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**Housing Authority of the
PARISH OF LAFOURCHE**
Raceland, Louisiana

**General Purpose Financial Statements and
Independent Auditor's Reports
As of and for the Year Ended September 30, 2002
With Supplemental Information Schedules**

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

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MANDEVILLE, LOUISIANA 70471

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 4/16/03

HOUSING AUTHORITY OF THE PARISH OF LAFOURCHE
 Raceland, Louisiana
 General Purpose Financial Statements
 As of and for the Fiscal Year Ended September 30, 2002
 With Supplemental Information Schedules

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the Parish of Lafourche
Raceland, Louisiana

I have audited the accompanying general-purpose financial statements of the *Housing Authority of the Parish of Lafourche* as of and for the year ended September 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the authority's management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

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

In my opinion, the general purpose financial statements referred to above present fairly in all material respects, the financial position of the Housing Authority of the Parish of Lafourche as of September 30, 2002, and the results of its operations and the cash flows of its propriety fund types for the year ended in conformity with U.S. generally accepted accounting principles.

HOUSING AUTHORITY OF THE PARISH OF LAFOURCHE

Raceland, Louisiana
Independent Auditor's Report, 2002
Page Two

In accordance with Government Auditing Standards, I have also issued a report dated February 05, 2003 on my consideration of the authority's internal control over financial reporting and my tests of its compliance with certain laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

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

 **William Daniel McCaskill, CPA,**
APAC

Signature Valid

Digitally signed by William Daniel
McCaskill, CPA, APAC
DN: cn=William Daniel McCaskill,
CPA, APAC, c=US
Date: 2003.03.31 12:05:41 -06'00'

William Daniel McCaskill, CPA
A Professional Accounting Corporation

February 05, 2003

HOUSING AUTHORITY OF THE PARISH OF LAFOURCHE

Exhibit A

Raceland, Louisiana
 Combined Balance Sheet - Proprietary Fund Type - Enterprise Funds
 As of September 30, 2002

<u>Assets</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 1,035,901
Accounts Receivable - Miscellaneous	3,744
Accounts Receivable - Tenants Dwelling Rents	9,786
Allowance for Doubtful Accounts - Dwelling Rents	(2,164)
Investments - Unrestricted	56,464
Interprogram Due From	103,100
Prepaid Expenses and Other Assets	167,300
Inventories	2,742
Total Current Assets	<u>1,376,873</u>
Restricted Assets:	
Cash	60,708
Investments	3,998,541
Total Restricted Assets	<u>4,059,249</u>
Fixed Assets, Net of Accumulated Depreciation:	
Land	694,394
Buildings	17,533,374
Furniture, Equipment & Machinery - Dwellings	155,674
Furniture, Equipment & Machinery - Administration	261,310
Leasehold Improvements	1,988,649
Accumulated Depreciation	(8,958,173)
Total Fixed Assets, Net of Accumulated Depreciation	<u>11,675,228</u>
Other Assets	
Notes, Loans, & Mortgages Receivable - Non Current	451,102
	<u>7,757,545</u>
Total Assets	<u>25,319,997</u>
<u>Liabilities and Equity</u>	
Current Liabilities (payable from current assets):	
Accounts Payable	\$ 238,644
Accrued Wages and Payroll Taxes Payable	9,370
Accrued Compensated Absences - Current	13,867
Accrued Interest Payable	61,429
Current Portion of LT Debt - Capital Projects	44,146
Accrued Liabilities - Other	3,987
Interprogram Due To	103,100
Total Current Liabilities (payable from current assets)	<u>474,543</u>
Current Liabilities (payable from restricted assets):	
Tenant Security Deposits	<u>60,708</u>
Long-term Liabilities:	
Long-term Debt, net of current - Capital Projects	12,653,960
Accrued Compensated Absences - Non Current	14,753
Total Long-term Liabilities	<u>12,668,713</u>
Total Liabilities	<u>13,203,964</u>
Equity:	
Contributed Capital	11,102,616
Retained Earnings (Deficit)	1,013,417
Total Equity	<u>12,116,033</u>
Total Liabilities and Equity	<u>\$ 25,319,997</u>

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

HOUSING AUTHORITY OF THE PARISH OF LAFOURCHE

Exhibit B

Raceland, Louisiana

Proprietary Fund Type - Enterprise Funds

Combined Statement of Revenues, Expenses, and Changes in Retained Earnings

For Fiscal Year Ended September 30, 2002

Operating Revenues:	
Net Tenant Rental Revenue	\$ 1,116,650
Tenant Revenue - Other	34,749
Other Revenue	246,295
Total Operating Revenues	<u>1,397,694</u>
Operating Expenses:	
Administrative Expenses	491,834
General Expenses	248,903
Ordinary Maintenance & Operation	477,418
Extraordinary Maintenance & Operation	16,107
Utilities	148,229
Housing Assistance Payments	623,324
Depreciation Expense	751,405
Total Operating Expenses	<u>2,757,220</u>
Operating Income (Loss)	<u>(1,359,526)</u>
Non-operating Revenues (Expenses)	
Federal Operating Grants	1,243,220
Federal Capital Grants	222,074
Investment Income - Unrestricted	102,328
Investment Income - Restricted	272,541
Interest Expense	(707,040)
Casualty Losses	(62,207)
Total Non-operating Revenues (Expenses)	<u>1,070,916</u>
Net Income (Loss)	<u>(288,610)</u>
Add depreciation on fixed assets acquired by grants, entitlements, and shared revenues externally restricted for capital acquisitions and construction that reduces contributed capital	<u>-</u>
Increase (Decrease) in Retained Earnings	(288,610)
Retained Earnings at Beginning of Year	969,148
Prior Period Adjustments	<u>332,879</u>
Retained Earnings at End of Year	<u>1,013,417</u>

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

HOUSING AUTHORITY OF THE PARISH OF LAFOURCHE

Exhibit C

Raceland, Louisiana

**Combined Statement of Cash Flows - Proprietary Fund Type - Enterprise Funds
For Fiscal Year Ended September 30, 2002**

Cash flows from operating activities:	
Operating Income (Loss)	\$ (1,359,526)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:	
Depreciation	751,405
Other	5,596
Investment fee expense	5,475
(Increase) Decrease in tenants accounts receivable	(449)
(Increase) Decrease in accounts receivable HUD	8,400
(Increase) Decrease in misc accounts receivable	(1,443)
(Increase) Decrease in prepaid items and other assets	(56,053)
(Increase) Decrease in supplies inventory	(942)
(Increase) Decrease in accrued interest receivable	381
Increase (Decrease) in accounts payable	11,228
Increase (Decrease) in wages/payroll taxes payable	4,531
Increase (Decrease) in accounts payable HUD	(290,307)
Increase (Decrease) in accounts payable other government	5,991
Increase (Decrease) in accrued compensated absences	(55,291)
Increase (Decrease) in tenant security deposits	(2,077)
Increase (Decrease) in other payables and deferred revenue	5,950
Net cash provided (used) by operating activities	<u>(967,131)</u>
Cash flows from noncapital financing activities	
Proceeds from federal operating grants	<u>1,243,220</u>
Cash flows from capital and related financing activities:	
Prinipal paid on mortgage	(20,605)
Interest and fiscal charges paid on bond debt	(282,197)
Payments to acquire, construct, or improve capital assets	(227,948)
Proceeds from federal capital grants	222,074
Casualty Losses	(62,207)
Net cash provided (used) for capital and related financing activities	<u>(370,883)</u>
Cash flow from investing activities:	
Investment income (interest income)	<u>24,753</u>
Net cash provided (used) for investing activities	<u>24,753</u>
Net increase (decrease) in cash and cash equivalentents	(70,041)
Cash and cash equivalentents at beginning of year	<u>1,166,650</u>
Cash and cash equivalentents at end of year	<u>\$ 1,096,609</u>

There were no non cash transactions

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

HOUSING AUTHORITY OF THE PARISH OF LAFOURCHE

Raceland, Louisiana

Notes to the Financial Statements

Fiscal Year Ended September 30, 2002

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

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

At September 30, 2002, the authority was managing a Low Rent Public Housing Program, a Housing Choice Vouchers Program, a Comprehensive Grant Program, a Capital Fund Program and a Public and Indian Housing Drug Elimination Program. Component units are described in Note A.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Basis of Presentation

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

(2) Financial Reporting Entity

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Because the authority is legally separate and fiscally independent, the authority is a separate governmental reporting entity.

The authority is a related organization of the Parish of Lafourche, Louisiana since

HOUSING AUTHORITY OF THE PARISH OF LAFOURCHE

Raceland, Louisiana

Notes to the Financial Statements, 2002 – Continued

the parish policy jury appoints a voting majority of the authority's governing board. The parish is not financially accountable for the authority as it cannot impose its will on the authority and there is no potential for the authority to provide financial benefit to, or impose financial burdens on, the parish. Accordingly, the authority is not a component unit of the financial reporting entity of the parish.

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

GASB Statement No. 14 established criteria for determining which component units should be considered part of the authority for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include:

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

As required by generally accepted accounting principles, these financial statements present the authority (the primary government) and its component units. The component units included in the accompanying financial statements are blended with the authority's funds.

Blended Component Units

Component units that are legally separate from the authority, but are so intertwined with the authority that they are, in substance, the same as the authority are blended component units. For a component unit to be blended, the organization's board and the authority's board must be substantively the same, or the organization must provide services entirely or almost entirely to the

HOUSING AUTHORITY OF THE PARISH OF LAFOURCHE

Raceland, Louisiana

Notes to the Financial Statements, 2002 – Continued

authority. The following component units are reported as part of the authority and blended with the appropriate authority funds:

Community Development Corporation of Lafourche, Inc. (CDC)

This nonprofit entity was formed by the authority in 1997 to create another avenue to provide low-income housing. The entity's fiscal year end is December 31. CDC was determined to be a component unit of the authority because the authority can impose its will on CDC. The financial statements of CDC may be obtained by calling or writing the authority at 800-527-2793 or P.O. Box 499, Raceland, Louisiana 70394. The entity previously received \$8,344,210 of upfront grants from HUD for the purpose of replacing 200 subsidized rental units. CDC performed this task by passing along the grant funds to two affordable apartment developments in the form of non-forgivable second mortgages which require all repayments of the second mortgages to be reinvested by CDC in the production of new affordable housing.

City Place II Housing Development, Inc. (CPII)

This nonprofit entity was created by the authority in 2001 for the purpose of owning and operating a 112-unit residential project located in Lockport, Louisiana. The entity's fiscal year end is September 30. CP II was determined to be a component unit of the authority because the authority can impose its will on CP II and because the entity's board is the authority's board of commissioners. The financial statements of CP II may be obtained by calling or writing the authority at 800-527-2793 or P.O. Box 499, Raceland, Louisiana 70394. CPII owns and operates 112 units of affordable rental properties in Lafourche Parish. CP II assumed an FHA insured 221(d)(4) first mortgage and an upfront grant pass-through mortgage. The authority issued GNMA guaranteed bonds for the benefit of CPII in acquiring the apartment property.

Component Units Excluded

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

(3) Fund Accounting

The authority uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain

HOUSING AUTHORITY OF THE PARISH OF LAFOURCHE

Raceland, Louisiana

Notes to the Financial Statements, 2002 – Continued

government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

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

(4) Basis of Accounting

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

(5) Budgetary Data

The authority is required by its HUD Annual Contributions Contract to adopt annual budgets for the Low Rent Public Housing Program and the Section 8 Programs. Annual budgets are not required for modernization and drug elimination grants as their budgets are approved for the length of the project. Both annual and project length budgets require grantor approval.

(6) Use of Estimates

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

(7) Cash and Cash Equivalents

Cash includes amounts in demand deposits and interest-bearing demand deposits. Cash equivalents include amounts in certificates of deposits and those investments with original maturities of 90 days or less. Under state law, the authority may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

(8) Investments

HOUSING AUTHORITY OF THE PARISH OF LAFOURCHE

Raceland, Louisiana

Notes to the Financial Statements, 2002 – Continued

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

(9) Short-term Interfund Receivables and Payables

Short-term interfund loans are classified as Interprogram Due From and Due To. No eliminations have been made in the accompanying financial statements.

(10) Inventories

Inventory items are valued at cost on a first-in first-out (FIFO) basis. Any difference between cost and market is deemed immaterial. The authority uses a periodic inventory system and accounts for inventory using the purchase method.

(11) Prepaid Items

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

(12) Fixed Assets

Fixed assets are recorded at historical cost and depreciated over their estimated useful lives (excluding salvage value) using the straight-line method. Donated capital assets are recorded at their estimated fair value at the date of donation. The capitalization limit ranges between \$1 to \$1,000. Estimated useful lives, in years, for depreciable assets are as follows:

Leasehold improvements	15 Years
Buildings	33 Years
Building improvements	15 Years
Non-dwelling structures	33 Years
Equipment	3-7 Years

Interest costs during construction have been capitalized. Infrastructure such as parking lots and sidewalks are included in leasehold improvements. All land and buildings are encumbered by a Declaration of Trust in favor of the United States of America as security for obligations guaranteed by the government and to protect other interests of the government.

(13) Compensated Absences

Employees may accumulate an unlimited number of annual and sick leave hours. Depending on their length of service, employees receive payment for up to 300 annual leave hours upon termination or retirement at their then current rate of

HOUSING AUTHORITY OF THE PARISH OF LAFOURCHE

Raceland, Louisiana

Notes to the Financial Statements, 2002 – Continued

pay. Employees are not compensated for unused sick leave. The cost of current leave privileges, computed in accordance with GASB Codification Section C60 is recognized as a current year expense when leave is earned.

NOTE B – CASH AND CASH EQUIVALENTS

At September 30, 2002, the authority has cash and cash equivalents (book balances) totaling \$900,988 as follows:

Interest-bearing demand deposits	\$900,863
Other	125
Total	<u>\$900,988</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal or exceed the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At September 30, 2002, the authority has \$935,724 in deposits (bank balances), categorized below to reflect the amount of risk assumed by the authority.

GASB Category 1	\$100,000
GASB Category 2	-
GASB Category 3	835,724
Total	<u>\$935,724</u>

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

At September 30, 2002, City Place II, Inc., has cash and cash equivalents (book balances) totaling \$195,622 as follows:

Demand deposits	\$77,156
Interest-bearing demand deposits	118,466
Total	<u>\$195,622</u>

At various times during the year the cash and cash equivalents on deposit with one banking institution exceeded the \$100,000 insured by the Federal Deposit

HOUSING AUTHORITY OF THE PARISH OF LAFOURCHE

Raceland, Louisiana

Notes to the Financial Statements, 2002 – Continued

Insurance Corporation. Management monitors the financial condition of the financial institution on a regular basis, along with the balances in cash and cash equivalents to minimize this potential risk.

NOTE C – INVESTMENTS

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the authority or its agent in the authority's name.
2. Uninsured and unregistered, with securities held by the counter party's trust department or agent in the authority's name.
3. Uninsured and unregistered, with securities held by the counter party, or by its trust department or agent but not in the authority's name.

At fiscal year-end, the authority's unrestricted investment balances were as follows:

<u>Type of Investment</u>	<u>Category</u>			<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>
	1	2	3		
U.S. Treasury Bonds	None	\$55,748	None	\$55,748	\$54,789
Money Funds	716	None	None	716	-
Total	<u>\$716</u>	<u>\$55,748</u>	<u>None</u>	<u>\$56,464</u>	<u>\$54,789</u>

At fiscal year-end, the authority's restricted investment balances were as follows:

<u>Type of Investment</u>	<u>Category</u>			<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>
	1	2	3		
GNMA	None	\$3,998,541	None	\$3,998,541	\$3,998,541

Investment activity during the year included only those types of investments that existed at year-end as presented above.

HOUSING AUTHORITY OF THE PARISH OF LAFOURCHE

Raceland, Louisiana

Notes to the Financial Statements, 2002 – Continued

NOTE D – FIXED ASSETS

The following is a summary of fixed assets:

Land	\$694,394
Buildings	17,533,374
Furniture and Equipment:	
Dwellings	155,674
Administration	261,310
Leasehold Improvements	1,988,649
Construction in progress	-
Total	<u>20,633,401</u>
Accumulated depreciation	<u>(8,958,173)</u>
Net fixed assets	<u>\$11,675,288</u>

NOTE E – SEGMENT INFORMATION

The Low Rent Public Housing Fund accounts for the federal grant received from HUD to provide and operate cost-effective, decent, safe and affordable dwellings for lower income families.

The Public and Indian Housing Drug Elimination Fund accounts for a federal grant received from HUD. The purpose of the grant is to make available funds to assist Public Housing Agencies (PHAs) to reduce drugs and drug-related crime in and around public housing developments, and encourage PHAs to develop plans that include initiatives that can be sustained over a period of several years for addressing the problem of drugs and drug-related crime in and around the premises of public and Native American housing.

The Comprehensive Grant Program Fund (CGP) accounts for the federal grant received from HUD to improve the physical quality of housing provided to low income households through modernization and development. Specifically, capital improvements, major repairs, management improvements, and related planning costs are funded through CGP.

The Housing Choice Vouchers Fund accounts for the federal grant received from HUD to aid very low income families in obtaining decent, safe, and sanitary rental housing.

The Capital Fund accounts for the federal grant received from HUD for the development, financing and modernization of public housing developments and for management improvements.

HOUSING AUTHORITY OF THE PARISH OF LAFOURCHE

Raceland, Louisiana

Notes to the Financial Statements, 2002 – Continued

Community Development Corporation of Lafourche, Inc. (CDC) is a component unit of the authority as discussed in Note A.

City Place II Housing Development, Inc. (CPII) is a component unit of the authority as discussed in Note A.

Selected segment information for the year ended September 30, 2002 follows:

	Low Rent	PHDEP	CGP	HCV
Operating revenues	\$ 597,844	\$ -	\$ -	\$ -
Depreciation	400,622	-	25,045	-
Operating income (loss)	(639,921)	(53,604)	(43,825)	(716,054)
Operating grants	409,883	53,604	24,654	721,883
Interfund transfers in	-	-	-	-
Interfund transfers out	-	-	-	-
Net income (loss)	(353,228)	-	59,328	17,867
Fixed asset additions	263,301	-	78,499	-
Fixed asset deletions	-	-	263,301	-
Net working capital	471,297	-	-	231,881
Total assets	8,023,275	-	303,183	482,553
Long-term liabilities outstanding	4,304,467	-	-	1,029
Total equity	\$ 3,548,633	\$ -	\$ 303,183	\$ 230,852

	CFP	CDC	CP II
Operating revenues	\$ -	\$ -	\$ 799,850
Depreciation	19,466	-	306,272
Operating income (loss)	(52,662)	-	146,540
Operating grants	33,196	-	-
Interfund transfers in	-	-	-
Interfund transfers out	-	-	-
Net income (loss)	124,109	77,575	(214,261)
Fixed asset additions	143,575	-	-
Fixed asset deletions	-	-	-
Net working capital	-	-	158,752
Total assets	125,959	8,025,768	8,359,259
Long-term liabilities outstanding	-	-	8,363,217
Total equity	\$ 125,959	\$ 8,025,768	\$(118,362)

City Place II recorded a deficit retained earnings balance in the amount of \$(118,362).

HOUSING AUTHORITY OF THE PARISH OF LAFOURCHE

Raceland, Louisiana

Notes to the Financial Statements, 2002 – Continued

NOTE F - RETIREMENT PLAN

The 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 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 six months of continuous and uninterrupted employment.

Under a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The employer is required to make monthly contributions equal to 8 percent of each participant's basic (excludes overtime) compensation. Employees are required to contribute 6 percent of their annual covered salary.

The authority's contribution for each employee and income allocated to the employee's account are fully vested after five years of continuous service. The authority's contributions and interest forfeited by employees who leave employment before five years of service are used to offset future contributions of the authority.

Normal retirement date shall be the first day of the month following the employee's sixty-fifth birthday or after ten years of participation in the plan.

The authority's total payroll for the year ended September 30, 2002, was \$326,931. The authority's contributions were calculated using the base salary amount of \$285,905. The authority made the required contributions of \$22,872 for the year ended September 30, 2002.

NOTE G - COMPENSATED ABSENCES

At September 30, 2002, employees of the authority have accumulated and vested \$28,620 of employee leave benefits, which was computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements.

HOUSING AUTHORITY OF THE PARISH OF LAFOURCHE

Raceland, Louisiana

Notes to the Financial Statements, 2002 – Continued

NOTE H – INTERPROGRAM DUE FROM AND DUE TO

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
Low Rent Public Housing	\$103,100	
Housing Choice Vouchers		\$67,169
City Place II		35,931
Total	<u>\$103,100</u>	<u>\$103,100</u>

NOTE I – PRIOR PERIOD ADJUSTMENTS, EQUITY TRANSFERS, AND CORRECTIONS OF ERRORS

The housing authority transferred equity of \$263,601 from the Comprehensive Grant Program (1998) to the Low Rent Public Housing Program.

The Low Rent Public Housing Program reported prior period adjustments and corrections of errors totaling \$302,570 to write-off equipment, record depreciation, correct equity, and record audit adjusting entries.

The Comprehensive Grant Program reported prior period adjustments and corrections of errors totaling \$(3,741).

The Housing Choice Voucher Program recorded a prior period adjustment in the amount of \$27,944. This is a HUD adjustment to the 2001 year-end settlement statement. This program also reported two audit adjusting entries totaling \$6,106.

NOTE J – RISK MANAGEMENT

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

NOTE K – LITIGATION AND CLAIMS

The authority is not involved in any lawsuits at September 30, 2002.

HOUSING AUTHORITY OF THE PARISH OF LAFOURCHE

Raceland, Louisiana

Notes to the Financial Statements, 2002 – Continued

NOTE L – FEDERAL COMPLIANCE CONTINGENCIES

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

NOTE M – LONG-TERM DEBT

The following paragraph relates to general PHA activities:

To provide for the development and modernization of low-rent housing units, the PHA issued New Housing Authority Bonds and Permanent Notes-FFB. These bonds and notes are payable by HUD and secured by annual contributions. The bonds and notes do not constitute a debt by the authority, and accordingly, have not been reported in the accompanying financial statements. The amount of this debt that has been reclassified to equity is \$1,999,063.

The following paragraph relates to debt recorded in the low rent program:

Prior to this fiscal year, the PHA issued tax-exempt bonds in the amount of \$3,960,000 plus a premium in the amount of \$390,773. The purpose of issuing the bonds was that the lender required more liquidity in order for the component unit (CP II) to acquire apartments. The GNMA Multifamily Revenue bonds are a wrap of the FHA insured first mortgage of CP II apartments. The bonds were issued for a term of 27.45 years at a stated interest rate of 6.7%.

The aggregate amounts of bond redemption maturities outstanding at September 30, 2002 are as follows:

	Bond	Premium
Principal amount due within one year	\$20,000	\$10,020
Principal amount due after one year	3,915,000	365,724
Total principal amount due	<u>\$3,935,000</u>	<u>\$375,744</u>

Current interest accrued for this bond debt as of September 30, 2002 was recorded in the amount of \$50,562.

HOUSING AUTHORITY OF THE PARISH OF LAFOURCHE

Raceland, Louisiana

Notes to the Financial Statements, 2002 – Continued

The following is a summary of future bond redemptions for fiscal years ending:

	Bond Principal And Interest	Premium Amount
September 30, 2003	\$283,311	\$10,020
September 30, 2004	281,970	10,020
September 30, 2005	290,464	10,020
September 30, 2006	288,464	10,020
September 30, 2007	286,442	10,020
Later Years	10,888,193	325,644
Less Interest	(6,953,193)	-
Total	<u>\$3,935,000</u>	<u>\$375,744</u>

The following paragraphs relate to the PHA's component unit, City Place II Housing Corporation, Inc.:

The project is financed by a note with the Secretary of Housing and Urban Development under Section 221 (d)(4) of the Housing Act of 1959, as amended, which incurs interest at 6.75% per annum. The note is payable in monthly installments of principal and interest in the amount of \$24,073 through March 20, 2037. The note is secured by a first mortgage on the land, building and improvements.

The aggregate amounts of principal maturities of the mortgage payable outstanding at September 30, 2002 are as follows

Principal amount due within one year	\$24,146
Principal amount due after one year	<u>3,911,544</u>
Total principal amount due	<u>\$3,935,690</u>

Current interest accrued on the mortgage payable debt as of September 30, 2002 was recorded in the amount of \$10,867.

HOUSING AUTHORITY OF THE PARISH OF LAFOURCHE

Raceland, Louisiana

Notes to the Financial Statements, 2002 – Continued

The following is a summary of future annual principal maturities and interest payments for fiscal years ending:

September 30, 2003	\$288,880
September 30, 2004	288,880
September 30, 2005	288,880
September 30, 2006	288,880
September 30, 2007	288,880
Total	9,343,233
Less Interest	(6,851,943)
Total	<u>\$3,935,690</u>

A second mortgage was executed to secure a second note payable to Community Development Corporation of Lafourche in the amount of \$4,313,389 with interest at 1 %. This note is due and payable on the maturity date of the first mortgage. Payments due under this note shall be payable only from surplus cash as defined in the Regulatory Agreement between HUD and City Place Lockport Limited Partnership, as assumed by City Place II Housing Corporation, Inc.

The balance of the second mortgage and accrued interest at year-end are as follows:

Mortgage Principal	\$4,313,389
Accrued Interest	138,284

NOTE N – CASUALTY LOSS – NON-CAPITALIZED

PHA

The PHA recorded \$25,230 of casualty loss cost, non-capitalized. Most of this was to repair a duplex damaged by a fire.

City Place II

CP II recorded \$36,977 of casualty loss costs, non-capitalized. These costs, in addition to costs of \$16,107 recorded in extraordinary maintenance were used to make unusual repairs

HOUSING AUTHORITY OF THE PARISH OF LAFOURCHE

Raceland, Louisiana

Combining Balance Sheet - Proprietary Fund Type - Enterprise Funds

As of September 30, 2002

Schedule 1

	Low Rent Public Housing	PHDEP	CGP	Housing Choice Voucher	Capital Fund Program	CDC	CP II	Total
Assets								
Current Assets:								
Cash and cash equivalents	\$ 393,126	\$ -	\$ -	\$ 482,553	\$ -	\$ -	\$ 160,222	\$ 1,035,901
Accounts Receivable - Miscellaneous	3,744	-	-	-	-	-	-	3,744
Accounts Receivable - Tenants Dwelling Rents	8,759	-	-	-	-	-	1,027	9,786
Allowance for Doubtful Accounts - Dwelling Rents	(2,164)	-	-	-	-	-	-	(2,164)
Total Receivables, Net of Allowances	10,339	-	-	-	-	-	1,027	11,366
Investments	56,464	-	-	-	-	-	-	56,464
Prepaid Expenses and Other Assets	55,393	-	-	-	-	-	111,907	167,300
Inventories	2,742	-	-	-	-	-	-	2,742
Interprogram - Due From	103,100	-	-	-	-	-	-	103,100
Total Current Assets	621,164	-	-	482,553	-	-	273,156	1,376,873
Restricted Assets:								
Cash - Tenant Security Deposits	25,308	-	-	-	-	-	35,400	60,708
Investments	3,998,541	-	-	-	-	-	-	3,998,541
Total Restricted Assets	4,023,849	-	-	-	-	-	35,400	4,059,249
Fixed Assets:								
Land	594,394	-	-	-	-	-	100,000	694,394
Buildings	8,860,192	-	252,858	-	51,267	-	8,369,057	17,533,374
Furniture, Equipment & Machinery - Dwellings	119,105	-	16,569	-	20,000	-	-	155,674
Furniture, Equipment & Machinery - Administration	162,371	-	10,653	14,129	74,157	-	-	261,310
Leasehold Improvements	1,930,006	-	48,147	-	-	-	10,496	1,988,649
Accumulated Depreciation	(8,470,685)	-	(25,044)	(14,129)	(19,465)	-	(428,850)	(8,958,173)
Total Fixed Assets, Net of Accumulated Depreciation	3,195,383	-	303,183	-	125,959	-	8,050,703	11,675,228
Notes and Mortgages Receivable	-	-	-	-	-	7,757,545	-	7,757,545
Other assets	182,879	-	-	-	-	268,223	-	451,102
Total Assets	\$ 8,023,275	\$ -	\$ 303,183	\$ 482,553	\$ 125,959	\$ 8,025,768	\$ 8,359,259	\$ 25,319,997

HOUSING AUTHORITY OF THE PARISH OF LAFOURCHE

Raceland, Louisiana

Combining Balance Sheet - Proprietary Fund Type - Enterprise Funds

As of September 30, 2002

Schedule 1

	Low Rent Public Housing	PHDEP	CGP	Housing Choice Voucher	Capital Fund Program	CDC	CP II	Total
\$	20,510	-	-	-	-	-	5,204	25,714
Accounts Payable	9,370	-	-	-	-	-	-	9,370
Accrued wage/payroll taxes payable	50,562	-	-	-	-	-	10,867	61,429
Accrued Interest Payable	-	-	-	182,339	-	-	-	182,339
Accounts Payable - HUD PHA Programs	30,591	-	-	-	-	-	-	30,591
Accounts Payable - Other Governments	12,703	-	-	1,164	-	-	-	13,867
Accrued Compensated Absences, current	-	-	-	-	-	-	-	-
Deferred Revenue	-	-	-	-	-	-	-	-
Current Portion of LT Debt - Capital Projects	20,000	-	-	-	-	-	24,146	44,146
Accrued Liabilities - Other	1,131	-	-	-	-	-	2,856	3,987
Interprogram Due To	-	-	-	67,169	-	-	35,931	103,100
Total Current Liabilities (payable from current assets)	144,867	-	-	250,672	-	-	79,004	474,543

Liabilities and Equity

Liabilities:

Current Liabilities (payable from current assets):

Accounts Payable	20,510	\$	-	\$	-	\$	5,204	\$	25,714
Accrued wage/payroll taxes payable	9,370	-	-	-	-	-	-	-	9,370
Accrued Interest Payable	50,562	-	-	-	-	-	10,867	-	61,429
Accounts Payable - HUD PHA Programs	-	-	-	182,339	-	-	-	-	182,339
Accounts Payable - Other Governments	30,591	-	-	-	-	-	-	-	30,591
Accrued Compensated Absences, current	12,703	-	-	1,164	-	-	-	-	13,867
Deferred Revenue	-	-	-	-	-	-	-	-	-
Current Portion of LT Debt - Capital Projects	20,000	-	-	-	-	-	24,146	-	44,146
Accrued Liabilities - Other	1,131	-	-	-	-	-	2,856	-	3,987
Interprogram Due To	-	-	-	67,169	-	-	35,931	-	103,100
Total Current Liabilities (payable from current assets)	144,867	-	-	250,672	-	-	79,004	-	474,543

Current Liabilities (payable from restricted assets):

Tenant Security Deposits	25,308	-	-	-	-	-	35,400	-	60,708
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Long-term Liabilities:

Long-term Debt, net of current - Capital Projects	4,290,743	-	-	-	-	-	8,363,217	-	12,653,960
Accrued Compensated Absences - Long Term	13,724	-	-	1,029	-	-	-	-	14,753
Total Long-term Liabilities	4,304,467	-	-	1,029	-	-	8,363,217	-	12,668,713

Total Liabilities

Total Liabilities	4,474,642	-	-	251,701	-	-	8,477,621	-	13,203,964
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Equity:

Long-term Debt - HUD Guaranteed	1,999,063	-	-	-	-	-	-	-	1,999,063
Net HUD PHA contributions	1,067,160	-	88,200	-	-	7,948,193	-	-	9,103,553
Total Contributed Capital	3,066,223	-	88,200	-	-	7,948,193	-	-	11,102,616

Retained Earnings (Deficit)

Retained Earnings (Deficit)	482,410	-	214,983	230,852	125,959	77,575	(118,362)	-	1,013,417
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Total Equity

Total Equity	3,548,633	-	303,183	230,852	125,959	8,025,768	(118,362)	-	12,116,033
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Total Liabilities and Equity

Total Liabilities and Equity	\$ 8,023,275	\$	-	\$	303,183	\$	8,025,768	\$	8,359,259	\$	25,319,997
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HOUSING AUTHORITY OF THE PARISH OF LAFOURCHE

Raceland, Louisiana

Schedule 2

Combining Statement of Revenues, Expenses, and Changes in Retained Earnings -
Proprietary Fund Type - Enterprise Funds
For Fiscal Year Ended September 30, 2002

	Low Rent Public Housing	PHDEP	CGP	Housing Choice Voucher	Capital Fund Program	CDC	CP II	Total
Operating Revenues:								
Net Tenant Rental Revenue	\$ 402,014	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 714,636	\$ 1,116,650
Tenant Revenue - Other	9,188	-	-	-	-	-	25,561	34,749
Other Revenue	186,642	-	-	-	-	-	59,653	246,295
Total Operating Revenues	597,844	-	-	-	-	-	799,850	1,397,694
Operating Expenses:								
Administrative Expenses	156,605	53,604	18,780	86,048	33,196	-	143,601	491,834
General Expenses	189,765	-	-	6,183	-	-	52,955	248,903
Ordinary Maintenance & Operation	379,107	-	-	499	-	-	97,812	477,418
Extraordinary Maintenance & Operation	-	-	-	-	-	-	16,107	16,107
Utilities	111,666	-	-	-	-	-	36,563	148,229
Housing Assistance Payments	-	-	-	623,324	-	-	-	623,324
Depreciation Expense	400,622	-	25,045	-	19,466	-	306,272	751,405
Total Operating Expenses	1,237,765	53,604	43,825	716,054	52,662	-	653,310	2,757,220
Operating Income (Loss)	(639,921)	(53,604)	(43,825)	(716,054)	(52,662)	-	146,540	(1,359,526)
Non-operating Revenues (Expenses)								
Federal Operating Grants	409,883	53,604	24,654	721,883	33,196	-	-	1,243,220
Federal Capital Grants	-	-	78,499	-	143,575	-	-	222,074
Investment Income - Unrestricted	11,209	-	-	12,038	-	77,575	1,506	102,328
Investment Income - Restricted	272,541	-	-	-	-	-	-	272,541
Interest Expense	(381,710)	-	-	-	-	-	(325,330)	(707,040)
Casualty Losses	(25,230)	-	-	-	-	-	(36,977)	(62,207)
Total Non-operating Revenues (Expenses)	286,693	53,604	103,153	733,921	176,771	77,575	(360,801)	1,070,916
Net Income (Loss)	(353,228)	-	59,328	17,867	124,109	77,575	(214,261)	(288,610)
Add depreciation on fixed assets acquired by grants, entitlements, and shared revenues externally restricted for capital acquisitions and construction that reduces contributed capital								
Increase (Decrease) in Retained Earnings	(353,228)	-	59,328	17,867	124,109	77,575	(214,261)	(288,610)
Retained Earnings at Beginning of Year	269,467	-	422,997	178,935	1,850	-	95,899	969,148
Prior Period Adjustments, equity transfers, and correction of errors	566,171	-	(267,342)	34,050	-	-	-	332,879
Retained Earnings at End of Year	\$ 482,410	\$ -	\$ 214,983	\$ 230,852	\$ 125,959	\$ 77,575	\$ (118,362)	\$ 1,013,417

HOUSING AUTHORITY OF THE PARISH OF LAFOURCHE

Schedule 3

Raceland, Louisiana

Schedule of Compensation Paid Board Members

For Fiscal Year Ended September 30, 2002

Board members serve without compensation.

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

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

Board of Commissioners
Housing Authority of the Parish of Lafourche
Raceland, Louisiana

I have audited the financial statements of the Housing Authority of the Parish of Lafourche (the authority), as of and for the year ended September 30, 2002 and have issued my report thereon dated February 05, 2003. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the authority's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards which is described in the accompanying schedule of findings and questioned costs as item 2002-1.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the authority's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted a certain matter involving the internal control over financial reporting and its operation that I consider to be a reportable condition. Reportable conditions

HOUSING AUTHORITY OF THE PARISH OF LAFOURCHE

Raceland, Louisiana

Independent Auditor's Report

on Compliance...Government Auditing Standards, 2002

Page Two

involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the authority's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2002-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I consider item 2002-1 to be a material weakness.

This report is intended for the information of the board of commissioners, management, and for HUD. However, this report is a matter of public record and its distribution is not limited.

 **William Daniel McCaskill,**
CPA, APAC

Signature Valid

Digitally signed by William Daniel McCaskill, CPA, APAC
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Date: 2003.03.31 12:06:29 -06'00'

William Daniel McCaskill, CPA
A Professional Accounting Corporation

February 05, 2003

William Daniel McCaskill, CPA
A Professional Accounting Corporation
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American Institute of CPA's

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

Board of Commissioners
Housing Authority of the Parish of Lafourche
Raceland, Louisiana

Compliance

I have audited the compliance of the Housing Authority of the Parish of Lafourche (the authority) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2002. The authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the authority's management. My responsibility is to express an opinion on the authority's compliance based on my audit.

I conducted my audit of compliance in accordance with: auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non Profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the authority's compliance with those requirements.

HOUSING AUTHORITY OF THE PARISH OF LAFOURCHE

Raceland, Louisiana

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

Page Two

As described in item 2002-1 in the accompanying schedule of findings and questioned costs, the PHA did not comply with requirements regarding reporting that are applicable to the PHA's Low Income Housing and Housing Choice Voucher Program. Compliance with such requirements is necessary, in my opinion, for the PHA to comply with the requirements applicable to those programs.

In my opinion, except for the noncompliance described in the preceding paragraph, the authority, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2002.

Internal Control Over Compliance

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

I noted certain matters involving the internal control over compliance and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design and operation of the internal control over compliance that, in my judgment, could adversely affect the PHA's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 2002-1.

A material weakness is a condition in which the design or operation of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not

HOUSING AUTHORITY OF THE PARISH OF LAFOURCHE

Raceland, Louisiana

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

Page Three

necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I consider item 2002-1 to be a material weakness.

This report is intended for the information of the board of commissioners, management, and for HUD. However, this report is a matter of public record and its distribution is not limited.

 **William Daniel McCaskill, CPA,**
APAC

Signature Valid

Digitally signed by William Daniel
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William Daniel McCaskill, CPA
A Professional Accounting Corporation

February 05, 2003

HOUSING AUTHORITY OF THE PARISH OF LAFOURCHE

Schedule 4

Raceland, Louisiana
Schedule of Expenditures of Federal Awards
For Fiscal Year Ended September 30, 2002

<i>CFDA #</i>	<i>Name of Federal Program</i>	<i>Federal Award Expenditure</i>
14.850a	Low Rent Public Housing	\$ 409,883
14.854	Public and Indian Housing Drug Elimination Program	53,604
14.859	Public Housing Comprehensive Grant Program	103,153
14.871	Housing Choice Vouchers	721,883
14.872	Public Housing Capital Fund Program	176,771
	Total Federal Expenditures	<u>\$ 1,465,294</u>

Included in the accompanying financial statements is a component unit, City Place II Housing Corporation, Inc. (CP II). CP II has an FHA insured 1st mortgage indebtedness under the 221 (d) (4) program with a principal balance at year-end of \$3,935,690

At year-end, the equity section of the balance sheet included \$1,999,063 of Long Term HUD Guaranteed Debt.

**HOUSING AUTHORITY OF THE PARISH OF
LAFOURCHE**
Raceland, Louisiana

Schedule of Prior Year Audit Findings
Fiscal Year Ended September 30, 2002

Status of Prior Audit Findings

Finding 2001-1 and 2001-1a:

This finding described that the audit was completed late per Federal and State Law.

The finding is cleared.

Finding 2001-2 and 2001-2a:

This finding described inadequate internal controls at both levels of PHA management, that is the Board of Commissioners as well as Operating Management. It concerned the PHA's purchase and operation of a 112 unit apartment development.

During the current year almost all issues identified in the finding were corrected. Items not corrected include IRS annual filings for 2 non profit component units. However, the PHA has contracted with a company to do this and it is in process.

This finding is not repeated.

Finding 2001-3 and 2001-3a:

This finding described inadequate internal controls for the PHA's management of the Low Rent, Housing Choice Vouchers, Comprehensive Grant, and Capital Fund Programs.

The finding identified 5 deficiencies, 4 of which were not repeated during this fiscal year.

The uncleared item was the finding that the fee accountant did not record investment activity in an investment account on a timely basis. This was repeated in finding 2002-1.

While the other 4 deficiencies were not repeated, finding 2002-1 identifies a number of similar internal control problems.

HOUSING AUTHORITY OF THE PARISH OF LAFOURCHE

Raceland, Louisiana

Schedule of Current Audit Findings and Questioned Costs
Fiscal Year Ended September 30, 2002Per OMB Circular A-133, Section 505(d)

1. Summary Schedule of Auditor's Results:

- i. The auditor's report expresses an unqualified opinion of the financial statements.
- ii. There were reportable conditions required to be disclosed by Government Auditing Standards issued by the Comptroller General of the United States. The conditions are considered material weaknesses.
- iii. There were instances of noncompliance considered material to the financial statements, as defined by Government Auditing Standards.
- iv. There were reportable conditions required to be disclosed by OMB Circular A-133.
- v. The type of report the auditor issued on compliance for major programs was qualified.
- vi. The audit disclosed audit findings, which the auditor is required to report under Section 510(a) of OMB Circular A-133.
- vii. The major federal programs are:

<u>CFDA#</u>	<u>Name of Program</u>
14.850a	Low Rent Public Housing
14.871	Housing Choice Voucher

- viii. The dollar threshold used to distinguish between Type A and Type B programs as described in OMB Circular A-133, Section 520(b) was \$300,000.
- ix. The auditee did not qualify as a low risk auditee under OMB Circular A-133, Section 530.

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Schedule of Current Audit Findings and Questioned Costs
Fiscal Year Ended September 30, 2002

2. Findings required to be reported by Government Auditing Standards: See 2002 - 1 below.
3. Findings required to be reported by OMB Circular A-133: See 2002 – 1 below.

Finding 2002 – 1

Condition

The fee accountant made numerous mistakes during the fiscal year. Some were discovered near the fiscal year end by the fee accounting staff, some were discovered by the PHA staff, and some were disclosed by audit procedures, as follows:

- 1) Numerous journal vouchers are prepared by the fee accountant with no one initialing the “prepared by” or “approved by” section. Also, many journal vouchers are entered without any supporting documentation attached.
- 2) In March 2002 the fee accountant did not reconcile the bank deposits and entered \$1,455 in account 1128, Deposits Over and Under. No one appears to have investigated the cause of the imbalance.
- 3) All transactions during the year for an investment account were posted during the last month of the fiscal year.
- 4) In August 2002 the fee accountant coded \$6,370 to Excess Utility Income instead of Other Income. The journal voucher indicates the fee accountant staff member that initiated it but does not have anything in the “approved by” area.
- 5) At year-end, the general ledger does not have any entry for an allowance for doubtful accounts or accrued interest receivable and all compensated absences are recorded as long term.

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Schedule of Current Audit Findings and Questioned Costs
Fiscal Year Ended September 30, 2002

6) At year-end the PHA instructed the fee accountant to correct the bank reconciling items for the Section 8 bank account. The resulting journal voucher entered void checks as well as checks that had previously cleared totaling \$5,802.

7) CGP, CFP and PHDEP grant coding mistakes during the year included:

Coding the 2000 CFP expenditures through May 2002 into the wrong subsidiary ledger, requiring adjustments totaling \$149,997.

Adjusting the 1999 CGP program-to-date costs to agree with ELOCCS. The adjustment totaled \$43,911.

Adjusting the 2000 CFP program-to-date costs to agree with ELOCCS. The adjustment totaled \$73,571.

Adjusting the 2001 CGP program-to-date costs to ELOCCS and other adjustments totaling \$30,205.

Adjusting the 2000 and 2001 PHDEP program-to-date costs totaling \$37,168.

8) During the fiscal year, the fee accountant miscoded \$316,670 of Low Rent Operating Subsidy to HCV Annual Contributions.

Criteria

Proper internal control includes the following elements:

HOUSING AUTHORITY OF THE PARISH OF LAFOURCHE
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Schedule of Current Audit Findings and Questioned Costs
Fiscal Year Ended September 30, 2002

- 1) Journal entries should include notations of who prepared them as well as supervisory approval. Some journal vouchers should include written approval by PHA staff. All journal vouchers should either have supporting documentation attached or refer to the source document.
- 2) Any remaining entry to the deposits over and under account after deposits in transit clear should be traced and correctly accounted for.
- 3) Transactional activity for investment accounts should be posted monthly, not just at year-end in a bulk entry.
- 4) Internal controls in place at the fee accountant's office as well as at the PHA's office should detect this type of mistake.
- 5) GAAP requires recording allowances for doubtful accounts, accruing interest receivable, and classifying liabilities as current versus non current.
- 6) Bank reconciliations should correctly reflect valid outstanding checks.
- 7) The grant subsidiary ledgers should be accurate.
- 8) Grant revenues should be recorded in the proper program.

Cause

- 1) The fee accountant may not be adhering to adequate internal controls.
- 2) The fee accountant did not advise the PHA staff of the imbalance. The PHA staff did not observe the balance in this account and did not document and correct the amount.

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Schedule of Current Audit Findings and Questioned Costs
Fiscal Year Ended September 30, 2002

- 3) During the fiscal year, the fee accountant was not provided with a monthly statement on this investment account.
- 4) Neither the fee accountant nor the PHA have adequate internal controls in place to detect some of these mistakes.
- 5) The cause of these GAAP departures is unclear.
- 6) Proper controls over the bank reconciliation process were not adhered to.
- 7) It is unclear what caused the adjustments during the year.
- 8) It is unclear what caused this mistake. Inadequate internal controls allowed it to continue until year-end.

Effect

- 1) Tracing some journal voucher transactions is difficult to accomplish. Authorization is not evident. The lack of review appears to have caused errors in posting.
- 2) Bank deposits for the year are not reconciled for the \$1,455.
- 3) PHA staff had to manually record and monitor activity in this account.
- 4) An audit adjusting journal entry was needed to correct this miscoding.
- 5) Audit adjusting journal entries were needed to correct these GAAP departures.
- 6) Until the end of the fiscal year the PHA did not have an accurate bank balance recorded on the general ledger.
- 7) The effects of not having the grant subsidiary ledgers accurate during the year include:

The PHA has had to maintain a manual system of monitoring grant revenue and expenditures.

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Schedule of Current Audit Findings and Questioned Costs

Fiscal Year Ended September 30, 2002

The auditor had to perform additional audit steps to ensure that the year-end totals are correct and that Federal compliance requirements were met.

Other than amounts recoded to other grant categories, Other Income was credited a total of \$40,691 when the subsidiary ledgers were adjusted to ELOCCS.

8) During the fiscal year, the PHA could not have adequately monitored the net financial activity of the Low Rent program with 77% of grant revenue under reported.

Recommendation

I recommend that:

- 1) Management ensure that all journal vouchers include preparation and approval signatures and are supported by proper documentation.
- 2) Management review bank reconciliations prepared by the fee accountant for invalid reconciling items.
- 3) Management ensure that the fee accountant has adequate information to post all investment and other transactions.
- 4) Management review entries and transactions posted by fee accountant for accurate coding.
- 5) Management calculate an allowance for doubtful accounts and analyze compensated absences to determine current and long-term portions. I also recommend that management ensure that entries for the allowance, current and long-term portions of liabilities and accrued interest receivable are correctly posted.
- 6) See 2) above.
- 7) Management insist that the fee accountant post grant activity to the subsidiary ledgers monthly. I also recommend that management compare its internally prepared grant records to the subsidiary ledger prepared by the fee accountant monthly.
- 8) See 4) above.

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Corrective Action Plan for Current Year Findings

For Fiscal Year Ended September 30, 2002

PERSON RESPONSIBLE—Beryl Pitre

ANTICIPATED COMPLETION DATE— April 1, 2003

ACTION PLANNED—As of April 1, 2003, we will implement the following additional internal controls:

The fee accountant will have it's staff member initial any journal vouchers they prepare. A fee accountant supervisor will approve each journal voucher by initialing the correct box. When the fee accountant sends the monthly financial statements, they will include a copy of all journal vouchers for the PHA staff to review. The fee accountant will either attach copies of supporting documentation or refer to supporting documentation for each journal voucher.

The assistant E.D. will monitor all activity in account 1128 Deposits Over and Under and will provide a written reconciliation to the E.D. each month.

Beginning October 1, 2002 the E.D. is personally faxing a copy of the investment account to the fee accountant for timely entry.

At fiscal year end, management did provide an allowance for doubtful accounts, accrued interest receivable and short term and long term compensated absenses.

Beginning September 30, 2002, we required the fee accountant to purge any inappropriate reconciling amounts on the bank reconciliations and insisted all future reconciling items be valid.

Beginning October 1, 2002 we have begun comparing the fee accountant's grant subsidiary ledgers to the manual one maintained by the E.D. and correcting any differences.

Beginning October 1, 2002 the fee accountant has been correctly recording grant revenue by program.

It is noted that the fee accounting firm was sold to a new owner late in the fiscal year and that he has made many staff changes that are resulting in good quality work. We are very satisfied with the current fee accountant

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Corrective Action Plan for Current Year Findings

For Fiscal Year Ended September 30, 2002

staff member assigned to our account. We are closely monitoring the monthly work they produce.

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Raceland, Louisiana
Financial Data Schedule

For Fiscal Year Ended September 30, 2002

Schedule 8
Page 1 of 4

Line Item Number	Account Description	Low Rent Public Housing	PHDEP	CGP	Housing Choice Voucher	Capital Fund Program	Other Federal Program 1	Other Federal Program 2	Total
111	Cash - Unrestricted	\$ 393,126	\$ -	\$ -	\$ 482,553	\$ -	\$ -	\$ 160,222	\$ 1,035,901
114	Cash - tenant security deposits	25,308	-	-	-	-	-	35,400	60,708
100	Total Cash	418,434	-	-	482,553	-	-	195,622	1,096,609
125	Accounts receivable - miscellaneous	3,744	-	-	-	-	-	-	3,744
126	Accounts receivable - tenants - dwelling rents	8,759	-	-	-	-	-	1,027	9,786
126.1	Allowance for doubtful accounts - dwelling rents	(2,164)	-	-	-	-	-	-	(2,164)
120	Total receivables, net of allowances for doubtful accounts	10,339	-	-	-	-	-	1,027	11,366
131	Investments - unrestricted	56,464	-	-	-	-	-	-	56,464
132	Investments - restricted	3,998,541	-	-	-	-	-	-	3,998,541
142	Prepaid expenses and other assets	55,393	-	-	-	-	-	111,907	167,300
143	Inventories	2,742	-	-	-	-	-	-	2,742
144	Interprogram Due From	103,100	-	-	-	-	-	-	103,100
150	Total Current Assets	4,645,073	-	-	482,553	-	-	308,556	5,436,122
161	Land	594,394	-	-	-	-	-	100,000	694,394
162	Buildings	8,860,192	-	252,858	-	51,267	-	8,369,057	17,533,374
163	Furniture, equipment, and machinery - dwellings	119,105	-	16,569	-	20,000	-	-	155,674
164	Furniture, equipment, and machinery - administration	162,371	-	10,653	14,129	74,157	-	-	261,310
165	Leasehold improvements	1,930,006	-	48,147	-	-	-	10,496	1,988,649
166	Accumulated depreciation	(8,470,685)	-	(25,044)	(14,129)	(19,465)	-	(428,850)	(8,958,173)
160	Total fixed assets, net of accumulated depreciation	3,195,383	-	303,183	-	125,959	-	8,050,703	11,675,228
171	Notes and mortgages receivable - non-current	-	-	-	-	-	-	7,757,545	7,757,545
174	Other assets	182,879	-	-	-	-	-	268,223	451,102
180	Total Non-Current Assets	3,378,262	-	303,183	-	125,959	-	8,025,768	19,883,875
190	Total Assets	8,023,275	-	303,183	482,553	125,959	8,025,768	8,359,259	25,319,997

HOUSING AUTHORITY OF THE PARISH OF LAFOURCHE

Raceland, Louisiana

Financial Data Schedule

For Fiscal Year Ended September 30, 2002

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Line Item Number	Account Description	Low Rent		PHDEP	CGP	Housing Choice Voucher	Capital Fund Program	Other Federal		Total
		Public Housing	Housing					Program 1	Program 2	
312	Accounts payable < 90 days	20,510	-	-	-	-	-	-	5,204	25,714
321	Accrued wage/payroll taxes payable	9,370	-	-	-	-	-	-	-	9,370
322	Accrued compensated absences	12,703	-	-	-	1,164	-	-	-	13,867
325	Accrued interest payable	50,562	-	-	-	-	-	-	10,867	61,429
331	Accounts payable - HUD PHA Programs	-	-	-	-	182,339	-	-	-	182,339
333	Accounts payable - other government	30,591	-	-	-	-	-	-	-	30,591
341	Tenant security deposits	25,308	-	-	-	-	-	-	35,400	60,708
343	Current portion of long-term debt - capital projects	20,000	-	-	-	-	-	-	24,146	44,146
346	Accrued liabilities - other	1,131	-	-	-	-	-	-	2,856	3,987
347	Interprogram - due to	-	-	-	-	67,169	-	-	35,931	103,100
310	Total Current Liabilities	170,175	-	-	-	250,672	-	-	114,404	535,251
351	Long-term debt, net of current - capital projects	4,290,743	-	-	-	-	-	-	8,363,217	12,653,960
354	Accrued Compensated Absences - Non Current	13,724	-	-	-	1,029	-	-	-	14,753
350	Total Non-current Liabilities	4,304,467	-	-	-	1,029	-	-	8,363,217	12,668,713
300	Total Liabilities	4,474,642	-	-	-	251,701	-	-	8,477,621	13,203,964
503	LTD HUD Guaranteed	1,999,063	-	-	-	-	-	-	-	1,999,063
504	Net HUD PHA contributions	1,067,160	-	-	88,200	-	-	7,948,193	-	9,103,553
505	Total Contributed Capital	3,066,223	-	-	88,200	-	-	7,948,193	-	11,102,616
512	Undesignated fund balance/retained earnings	482,410	-	-	214,983	230,852	125,959	77,575	(118,362)	1,013,417
513	Total Equity	3,548,633	-	-	303,183	230,852	125,959	8,025,768	(118,362)	12,116,033
600	Total Liabilities and Equity	8,023,275	-	-	803,183	482,553	125,959	8,025,768	(8,359,259)	25,319,997

HOUSING AUTHORITY OF THE PARISH OF LAFOURCHE

Raceland, Louisiana

Financial Data Schedule

For Fiscal Year Ended September 30, 2002

Schedule 8

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Line Item Number	Account Description	Low Rent		PHDEP	CGP	Housing Choice Voucher	Capital Fund Program	Other Federal		Total
		Public	Housing					Program 1	Program 2	
703	Net tenant rental revenue	402,014	-	-	-	-	-	714,636	-	1,116,650
704	Tenant revenue - other	9,188	-	-	-	-	-	25,561	-	34,749
705	Total tenant revenue	411,202	-	-	-	-	-	740,197	-	1,151,399
706	HUD PHA grants	409,883	53,604	53,604	24,654	721,883	33,196	-	-	1,243,220
706.1	Capital Grants	-	-	-	78,499	-	143,575	-	-	222,074
711	Investment income - unrestricted	11,209	-	-	-	12,038	-	77,575	1,506	102,328
715	Other revenue	186,642	-	-	-	-	-	-	59,653	246,295
720	Investment income - restricted	272,541	-	-	-	-	-	-	-	272,541
700	Total Revenue	1,291,477	53,604	53,604	103,153	733,921	176,771	77,575	601,356	3,237,857

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Raceland, Louisiana
Financial Data Schedule
For Fiscal Year Ended September 30, 2002

Schedule 8
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Line Item Number	Account Description	Low Rent		PHDEP	CGP	Housing Choice Voucher	Capital Fund Program	Other		Total
		Public	Housing					Federal Program 1	Federal Program 2	
911	Administrative salaries	71,486	-	-	-	50,127	-	-	33,123	154,736
912	Auditing fees	4,000	-	-	-	2,000	-	-	35,931	41,931
913	Outside management fees	-	-	-	-	-	-	-	30,000	30,000
914	Compensated absences	561	-	-	-	-	-	-	-	561
915	Employee benefit contributions - administrative	35,420	-	-	-	4,908	-	-	10,430	50,758
916	Other operating - administrative	45,138	18,780	53,604	-	29,013	33,196	-	34,117	213,848
931	Water	39,911	-	-	-	-	-	-	11,095	51,006
932	Electricity	21,481	-	-	-	-	-	-	17,792	39,273
933	Gas	45,905	-	-	-	-	-	-	-	45,905
938	Other utilities expense	4,369	-	-	-	-	-	-	7,676	12,045
941	Ordinary maintenance and operations - labor	157,246	-	-	-	-	-	-	14,949	172,195
942	Ordinary maintenance and operations - materials and other	78,707	-	-	-	-	-	-	6,842	85,549
943	Ordinary maintenance and operations - contract costs	65,242	-	-	-	499	-	-	71,314	137,055
945	Employee benefit contributions - ordinary maintenance	77,912	-	-	-	-	-	-	4,707	82,619
961	Insurance premiums	121,058	-	-	-	6,183	-	-	52,955	180,196
962	Other general expenses	5,839	-	-	-	-	-	-	-	5,839
963	Payments in lieu of taxes	30,591	-	-	-	-	-	-	-	30,591
964	Bad debt - tenant rents	32,277	-	-	-	-	-	-	-	32,277
967	Interest expense	381,710	-	-	-	-	-	-	325,330	707,040
969	Total Operating Expense	1,218,853	18,780	53,604	18,780	92,730	33,196	-	559,261	2,073,424
970	Excess Operating Revenue Over Operating Expenses	72,624	-	-	84,875	641,191	143,575	77,575	145,095	1,164,933
971	Extraordinary maintenance	-	-	-	-	-	-	-	16,107	16,107
972	Casualty losses - non capitalized	25,230	-	-	-	-	-	-	36,977	62,207
973	Housing assistance payments	-	-	-	-	623,324	-	-	-	623,324
974	Depreciation expense	400,622	25,045	53,604	25,045	-	19,466	-	306,272	751,405
900	Total Expenses	1,644,705	43,825	53,604	43,825	716,054	52,662	-	1,019,617	3,526,467
1000	Excess (deficiency) of total revenue over (under) total expenses	(353,228)	-	-	59,328	17,867	124,109	77,575	(214,261)	(288,610)
MEMO ACCOUNT INFORMATION										
1103	Beginning equity	3,335,690	-	-	511,197	178,935	1,850	7,948,193	95,899	12,071,764
1104	Prior period adjustments, equity transfers, and correction of errors	566,171	(267,342)	-	-	34,050	-	-	-	332,879
1112	Depreciation "add-back"	-	-	-	-	-	-	-	-	-
1113	Maximum annual contributions commitment (Per ACC)	-	-	-	-	1,439,652	-	-	-	1,439,652
1114	Prorata maximum annual contributions applicable to a period of less than twelve months	-	-	-	-	-	-	-	-	-
1115	Contingency reserve, ACC program reserve	-	-	-	-	922,778	-	-	-	922,778
1116	Total annual contributions available	-	-	-	-	2,362,430	-	-	-	2,362,430
1120	Unit Months Available	3,252	-	-	-	2,957	-	-	1,344	7,553
1121	Number of unit months leased	3,147	-	-	-	2,472	-	-	1,279	6,898