled the accompanying financial statements of the business-type activities and each major fund, for the year ended December 31, 2004, which collectively comprise the Housing Authority of Kinder, Louisiana's basic financial statements as listed in the table of contents, and the accompanying supplementary information, which are presented for supplementary analysis purposes, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements and supplemental schedules information that is the representation of management. We have not audited or reviewed the accompanying financial statements and supplementary information and, accordingly, do not express an opinion or any other form of assurance on them.

Management has not presented the management's discussion and analysis information that the Governmental Accounting Standards Board has determined is required to supplement, although not required to be a part of, the basic financial statements.

We have also performed agreed-upon procedures to test representations included in the Louisiana Attestation Questionnaire for the year-ended December 31, 2004, all included therein.

Mike Estes, P.C.  
Fort Worth, Texas  
April 20, 2005

HOUSING AUTHORITY OF KINDER  
ENTERPRISE FUNDS - BALANCE SHEET  
YEAR ENDED DECEMBER 31, 2004

	General	Capital Fund Program	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 21,445	\$ 0	\$ 21,445
Investments	63,300	0	63,300
Accounts receivable net	60	0	60
Interest receivable	140	0	140
Prepaid items and other assets	4,174	0	4,174
Inventory	106	0	106
Restricted assets – cash	2,258	0	2,258
Total Current Assets	<u>91,483</u>	<u>0</u>	<u>91,483</u>
Capital Assets, net			
Land	16,020	0	16,020
Buildings, and equipment (net)	161,555	117,314	278,869
Total Capital Assets, net	<u>177,575</u>	<u>117,314</u>	<u>294,889</u>
Total Assets	<u>\$ 269,058</u>	<u>\$ 117,314</u>	<u>\$ 386,372</u>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable	\$ 906	\$ 0	\$ 906
Accrued PILOT	4,535	0	4,535
Deposits due others	2,258	0	2,258
Total Current Liabilities	<u>7,699</u>	<u>0</u>	<u>7,699</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	177,575	117,314	294,889
Unrestricted	83,784	0	83,784
Net Assets	<u>261,359</u>	<u>117,314</u>	<u>378,673</u>
Total Liabilities and Net Assets	<u>\$ 269,058</u>	<u>\$ 117,314</u>	<u>\$ 386,372</u>

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

HOUSING AUTHORITY OF KINDER  
 ENTERPRISE FUNDS – STATEMENT OF REVENUES,  
 EXPENSES AND CHANGES IN FUND NET ASSETS  
 YEAR ENDED DECEMBER 31, 2004

	General	Capital Fund Program	Total
<b>OPERATING REVENUES</b>			
Dwelling rental	\$ 48,155	\$ 0	\$ 48,155
Other	2,100	0	2,100
Total Operating Revenues	<u>50,255</u>	<u>0</u>	<u>50,255</u>
<b>OPERATING EXPENSES</b>			
Administration	52,080	0	52,080
Tenant services	75	0	75
Utilities	2,134	0	2,134
Ordinary maintenance & operations	21,238	0	21,238
General expenses	25,343	0	25,343
Depreciation	31,891	3,321	35,212
Total Operating Expenses	<u>132,761</u>	<u>3,321</u>	<u>136,082</u>
Income (loss) from Operations	<u>(82,506)</u>	<u>(3,321)</u>	<u>(85,827)</u>
<b>Non Operating Revenues (Expenses)</b>			
Interest earnings	679	0	679
Federal grants	54,042	73,863	127,905
Total Non-Operating Revenues (Expenses)	<u>54,721</u>	<u>73,863</u>	<u>128,584</u>
Income (loss) before contribution and transfer	<u>(27,785)</u>	<u>70,542</u>	<u>42,757</u>
<b>Capital Contribution</b>			
Transfers in	55,331	0	55,331
Transfers out	0	55,331	55,331
Change in net assets	<u>27,546</u>	<u>15,211</u>	<u>42,757</u>
Total net assets - beginning	<u>233,813</u>	<u>102,103</u>	<u>335,916</u>
Total net assets - ending	<u>\$ 261,359</u>	<u>\$ 117,314</u>	<u>\$ 378,673</u>

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

HOUSING AUTHORITY OF KINDER  
 ENTERPRISE FUNDS – STATEMENT OF CASH FLOWS  
 YEAR ENDED DECEMBER 31, 2004

	General	Capital Fund Program	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Rental receipts	\$ 48,269	\$ 0	\$ 48,269
Other receipts	2,551	0	2,551
Payments to vendors	(54,817)	0	(54,817)
Payments to employees – net	(46,439)	0	(46,439)
Net cash provided (used) by operating activities	(50,436)	0	(50,436)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Federal grants	54,042	0	54,042
Net cash provided (used) by non-capital financing activities	54,042	0	54,042
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of capital assets	(21,913)	(73,863)	(95,776)
Federal Capital Grants	0	73,863	73,863
Net cash provided (used) by capital and related financing activities	(21,913)	0	(21,913)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest income	773	0	773
Purchase of investments	11,040	0	11,040
Net cash provided (used) by interest income net of purchases of investment	11,813	0	11,813
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(6,494)	0	(6,494)
<b>CASH AND CASH EQUIVALENTS Beginning of Fiscal Year</b>	30,197	0	30,197
<b>CASH AND CASH EQUIVALENTS End of Fiscal Year</b>	\$ 23,703	\$ 0	\$ 23,703

Continued

HOUSING AUTHORITY OF KINDER  
 ENTERPRISE FUNDS – STATEMENT OF CASH FLOWS  
 YEAR ENDED DECEMBER 31, 2004

	General	Capital Fund Program	Total
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ (82,506)	\$ (3,321)	\$ (85,827)
Adjustment to reconcile operating income to net cash provided by operating activities:			
Depreciation Expense	31,891	3,321	35,212
Change in assets and liabilities:			
Receivables	782	0	782
Due from other funds	(140)	0	(140)
Inventories	(106)	0	(106)
Prepaid items	(771)	0	(771)
Account payables	415	0	415
Accrued expenses	(1)	0	(1)
Net cash provided by operations	\$ <u>(50,436)</u>	\$ <u>0</u>	\$ <u>(50,436)</u>

**NONCASH INVESTING, CAPITAL  
AND FINANCING ACTIVITIES**

During the past year, the General fund received capital assets with a net value of \$55,331 from the Capital Fund program.

Concluded

HOUSING AUTHORITY OF KINDER  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2004

INDEX

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES .....	7
A. REPORTING ENTITIES .....	7
B. FUNDS .....	8
C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING .....	8
D. CASH AND CASH EQUIVALENTS .....	9
E. INVESTMENTS .....	9
F. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES .....	10
G. INVENTORY .....	10
H. PREPAID ITEMS .....	10
I. CAPITAL ASSETS .....	10
J. COMPENSATED ABSENCES .....	11
K. RESTRICTED NET ASSETS .....	11
L. INTERFUND ACTIVITY .....	11
M. USE OF ESTIMATES .....	11
NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS .....	11
NOTE 3 – ACCOUNTS RECEIVABLE .....	12
NOTE 4 – CAPITAL ASSETS .....	13
NOTE 5 – RETIREMENT SYSTEM .....	13
NOTE 6 – ACCOUNTS PAYABLE .....	14
NOTE 7 – COMMITMENTS AND CONTINGENCIES .....	14
NOTE 8 – INTERFUND TRANSFERS .....	15
NOTE 9 – ECONOMIC DEPENDENCE .....	15

HOUSING AUTHORITY OF KINDER  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 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 Kinder, serve staggered multi-year terms.

The Housing Authority has the following units:

Program	Contract Number	Number Of Units
PHA owned housing	FW – 669	30

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 Town of Kinder since the Town of Kinder appoints a voting majority of the Housing Authority’s governing board. The Town of Kinder 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 Town of Kinder. Accordingly, the Housing Authority is not a component unit of the financial reporting entity of the Town of Kinder.

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 criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability, which includes:

HOUSING AUTHORITY OF KINDER  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2004

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

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 is 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. The Capital Funding program accounts for Capital Funding grants.

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

**New Accounting Standards Adopted** During the year ended December 31, 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: Omnibus, an amendment of GASB Statements No.21 and 34*.
- Statement No. 38, *Certain Financial Statement Note Disclosures*.

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 Kinder. 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.

HOUSING AUTHORITY OF KINDER  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2004

The impact of GASB #34 on the net assets balance is as follows:

Retained Earnings, Beginning Balance as Previously Reported:		
Enterprise Funds	\$	212,758
Adjustment For:		
Reclassification of Contributed Capital		123,158
Net Assets, Beginning Balance, Business-type Activities	\$	335,916

**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 30, 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 equivalents include 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 by 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:

Investments in *nonparticipating* interest-earning contracts, such as nonnegotiable certificates of deposit with redemption terms that do not consider markets 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.

HOUSING AUTHORITY OF KINDER  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2004

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 \$500. Donated capital assets are recorded at their estimated fair value at the date of donation. Estimated useful life is management's estimate of how long the asset is expected to meet service demand. Straight-line depreciation is used based on the following estimated useful lives:

Site improvements	15 years
Buildings	33 years
Building improvements	15 years
Furniture and fixtures	5 to 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 KINDER  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 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.

**NOTE 2 - CASH, CASH EQUIVALENTS, 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

HOUSING AUTHORITY OF KINDER  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2004

At December 31, 2004 the Housing Authority has Cash equivalents, and investments totaling \$87,003 as follows:

Cash on hand	\$	50
Demand deposits		23,653
Time deposits		63,300
Total	\$	87,003
Cash and cash equivalents	\$	21,445
Cash and cash equivalents – restricted		2,258
Investments		63,300
Total	\$	87,003

Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 2004, the Housing Authority's carrying amount of deposits was \$86,953 and the bank balance was \$88,363. Of the bank balance, \$88,363 was covered by federal depository insurance (GASB Category 1).

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

**NOTE 3 – ACCOUNTS RECEIVABLE** The receivables at December 31, 2004, are as follows:

<u>Class of Receivables</u>	<u>General</u>	<u>Total</u>
Local sources:		
Tenants	\$ 60	\$ 60
Total	\$ 60	\$ 60

HOUSING AUTHORITY OF KINDER  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2004

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

	Balance 12/31/03	Additions	Deletions	Balance 12/31/04
Land	\$ 16,020	\$ 0	\$ 0	\$ 16,020
Buildings	1,121,934	49,811	0	1,171,745
Furniture and equipment	59,939	21,913	20,889	60,963
Construction in progress	46,772	24,052	0	70,824
Total	<u>1,244,665</u>	<u>95,776</u>	<u>20,889</u>	<u>1,319,552</u>
Less: accumulated depreciation				
Buildings	945,446	26,391	0	971,837
Furniture and equipment	64,894	8,821	20,889	52,826
Total	<u>1,010,340</u>	<u>35,212</u>	<u>20,889</u>	<u>1,024,663</u>
Fixed assets, net	<u>\$ 234,325</u>	<u>\$ 60,564</u>	<u>\$ 0</u>	<u>\$ 294,889</u>

**NOTE 5 – RETIREMENT SYSTEM** The Housing Authority participates in a defined contribution plan. 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 13.5% percent of each participant's basic (excludes overtime) compensation. This payment represents a 5% contribution by the employee, and an 8.5% 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 \$21,600. The Housing Authority made the required contributions of \$2,610 for the year ended December 31, 2004, of which \$1,530 was paid by the Housing Authority and \$1,080 was paid by employees. No payments were made out of the forfeiture account.

HOUSING AUTHORITY OF KINDER  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2004

**NOTE 6 – ACCOUNTS PAYABLE** The payables at December 31, 2004 are as follows:

		General	Housing Choice Voucher Fund		Total
Vendors	\$	692	\$ 0	\$	692
Payroll taxes & Retirement withheld		214	0		214
Total	\$	906	\$ 0	\$	906

**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 periodically 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 December 31, 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.

HOUSING AUTHORITY OF KINDER  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2004

**NOTE 8 – INTERFUND TRANSFERS** Interfund transfers for the year December 31, 2004 consists of the following:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Low Rent	Capital Fund	\$ 55,331

The Capital Fund transferred \$55,331 of hard costs on completed grants to the Low Rent program.

**NOTE 9 – ECONOMIC DEPENDENCE** The Department of Housing and Urban Development provided \$127,905 to the Housing Authority, which represents approximately 72% of the Housing Authority's total revenue for the year.

SUPPLEMENTARY INFORMATION

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

YEAR ENDED DECEMBER 31, 2004

CASH BASIS

1. The Actual Modernization Costs are as follows:

		2001 Capital Fund
Funds approved	\$	62,500
Funds expended		62,500
Excess of funds approved	\$	0
Funds advanced	\$	62,500
Funds expended		62,500
Excess of funds advanced	\$	0

2. The distribution of costs by project as shown on the Final Statement of Modernization Costs dated February 14, 2005 accompanying the Actual Modernization Costs Certificate submitted to HUD for approval is in agreement with the PHA's records.
3. All modernization costs have been paid and all related liabilities have been discharged through payment.

HOUSING AUTHORITY OF KINDER  
STATEMENT OF MODERNIZATION COSTS – UNCOMPLETED

YEAR ENDED DECEMBER 31, 2004

CASH BASIS

	2002 <u>Capital Fund</u>		2003 <u>Capital Fund</u>		Bonus 2003 <u>Capital Fund</u>
Funds approved	\$ 57,705	S	44,802	\$	9,463
Funds expended	<u>32,001</u>		<u>39,162</u>		<u>5,635</u>
Excess of funds approved	<u>\$ 25,704</u>	S	<u>5,640</u>	\$	<u>3,828</u>
Funds advanced	\$ 32,001	S	39,162	\$	5,635
Funds expended	<u>32,001</u>		<u>39,162</u>		<u>5,635</u>
Excess of funds advanced	<u>\$ 0</u>	S	<u>0</u>	\$	<u>0</u>

See accountants' report

HOUSING AUTHORITY OF KINDER  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 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>54,042</u>
Public Housing Capital Fund	14.872	<u>73,863</u>
Total United States Department of Housing and Urban Development	\$	<u>127,905</u>
Total Expenditures of Federal Awards	\$	<u>127,905</u>

See accountants' report

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

YEAR ENDED DECEMBER 31, 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 Kinder, 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
General	\$	54,042
Capital Fund		73,863
Total	\$	127,905

**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** For those funds that have matching revenues and state funding, federal expenditures were determined by deducting matching revenues from total expenditures. 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.

**MIKE ESTES, P.C.**  
A PROFESSIONAL ACCOUNTING CORPORATION  
4200 AIRPORT FREEWAY – SUITE 100  
FORT WORTH, TEXAS 76117

---

MIKE ESTES, CPA

(817) 831-3553  
METRO (817) 654-4063  
FAX (817) 831-3560  
e-mail: mestespe@swbell.net

MEMBER AMERICAN  
INSTITUTE OF CERTIFIED  
PUBLIC ACCOUNTANTS

Independent Accountant's Report  
on Applying Agreed-Upon Procedures

Board of Commissioners  
Housing Authority of Kinder  
Kinder, Louisiana

We have performed the procedures included in the *Louisiana Government Audit Guide* and enumerated below, which were agreed to by the management of Housing Authority of Kinder, Louisiana solely to assist the users in evaluating management's assertions about compliance with certain laws and regulations during the year ended December 31, 2004 included in the accompanying *Louisiana Attestation Questionnaire*. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

***Public Bid Law***

1. Select all expenditures made during the year for material and supplies exceeding \$20,000, or public works exceeding \$100,000, and determine whether such purchases were made in accordance with LSA-RS 38:2211-2251 (the public bid law).

There were two expenditures made during the year for materials and supplies exceeding \$20,000. We examined documentation which indicated that these expenditures had been properly advertised and accepted in accordance with the provisions of LAS-RS 38:2211-2251.

***Code of Ethics for Public Officials and Public Employees***

2. Obtain from management a list of the immediate family members of each board member as defined by LSA-RS 42:1101-1124 (the code of ethics), and a list of outside business interests of all board members and employees, as well as their immediate families.

Management provided us with the required list including the noted information.

3. Obtain from management a listing of all employees paid during the period under examination.

Management provided us with the required list.

4. Determine whether any of those employees included in the listing obtained from management in agreed-upon procedure (3) were also included on the listing obtained from management in agreed-upon procedure (2) as immediate family members.

None of the employees included on the list of employees provided by management [agreed-upon procedure (3)] appeared on the list provided by management in agreed-upon procedure (2).

### ***Budgeting***

5. Obtained a copy of the legally adopted budget and all amendments.

Management provided us with a copy of the original budget. There were no amendments to the budget during the year.

6. Trace the budget adoption and amendments to the minute book.

We traced the adoption of the original budget to the minutes of a meeting held on October 27, 2003 which indicated that the budget had been adopted by the commissioners by unanimous consensus. No amendments were made to the budget during the year.

7. Compare the revenues and expenditures of the final budget to actual revenues and expenditures to determine if actual revenues failed to meet budgeted revenues by 5% or more or if actual expenditures exceed budgeted amounts by 5% or more.

We compared the revenues and expenditures of the final budget to actual revenues and expenditures. Actual revenues and expenditures for the year did not exceed budgeted amounts by more than 5%.

### ***Accounting and Reporting***

8. Randomly select a minimum of 6 disbursements made during the period under examination and:

- a) trace payments to supporting documentation as to proper amount and payee;

We examined supporting documentation for each of the forty-two selected disbursements (excluding payroll that was also reviewed) and found that payment was for the proper amount and made to the correct payee.

- b) determine if payments were properly coded to the correct fund and general ledger account; and

All of the payments were properly coded to the correct fund and general ledger account.

- c) determine whether payments received approval from proper authorities.

Inspection documentation supporting each of the forty-two selected disbursements indicated approvals from the Executive Director and the chairman of the Board of Commissioners.

### ***Meetings***

9. Examine evidence indicating that agendas for meetings recorded in the minute book were posted or advertised as required by LSA-RS 42:1 through 42:12 (the open meetings law). The PHA is publishing the proceedings of its meetings in a local newspaper.

The Housing Authority of Kinder is only required to post a notice of each meeting and the accompanying agenda on the door of the PHA's office building. Although management has asserted that such documents were properly posted, we could find no evidence supporting such assertion other than an unmarked copy of the notices and agendas.

### ***Debt***

10. Examine bank deposits for the period under examination to determine whether any such deposits appear to be proceeds of bank loans, bonds or like indebtedness.

We inspected copies of all bank deposit slips for the period under examination and noted no deposits which appeared to be proceeds of bank loans, bonds or like indebtedness.

### ***Advances and Bonuses***

11. Examine payroll records and minutes for the year to determine whether any payments have been made to employees which may constitute bonuses, advances or gifts.

A reading of the minutes of the Authority for the year indicated no approval for the payments noted. We also inspected payroll records for the year and noted no instances which would indicate payments to employees which would constitute bonuses, advances or gifts.

Our prior year report, dated June 24, 2004, did not include any comments or unresolved matters.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for use of management of the Housing Authority and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. 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  
April 20, 2005

**LOUISIANA ATTESTATION QUESTIONNAIRE  
(For Attestation Engagements of Government)**

April 20, 2005 (Date Transmitted)

\_\_\_\_\_  
Mike Estes, P.C.

\_\_\_\_\_  
4200 Airport Freeway #100

\_\_\_\_\_  
Fort Worth, Texas 76117

\_\_\_\_\_  
(Auditors)

In connection with your compilation of our financial statements as of December 31, 2004 and for the year then ended, we make the following representations to you. We accept full responsibility for our compliance with the following laws and regulation and the internal controls over compliance with such laws and regulations. We have evaluated our compliance with the following laws and regulations prior to making these representations.

These representations are based on the information available to us as of April 20, 2005.

**Public Bid Law**

It is true that we have complied with the public bid law, LSA-RS Title 38:2212, and, where applicable, the regulations of the Division of Administration, State Purchasing Office.

Yes [ X ] No [ ]

**Code of Ethics for Public Officials and Public Employees**

It is true that no employees or officials have accepted anything of value, whether in the form of a service, loan, or promise, from anyone that would constitute a violation of LAS-RS 42:1101-1124.

Yes [ X ] No [ ]

It is true that no member of the immediate family of any member of the governing authority, or the chief executive of the governmental entity, has been employed by the governmental entity after April 1, 1980, under circumstances that would constitute a violation of LSA-RS 42:1119.

Yes [ X ] No [ ]

**Budgeting**

We have complied with the state budgeting requirements of the Local Government Budget Act (LSA-RS 39:1301-14) or the budget requirements of LSA-RS 39:34.

Yes [ X ] No [ ]

**Accounting and Reporting**

All non-exempt governmental records are available as a public record and have been retained for at least three years, as required by LSA-RS 44:1, 44:7, 44:31 and 44:36.

Yes [ X ] No [ ]

We have filed our annual financial statements in accordance with LSA-RS 24:514, 33:463, and/or 39:92, as applicable.

Yes [ X ] No [ ]

**Meetings**

We have complied with the provisions of the Open Meetings Law, provided in RS 42:1 through 42:12.

Yes [ X ] No [ ]

**Debt**

It is true we have not incurred any indebtedness, other than credit for 90 days or less to make purchases in the ordinary course of administration, nor have we entered into any lease-purchase agreements, without the approval of the State Bond Commission, as provided by Article VII, Section 8 of the 1974 Louisiana Constitution, Article VI, Section 33 of the 1974 Louisiana Constitution, and LSA-RS 39:1410.60-1410.65.

Yes [ X ] No [ ]

**Advances and Bonuses**

It is true we have not advanced wages or salaries to employees or paid bonuses in violation of Article VII, Section 14 of the 1974 Louisiana Constitution, LSA-RS 14:138, and AG opinion 79-729.

Yes [ X ] No [ ]

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations. We have made available to you documentation relating to the foregoing laws and regulations.

We have provided you with any communications from regulatory agencies or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of this report. We acknowledge our responsibility to disclose to you any known noncompliance which may occur subsequent to the issuance of your report.



Executive Director

4-28-05

Date

HOUSING AUTHORITY OF KINDER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2004

Prior Findings

None

Current Findings

None

Prior Year Management Letter Item

The prior report contained one management letter item. We recommended the PHA improve the documentation of its quality control reviews of its tenant files. In the current year, the PHA followed our recommendation.