

HOUSING AUTHORITY OF KINDER

**REPORT ON EXAMINATION OF
FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA
(UNAUDITED)**

TWELVE MONTHS ENDED DECEMBER 31, 2007

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 7-30-08

Mike Estes, P.C.
A Professional Accounting Corporation

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AICPA GOVERNMENTAL
AUDIT QUALITY CENTER

MIKE ESTES, CPA

Board of Commissioners
Housing Authority of Kinder
Kinder, Louisiana

We have reviewed the accompanying financial statements of the major fund, for the year ended December 31, 2007, which collectively comprise the Authority'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. All information included in these financial statements is the representation of the management of the Housing Authority of Kinder.

A review consists principally of inquiries of the Housing Authority of Kinder personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

The management's discussion and analysis information is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. Such information and other supplementary information listed in the table of contents has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, but was compiled from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

We have also performed agreed-upon procedures to test representations included in the Louisiana Attestation Questionnaire for the year-ended December 31, 2007, all included therein.

Mike Estes, P.C.
Fort Worth, Texas
June 26, 2008

HOUSING AUTHORITY OF THE CITY OF KINDER, LOUISIANA

REQUIRED SUPPLEMENTAL INFORMATION

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

DECEMBER 31, 2007

Housing Authority of The City of KINDER, LOUISIANA

Management's Discussion and Analysis (MD&A)

DECEMBER 31, 2007

The management of Public Housing Authority of Kinder, Louisiana presents the following discussion and analysis (MD&A) of the Housing Authority's financial activities for the fiscal year ending December 31, 2007. This represents an overview of financial information. Please read this discussion and analysis in conjunction with the Authority's included unaudited financial statements.

FINANCIAL HIGHLIGHTS

- The primary source of funding for these activities continues to be subsidies and grants from the Department of Housing and Urban Development (HUD), whereas tenant rentals provide a secondary but also significant source of funding.
- The Housing Authority's assets exceeded its liabilities by \$386,879 at the close of the fiscal year ended 2007.
 - ✓ Of this amount \$338,225 represents a restriction equal to the net amount invested in land, building, furnishings, leasehold improvements, equipment, and construction in progress.
 - ✓ The remainder of \$48,654 of unrestricted assets could be used to meet the Housing Authority's ongoing obligations to citizens and creditors. As a measure of financial strength, this amount equals 33% of the total operating expenses of \$145,788 for the fiscal year 2007, which means the Authority might be able to operate about 4 months using the unrestricted assets alone, which compares unfavorably with 5.2 months in the prior fiscal year.
- The Housing Authority's total net assets decreased by \$45,251, a 10% change from the prior fiscal year 2007. This decrease is attributable to significant increases in Federal grants for both operations and capital improvements, described in more detail below.
- The decrease in net assets of these funds was accompanied by a decrease in cash and cash equivalents by \$17,401 from fiscal year 2007, primarily due to spending \$11,401 more for operations than Federal funds received for operations; spending \$5,999 more for capital assets than Federal capital grants received; and transferring \$0 of excess cash into investments
- These changes led to a decrease in total assets by \$43,805 and an increase in total liabilities by \$1,447. As related measure of financial health, there are still over \$4.59 of current assets covering each dollar of total current and long-term liabilities, which compares unfavorably with \$6.01 covering the prior fiscal year's liabilities.
- The Housing Authority continues to operate without the need for debt borrowing.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Reporting on the Housing Authority as a Whole

One of the most important questions asked about the Authority's finances is, "Is the Housing Authority as a whole better off, or worse off, as a result of the achievements of fiscal year 2007?" The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information about the Housing Authority as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Fund Financial Statements

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

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

USING THIS ANNUAL REPORT

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

Low Rent Public Housing

Public Housing Capital Fund Program

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

Reporting the Housing Authority's Most Significant Funds

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

Housing Authority of The City of KINDER, LOUISIANA

Management's Discussion and Analysis (MD&A)

DECEMBER 31, 2007

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

FINANCIAL ANALYSIS

The Housing Authority's net assets were \$386,879 as of December 31, 2007. Of this amount, \$338,225 was invested in capital assets, and the remaining \$48,654 was unrestricted. No other specific Assets are restricted. Also, there are no other restrictions on general Net Assets.

CONDENSED FINANCIAL STATEMENTS

**Condensed Balance Sheet
As of December 31,**

	<u>2007</u>	<u>2006</u>
ASSETS		
Current assets	\$ 62,191	\$ 72,718
Capital assets, net of depreciation	<u>338,225</u>	<u>371,502</u>
Total assets	<u>400,416</u>	<u>444,220</u>
LIABILITIES		
Current liabilities	<u>13,537</u>	<u>12,090</u>
Total liabilities	<u>13,537</u>	<u>12,090</u>
NET ASSETS		
Invested in capital assets, net of depreciation	338,225	371,502
Unrestricted net assets	<u>48,654</u>	<u>60,628</u>
Total net assets	<u>386,879</u>	<u>432,130</u>
Total liabilities and net assets	<u>400,416</u>	<u>444,220</u>

CONDENSED FINANCIAL STATEMENTS (Continued)

The net assets of these funds decreased by \$45,251, or by 10%, from those of fiscal year 2006, as explained below. In the narrative that follows, the detail factors causing this change are discussed:

Housing Authority of The City of KINDER, LOUISIANA

Management's Discussion and Analysis (MD&A)

DECEMBER 31, 2007

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

	<u>2007</u>	<u>2006</u>
OPERATING REVENUES		
Tenant rental revenue	\$ 47,206	\$ 50,806
Federal grants for operations	51,781	41,296
Other non-tenant revenue	504	512
Total operating revenues	<u>99,491</u>	<u>92,614</u>
OPERATING EXPENSES		
Depreciation	33,278	31,054
Administration	62,677	62,929
Maintenance and repairs	25,996	22,824
General	21,385	19,591
Utilities	2,363	2,514
Tenant services	90	50
Total operating expenses	<u>145,789</u>	<u>138,962</u>
(Losses) from operations	<u>(46,298)</u>	<u>(46,348)</u>
NON-OPERATING REVENUES		
Interest income	1,047	1,896
Total Non-Operating Revenues	<u>1,047</u>	<u>1,896</u>
NON-OPERATING EXPENSES		
Total non-operating expenses	<u>-</u>	<u>-</u>
(Losses) after non-operating revenues	<u>(45,251)</u>	<u>(44,452)</u>
OTHER CHANGES IN NET ASSETS		
Federal grants for capital expenditures	<u>-</u>	<u>126,340</u>
NET INCREASE (DECREASE) IN NET ASSETS	<u>(45,251)</u>	<u>81,888</u>
NET ASSETS, beginning of fiscal year	<u>432,130</u>	<u>350,242</u>
NET ASSETS, end of fiscal year	<u><u>386,879</u></u>	<u><u>432,130</u></u>

EXPLANATIONS OF FINANCIAL ANALYSIS

Compared with the prior fiscal year, total operating and non-operating revenues decreased \$120,312, or by 54%, from a combination of larger offsetting factors. Reasons for most of this change are listed below in order of impact from greatest to least:

- Federal Capital Funds from HUD decreased by \$126,340, or by 100% from that of the prior fiscal year. The Housing Authority was still in the process of completing projects funded from grants by HUD for fiscal year 2006, and submitted a new grant during fiscal year 2008.
- Federal revenues from HUD for operations increased by \$10,485, or by 25% from that of the prior fiscal year. The determination of operating grants is based in part upon operations performance of prior years. This amount fluctuates from year-to-year because of the complexities of the funding formula HUD employs. Generally, this formula calculates an allowable expense level adjusted for inflation, occupancy, and other factors, and then uses this final result as a basis for determining the grant amount. The amount of rent subsidy received from HUD depends upon an eligibility scale of each tenant. There was an increase in the number of eligible tenants receiving subsidies, so Housing Assistance Grants increased accordingly, lowering the overall total.
- Total tenant revenue decreased from that of the prior fiscal year, due to these major factors: Tenant rental revenues decreased by \$3,600, or by 7%, because occupancy rates decreased by 1%, and because the amount of rent each tenant pays is based on a sliding scale of their personal income. Some tenants' personal incomes decreased, so rent revenue from these tenants decreased accordingly, lowering the overall total. Finally, other tenant revenues (such as fees collected from tenants for late payment of rent, damages to their units, and other assessments) increased.
- Total other non-operating revenue decreased by \$8 from that of the prior fiscal year.
- Interest income decreased by \$849, or by 45% from that of the prior fiscal year.
- Interest income and Tenant revenues totaling \$48,253, did not change significantly from the prior to the current year.

Compared with the prior fiscal year, total operating expenses increased \$6,827, or by 5%, but this also was made up of a combination of offsetting factors. Again, reasons for most of this change are listed below in order of impact from greatest to least:

- Maintenance and repairs increased by \$3,172, or by 14% from that of the prior fiscal year, due to several major factors: Repair staff wages increased by \$1,554, or by 13%, and related employee benefit contributions increased by \$519, or by 14%. However, materials used decreased by \$455, or by 9%, but contract labor costs increased by \$1,554, or by 67%.
- Depreciation expense increased by \$2,223, or by 7% from that of the prior fiscal year, because existing capital assets are reaching the end of their estimated useful lives.
- General Expenses increased by \$1,794, or by 9% from that of the prior fiscal year, primarily because insurance premiums increased by \$2,419, or by 17%, since property and casualty insurance premiums increased. On the other hand, payments in lieu of taxes (PILOT) decreased by \$345, or by 7%. PILOT is calculated as a percentage of rent (which decreased by 7%) minus utilities (which decreased 6%), and therefore changed proportionately to the changes in each of these. Uncollectible rents from vacated units decreased by \$280, because these changed roughly proportional to rent, which decreased by 7%.

Housing Authority of The City of KINDER, LOUISIANA

Management's Discussion and Analysis (MD&A)

DECEMBER 31, 2007

- Administrative Expenses decreased by \$252 from that of the prior fiscal year, due to a combination of offsetting factors: Administrative staff salaries increased by \$624, and related employee benefit contributions increased by \$236; therefore, total staff salaries and benefit costs increased by 2%, however, sundry expenses decreased by \$6,354, or by 33%; therefore, other staff administrative expense decreased by 50%.
- Utilities Expense decreased by \$151, or by 6% from that of the prior fiscal year.
- Tenant Services increased by \$40, or by 80% from that of the prior fiscal year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2007, the Housing Authority had a total cost of \$1,432,987 invested in a broad range of assets and construction in progress from projects funded in 2006 listed below. This amount, not including depreciation, represents increases of (\$0) from the prior year. More detailed information about capital assets appears in the notes to the financial statements.

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

	<u>2007</u>	<u>2006</u>
Buildings	281,775	264,028
Construction in progress	30,044	73,915
Land	\$ 16,020	\$ 16,020
Leasehold improvements	5,614	6,738
Furniture and equipment	4,772	10,801
Total	<u>338,225</u>	<u>371,502</u>

As of the end of the 2007 fiscal year, the Authority is still in the process of completing HUD grants of \$42,819 obtained during 2006 fiscal year. A total remainder of \$9,762 will be received and \$9,245 will be spent for completing these projects during fiscal year 2008.

Debt

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Housing Authority is primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by Federal budget than by local economic conditions. The capital budgets for the 2008 fiscal year have already been submitted to HUD for approval and no major changes are expected.

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

Housing Authority of The City of KINDER, LOUISIANA

Management's Discussion and Analysis (MD&A)

DECEMBER 31, 2007

CONTACTING THE HOUSING AUTHORITY'S FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, investors, and creditors with a general overview of the Housing Authority's finances, and to show the Housing Authority's accountability for the money it receives. If you have questions about this report, or wish to request additional financial information, contact Sylvia Manuel, at Public Housing Authority of Kinder, Louisiana; P.O. Box 808; Kinder, LA 70648.

HOUSING AUTHORITY OF KINDER
BALANCE SHEET
DECEMBER 31, 2007

ASSETS

Current assets

Cash and cash equivalents	\$	19,680
Investments		28,486
Accounts receivable net		6,014
Interest receivable		124
Prepaid items and other assets		4,916
Inventory		74
Restricted assets – cash and cash equivalents		2,897

Total Current Assets		62,191
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Capital Assets, net

Land and other non-depreciated assets		46,064
Other capital assets – net of depreciation		292,161

Total Capital Assets, net		338,225
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Total Assets	\$	400,416
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LIABILITIES

Current Liabilities

Accounts payable	\$	6,156
Accrued PILOT		4,484
Deposits due others		2,897

Total Current Liabilities		13,537
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Total Liabilities		13,537
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NET ASSETS

Invested in capital assets, net of related debt		338,225
Unrestricted		48,654

Net Assets		386,879
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Total Liabilities and Net Assets	\$	400,416
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See accompanying notes and accountants' report.

HOUSING AUTHORITY OF KINDER
STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND NET ASSETS
YEAR ENDED DECEMBER 31, 2007

OPERATING REVENUES	
Dwelling rental	\$ 47,206
Governmental operating grants	51,781
Other	504
Total Operating Revenues	<u>99,491</u>
OPERATING EXPENSES	
Administration	62,677
Tenant services	90
Utilities	2,363
Ordinary maintenance & operations	25,996
General expenses	21,385
Depreciation	33,278
Total Operating Expenses	<u>145,789</u>
Income (loss) from Operations	<u>(46,298)</u>
Non Operating Revenues (Expenses)	
Interest earnings	<u>1,047</u>
Total Non-Operating Revenues (Expenses)	<u>1,047</u>
Income (loss) before contribution	(45,251)
Capital Contribution	<u>0</u>
Change in net assets	(45,251)
Total net assets - beginning	<u>432,130</u>
Total net assets - ending	<u>\$ 386,879</u>

See accompanying notes and accountants' report.

HOUSING AUTHORITY OF KINDER
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2007

CASH FLOWS FROM	
OPERATING ACTIVITIES	
Rental receipts	\$ 47,192
Other receipts	(2,964)
Federal grants	45,781
Payments to vendors	(45,452)
Payments to employees – net	(61,957)
Net cash provided (used) by operating activities	<u>(17,400)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	1,098
Purchase of investments	(1,099)
Net cash provided (used) by investing activities	<u>(1)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(17,401)
CASH AND CASH EQUIVALENTS Beginning of Fiscal Year	39,978
CASH AND CASH EQUIVALENTS End of Fiscal Year	\$ <u>22,577</u>

Continued

HOUSING AUTHORITY OF KINDER
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2007

**RECONCILIATION OF OPERATING
INCOME (LOSS) TO NET CASH
PROVIDED (USED) BY OPERATING
ACTIVITIES**

Operating income (loss)	\$	(46,298)
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation Expense		33,278
Provision of uncollectible accounts		(280)
Change in assets and liabilities:		
Receivables		(5,734)
Inventories		(74)
Prepaid items		261
Account payables		4,885
Accrued expenses		(425)
Deferred revenue		<u>(3,013)</u>
Net cash provided (used) by operations	\$	<u>(17,400)</u>

Concluded

HOUSING AUTHORITY OF KINDER
NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

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HOUSING AUTHORITY OF KINDER
NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES The accompanying financial statements of the Housing Authority of Kinder 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 BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

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.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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 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 landlords. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

HOUSING AUTHORITY OF KINDER
NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

D. CASH AND CASH EQUIVALENTS Cash equivalents include amounts in demand deposits and interest-bearing demand deposits. Cash equivalents include amounts in time deposits, of less than ninety days, 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 market rates, are reported using a cost-based measure.

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

Definitions:

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

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

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

G. INVENTORY All purchased inventory items are valued at cost using the first-in, first-out method. Acquisitions 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.

HOUSING AUTHORITY OF KINDER
NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

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

J. 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.

K. 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.

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.

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

HOUSING AUTHORITY OF KINDER
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2007

NOTE 2 – DEPOSITS AND INVESTMENTS The Housing Authority has reported their investments with a maturity at time of purchase of one year or less at amortized cost. Investments with maturity at time of purchase of greater than one year are presented at fair value at December 31, 2007. Deposits are stated at cost, which approximates fair value.

Interest Rate Risk: The Housing Authority’s policy does not address interest rate risk.

Credit Rate Risk: GASB 40 disclosure of credit rate risk does not apply, since the Authority’s only investments are certificates of deposit.

Custodial Credit Risk: The Authority’s policy requires the financial institution to cover the first \$100,000 of deposits with FDIC coverage. Any excess deposits must be collateralized with securities held by the pledging financial institution, with a fair market value that equals or exceeds the amount of excess deposits.

At December 31, 2007, the Housing Authority’s carrying amount of deposits was \$51,013 and the bank balance was \$57,483, which includes \$28,486 in certificates of deposits classified as investments. The bank balance was not exposed to custodial credit risk.

NOTE 3 – ACCOUNTS RECEIVABLE The receivables at December 31, 2007, are as follows:

<u>Class of Receivables</u>	
Local sources:	
Tenants	\$ 14
Federal sources:	
Grants	<u>6,000</u>
Total	<u>\$ 6,014</u>

HOUSING AUTHORITY OF KINDER
NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

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

	Beginning Balance 12/31/06	Additions	Deletions	Ending Balance 12/31/07
Non-depreciable assets:				
Land and buildings	\$ 16,020	\$ 0	\$ 0	\$ 16,020
Construction in progress	73,915	0	43,871	30,044
Depreciable assets:				
Buildings	1,317,094	43,870	0	1,360,964
Furniture and equipment	56,003	0	0	56,003
Total	1,463,032	43,870	43,871	1,463,031
Less: accumulated depreciation				
Buildings	1,046,330	27,245	0	1,073,575
Furniture and equipment	45,200	6,031	0	51,231
Total	1,091,530	33,276	0	1,124,806
Capital assets, net	\$ 371,502	\$ 10,594	\$ 43,871	\$ 338,225

NOTE 5 – ACCOUNTS PAYABLE The payables at December 31, 2007 are as follows:

Vendors	\$ 5,870
Payroll taxes & Retirement withheld	286
Total	\$ <u>6,156</u>

HOUSING AUTHORITY OF KINDER
NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

NOTE 6 – RETIREMENT SYSTEM The Housing Authority participates in the Housing Renewal and Local Agency Retirement Plan, which is a defined contribution plan. The plan consists of employees of various local and regional housing authorities, urban renewal agencies, and other similar organizations. Through this plan, the 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 month after completion of one continuous month of employment.

Under a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Each participant in the plan is required to make a monthly contribution equal to 5% of his effective compensation, and may make additional contributions. The employer is required to make monthly contributions equal to 8.5% of each participant's effective compensation.

The Housing Authority's contribution for each employee and income allocated to the employee's account is fully vested after five years of continuous service. The Housing Authority's contributions and interest forfeited by employees who leave employment before ten years of service or employee's 65th birthday are used to offset future contributions of the Housing Authority.

The Housing Authority has the right to establish or amend retirement plan provisions. The Housing Authority's Joinder Agreement with the Housing Renewal and Local Agency Retirement Plan may be amended or modified by Board Resolution. Amendment of the Joinder Agreement is limited to provisions affecting plan specifications.

The Housing Authority made the required contributions of \$2,719 for the year ended December 31, 2007, of which \$1,710 was paid by the Housing Authority and \$1,207 was paid by employees. No payments were made out of the forfeiture account.

NOTE 7 – INTERPROGRAM TRANSFERS Interprogram transfers for the year December 31, 2007 consists of the following:

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

The Capital Fund grant provisions allowed the PHA to transfer \$98,060 to the Low Rent program to pay for eligible Low Rent expenses.

HOUSING AUTHORITY OF KINDER
NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Litigation The Housing Authority is not presently involved in litigation.

Grant Disallowances The Housing Authority participates in a number of 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, 2007. These include modernizing rental units. These projects are being funded by HUD. Funds are requested periodically as the cost is incurred.

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

NOTE 9 – ECONOMIC DEPENDENCE The Department of Housing and Urban Development provided \$51,781 to the Housing Authority, which represents approximately 52% of the Housing Authority's total revenue and capital contributions for the year.

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AICPA GOVERNMENTAL
AUDIT QUALITY CENTER

MIKE ESTES, CPA

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 and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about compliance with certain laws and regulations during the year ended December 31, 2007 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 no expenditures made during the year for materials and supplies exceeding \$20,000. We examined documentation which indicated that this expenditure 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 December 14, 2006 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 were within 5% of budgeted amounts. 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 twenty 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 twenty 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 25, 2007, 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
June 26, 2008

HOUSING AUTHORITY OF KINDER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2007

Prior Findings

None

Current Findings

None

SUPPLEMENTARY INFORMATION

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

YEAR ENDED DECEMBER 31, 2007

CASH BASIS

		2005 Capital Fund
Funds approved	\$	43,871
Funds expended		43,871
Excess of funds approved	\$	0
Funds advanced	\$	43,871
Funds expended		43,871
Excess of funds advanced	\$	0

1. The Actual Modernization Costs are as follows:
2. The distribution of costs by project as shown on the Final Statement of Modernization Costs dated June 20, 2008 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.

See accountants' report

HOUSING AUTHORITY OF KINDER
STATEMENT OF MODERNIZATION COSTS – UNCOMPLETED

YEAR ENDED DECEMBER 31, 2007

CASH BASIS

		<u>2006 Capital Fund</u>
Funds approved	\$	42,819
Funds expended		<u>33,574</u>
Excess of funds approved	\$	<u>9,245</u>
Funds advanced	\$	33,057
Funds expended		<u>33,574</u>
Excess of funds advanced	\$	<u>(517)</u>

See accountants' report

HOUSING AUTHORITY OF KINDER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2007

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	14.850a	\$ 48,251
Public Housing Capital Fund	14.872	<u>3,530</u>
Total United States Department of Housing and Urban Development		\$ <u>51,781</u>
Total Expenditures of Federal Awards		\$ <u>51,781</u>

See accountants' report

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

YEAR ENDED DECEMBER 31, 2007

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 basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are 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 basic financial statements.

NOTE 3 – RELATIONSHIP TO BASIC FINANCIAL STATEMENTS Federal awards revenues are reported in the Housing Authority’s basic financial statements as follows:

	Federal Sources
General	\$ <u>51,781</u>
Total	\$ <u>51,781</u>

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

LOUISIANA ATTESTATION QUESTIONNAIRE
(For Attestation Engagements of Government)

June 26, 2008 (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, 2007 and for the year then ended, and as required by Louisiana Revised Statute 24:513 and the *Louisiana Governmental Audit Guide*, 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 June 26, 2008.

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.

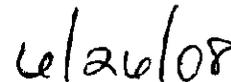
Yes [X] No []

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



Date