

HOUSING AUTHORITY OF SOUTHWEST ACADIA

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

TWELVE MONTHS ENDED SEPTEMBER 30, 2006

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 5-16-07

Mike Estes, P.C.
A Professional Accounting Corporation

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Board of Commissioners
Housing Authority of Southwest Acadia
Estherwood, Louisiana

We have reviewed the accompanying financial statements of the major fund, for the year ended September 30, 2006, 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 Southwest Acadia.

A review consists principally of inquiries of the Housing Authority of Southwest Acadia 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 September 30, 2006, all included therein.

Mike Estes, P.C.
Fort Worth, Texas
February 28, 2007

**HOUSING AUTHORITY OF SOUTHWEST ACADIA
CONSOLIDATED, LOUISIANA**

REQUIRED SUPPLEMENTAL INFORMATION

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

SEPTEMBER 30, 2006

The management of Public Housing Authority of SW Acadia, Louisiana presents the following discussion and analysis (MD&A) of the Housing Authority's financial activities for the fiscal year ending September 30, 2006. This represents an overview of financial information. Please read this discussion and analysis in conjunction with the Authority's included audited 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 \$861,976 at the close of the fiscal year ended 2006.
 - ✓ Of this amount \$695,414 represents a restriction equal to the net amount invested in land, building, furnishings, leasehold improvements, equipment, and construction in progress.
 - ✓ The remainder of \$166,562 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 59% of the total operating expenses of \$277,673 for the fiscal year 2006, which means the Authority might be able to operate about 7 months using the unrestricted assets alone, which compares favorably with 6.3 months in the prior fiscal year.
- The Housing Authority's total net assets increased by \$4,922, a 1% change from the prior fiscal year 2005. This increase is attributable to significant increases in Federal grants for both operations and capital improvements, described in more detail below.
- The increase in net assets of these funds was accompanied by a decrease in cash and cash equivalents of \$66,134 from fiscal year 2005, primarily due to a \$85,473 increase in investments.
- These changes led to an increase in total assets by \$7,276 and an increase in total liabilities by \$2,354. As related measure of financial health, there are still over \$9.10 of current assets covering each dollar of total current and long-term liabilities, which compares favorably with \$9.17 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 2006?" 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 Southwest Acadia Consolidated, Louisiana

Management's Discussion and Analysis (MD&A)

SEPTEMBER 30, 2006

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 \$861,976 as of September 30, 2006. Of this amount, \$695,414 was invested in capital assets, and the remaining \$166,562 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 September 30,**

	<u>2006</u>	<u>2005</u>
ASSETS		
Current assets	\$ 178,581	\$ 158,335
Capital assets, net of depreciation	695,414	715,978
Other assets	<u>7,593</u>	<u>0</u>
Total assets	<u>881,588</u>	<u>874,313</u>
LIABILITIES		
Current liabilities	15,430	13,077
Non-current liabilities	<u>4,182</u>	<u>4,182</u>
Total liabilities	<u>19,612</u>	<u>17,259</u>
NET ASSETS		
Invested in capital assets, net of depreciation	695,414	715,978
Unrestricted net assets	<u>166,562</u>	<u>141,076</u>
Total net assets	<u>861,976</u>	<u>857,054</u>
Total liabilities and net assets	<u>881,588</u>	<u>874,313</u>

Housing Authority of Southwest Acadia Consolidated, Louisiana

Management's Discussion and Analysis (MD&A)

SEPTEMBER 30, 2006

CONDENSED FINANCIAL STATEMENTS (Continued)

The net assets of these funds increased by \$4,922, or by 1%, from those of fiscal year 2005, as explained below. In the narrative that follows, the detail factors causing this change are discussed:

	Fiscal Year Ended September 30,	
	2006	2005
OPERATING REVENUES		
Dwelling rental	\$ 103,276	\$ 89,012
Other	1,553	1,416
<i>Total Operating Revenues</i>	104,829	90,428
OPERATING EXPENSES		
Administration	71,313	69,919
Tenant services	0	75
Utilities	16,073	14,419
Ordinary maintenance & operations	36,975	32,721
General expenses	34,163	29,549
Depreciation	115,065	121,238
Casualty losses -- non capitalized	4,084	0
<i>Total Operating Expenses</i>	277,673	267,921
Income (loss) from Operations	(172,844)	(177,493)
Non Operating Revenues (Expenses)		
Interest earnings	1,656	1,155
Federal grants	68,762	97,689
Insurance proceeds	34,155	0
<i>Total Non-Operating Revenues (Expenses)</i>	104,573	98,844
Income (loss) before contribution	(68,271)	(78,649)
Capital Contribution	73,193	54,551
<i>Change in net assets</i>	4,922	(24,098)
Total net assets - beginning	857,054	881,152
Total net assets - ending	\$ 861,976	\$ 857,054

EXPLANATIONS OF FINANCIAL ANALYSIS

Compared with the prior fiscal year, total operating, non-operating revenues and capital grants increased \$38,772, or by 16%, from a combination of larger offsetting factors. Reasons for most of this change are listed below in order of impact from greatest to least:

- Total other non-operating revenue increased by \$5,729. Federal operating grants decreased \$28,927. But, insurance proceeds increased \$34,155.
- Federal Capital Funds from HUD increased by \$18,642, or by 34% from that of the prior fiscal year. The Housing Authority was still in the process of completing projects funded from grants by HUD for the fiscal years 2005 and 2006, and submitted a new grant during fiscal year 2007.
- Total tenant revenue increased by \$14,264, or by 16% from that of the prior fiscal year. The amount of rent each tenant pays is based on a sliding scale of their personal income. Some tenants' personal incomes increased, so rent revenue from these tenants increased accordingly, raising the overall total. Finally, other tenant revenues (such as fees collected from tenants for late payment of rent, damages to their units.
- Interest income increased by \$501.

Compared with the prior fiscal year, total operating expenses increased \$9,752, or by 4%, 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:

- General Expenses increased by \$4,614 or by 16% from that of the prior fiscal year, primarily because insurance premiums increased by \$2,702, or by 12%, since property and casualty insurance premiums increased. Also, payments in lieu of taxes (PILOT) increased by \$1,261, or by 17%. PILOT is calculated as a percentage of rent (which increased by 16%) minus utilities (which increased 11%), and therefore changed proportionately to the changes in each of these.
- Maintenance and repairs increased by \$4,255, or by 13% from that of the prior fiscal year.
- Utilities Expense increased by \$1,654, or by 11% from that of the prior fiscal year.
- Depreciation expense decreased by \$6,174, or by 5% from that of the prior fiscal year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2006, the Housing Authority had a total cost of \$3,300,424 invested in a broad range of assets and construction in progress from projects funded in 2002 through 2005, listed below. More detailed information about capital assets appears in the notes to the financial statements.

**Capital Assets, Net of Accumulated Depreciation
As of September 30,**

	<u>2006</u>	<u>2005</u>
Land	\$16,142	\$16,142
Construction in progress	41,021	20,523
Buildings	548,334	(1,551,454)
Leasehold improvements	49,431	2,186,700
Furniture and equipment	<u>40,486</u>	<u>44,067</u>
Total	<u>695,414</u>	<u>715,978</u>

As of the end of the 2006 fiscal year, the Authority is still in the process of completing HUD grants of \$141,701 obtained for the 2005 and 2006 fiscal years. A total remainder of \$36,139 will be received and spent for completing these projects during fiscal year 2007.

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 2007 fiscal year have already been submitted to HUD for approval and no major changes are expected.

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

CONTACTING THE HOUSING AUTHORITY'S FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, investors, and creditors with a general overview of the Housing Authority's finances, and to show the Housing Authority's accountability for the money it receives. If you have questions about this report, or wish to request additional financial information, contact Ken Guidry, at Public Housing Authority of SW Acadia, Louisiana; P. O. Box 237; Estherwood, La 70534.

HOUSING AUTHORITY OF SOUTHWEST ACADIA
ENTERPRISE FUNDS - BALANCE SHEET
SEPTEMBER 30, 2006

		<u>General</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$	76,433
Investments		85,473
Prepaid items and other assets		11,448
Inventory		562
Restricted assets – cash and cash equivalents		4,665
Total Current Assets		<u>178,581</u>
Capital Assets, net		
Land		16,142
Buildings, and equipment (net)		638,251
Construction in progress		41,021
Total Capital Assets, net		<u>695,414</u>
Other Assets		
Bond assessment		7,593
Total Assets	\$	<u>881,588</u>
LIABILITIES		
Current Liabilities		
Accounts payable	\$	293
Compensated absences payable		1,752
Accrued PILOT		8,720
Deposits due others		4,665
Total Current Liabilities		<u>15,430</u>
Noncurrent Liabilities		
Compensated absences payable		4,182
Total Liabilities		<u>19,612</u>
NET ASSETS		
Invested in capital assets, net of related debt		695,414
Unrestricted		166,562
Net Assets		<u>861,976</u>
Total Liabilities and Net Assets	\$	<u>881,588</u>

See accompanying notes and accountants' report.

HOUSING AUTHORITY OF SOUTHWEST ACADIA
 ENTERPRISE FUNDS – STATEMENT OF REVENUES,
 EXPENSES AND CHANGES IN FUND NET ASSETS
 YEAR ENDED SEPTEMBER 30, 2006

		General
OPERATING REVENUES		
Dwelling rental	\$	103,276
Other		1,553
Total Operating Revenues		104,829
OPERATING EXPENSES		
Administration		71,313
Utilities		16,073
Ordinary maintenance & operations		36,975
General expenses		34,163
Depreciation		115,065
Casualty losses – non capitalized		4,084
Total Operating Expenses		277,673
Income (loss) from Operations		(172,844)
Non Operating Revenues (Expenses)		
Interest earnings		1,656
Federal grants		68,762
Insurance proceeds		34,155
Total Non-Operating Revenues (Expenses)		104,573
Income (loss) before contribution		(68,271)
Capital Contribution		73,193
Change in net assets		4,922
Total net assets - beginning		857,054
Total net assets - ending	\$	861,976

See accompanying notes and accountants' report.

HOUSING AUTHORITY OF SOUTHWEST ACADIA
 ENTERPRISE FUNDS – STATEMENT OF CASH FLOWS
 YEAR ENDED SEPTEMBER 30, 2006

	General
CASH FLOWS FROM OPERATING ACTIVITIES	
Rental receipts	\$ 103,705
Other receipts	2,430
Payments to vendors	(86,373)
Payments to employees – net	(76,095)
	(56,333)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Federal grants	68,762
	68,762
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(102,094)
Federal Capital Grants	73,193
Insurance proceeds	34,155
	5,254
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	1,656
Purchase of investments	(1,656)
	0
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	17,683
CASH AND CASH EQUIVALENTS	
Beginning of Fiscal Year	63,415
CASH AND CASH EQUIVALENTS	
End of Fiscal Year	\$ 81,098

Continued

HOUSING AUTHORITY OF SOUTHWEST ACADIA
 ENTERPRISE FUNDS – STATEMENT OF CASH FLOWS
 YEAR ENDED SEPTEMBER 30, 2006

		General
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$	(172,844)
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation Expense		115,065
Change in assets and liabilities:		
Receivables		566
Inventories		(61)
Prepaid items		(1,412)
Account payables		1,382
Accrued expenses		631
Deferred revenue		340
Net cash provided (used) by operations	\$	(56,333)

Concluded

HOUSING AUTHORITY OF SOUTHWEST ACADIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2006

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HOUSING AUTHORITY OF SOUTHWEST ACADIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES The accompanying financial statements of the Housing Authority of Southwest Acadia 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 Southwest Acadia, serve staggered multi-year terms.

The Housing Authority has the following units:

Program	Contract Number	Number Of Units
PHA owned housing	FW-950	54

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 Cities of Estherwood and Mermentau of Southwest Acadia since the Cities of Estherwood and Mermentau of Southwest Acadia appoints a voting majority of the Housing Authority’s governing board. The Cities of Estherwood and Mermentau of Southwest Acadia 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 Cities of Estherwood and Mermentau of Southwest Acadia. Accordingly, the Housing Authority is not a component unit of the financial reporting entity of the Cities of Estherwood and Mermentau of Southwest Acadia.

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 SOUTHWEST ACADIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2006

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

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

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

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

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's funds are rent and maintenance charges to residents and administration fees earned. Operating expenses for proprietary funds include the administrative costs of providing the service and the housing assistance payments to landlords. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

HOUSING AUTHORITY OF SOUTHWEST ACADIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2006

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

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

H. 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

HOUSING AUTHORITY OF SOUTHWEST ACADIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2006

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

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

NOTE 2 – 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 September 30, 2006. 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: The Housing Authority investments are in Certificates of Deposits, which do not have credit ratings. However, the Housing Authority's policy does not address credit rate risk.

Custodial Credit Risk-Deposits: In the case of deposits, this is the risk that in the event of a bank failure the government's deposits may not be returned to it. \$100,000 Authority's total deposits and investments were covered by federal depository insurance, and do not have custodial credit risk. The remaining \$66,571 of deposits and investments are exposed to custodial credit risk because this balance is uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Housing Authority's name. Even though the pledge securities are considered uncollateralized under the provisions of GASB Statement 3, Louisiana Revised Statue 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Housing Authority that the fiscal agent has failed to pay deposited funds upon request.

HOUSING AUTHORITY OF SOUTHWEST ACADIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2006

NOTE 3 – CAPITAL ASSETS The changes in capital assets are as follows:

	Balance 09/30/05	Additions	Deletions	Balance 09/30/06
Land	\$ 16,142	\$ 0	\$ 0	\$ 16,142
Buildings	3,096,967	65,461	0	3,162,428
Furniture and equipment	129,528	8,541	16,215	121,854
Construction in progress	20,523	20,498	0	41,021
Total	<u>3,263,160</u>	<u>94,500</u>	<u>16,215</u>	<u>3,341,445</u>
Less: accumulated depreciation				
Buildings	2,482,114	105,597	0	2,587,711
Furniture and equipment	65,068	9,467	16,215	58,320
Total	<u>2,547,182</u>	<u>115,064</u>	<u>16,215</u>	<u>2,646,031</u>
Fixed assets, net	\$ <u>715,978</u>	\$ <u>(20,564)</u>	\$ <u>0</u>	\$ <u>695,414</u>

NOTE 4 – ACCOUNTS PAYABLE The payables at September 30, 2006 are as follows:

	General
Vendors	\$ <u>293</u>
Total	\$ <u>293</u>

NOTE 5 – COMPENSATED ABSENCES At September 30, 2006, employees of the Housing Authority have accumulated and vested \$5,934 of employee leave computed in accordance with GASB, Codification Section C60.

HOUSING AUTHORITY OF SOUTHWEST ACADIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2006

NOTE 6 – LONG – TERM OBLIGATIONS The following is a summary of the long – term obligation transactions for the year ended September 30, 2006.

		Compensated Absences
Balance, beginning	\$	5,703
Additions		231
Deductions		0
Balance, ending		5,934
Amounts due in one year	\$	1,752

NOTE 7 – 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 the month after completing one month of continuous and uninterrupted employment. Plan provisions and changes to plan contributions are determined by the Board of the Housing Authority.

Under a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The employer is required to make monthly contributions equal to 13.5% percent of each participant’s basic (excludes overtime) compensation. This payment represents a 5.5% contribution by the employee, and a 8% contribution by the Housing Authority.

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

The Housing Authority made the required contributions of \$5,534 for the year ended September 30, 2006, of which \$3,162 was paid by the Housing Authority and \$2,372 was paid by employees. No payments were made out of the forfeiture account.

HOUSING AUTHORITY OF SOUTHWEST ACADIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2006

NOTE 8 – INTERPROGRAM TRANSFERS Interprogram transfers for the year September 30, 2006 consists of the following:

The Capital fund program transferred \$77,972 of net capital costs on closed grants to the Low Rent program.

NOTE 9 – 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 September 30, 2006. 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 10 – ECONOMIC DEPENDENCE The Department of Housing and Urban Development provided \$141,955 to the Housing Authority, which represents approximately 50% of the Housing Authority's total revenue and capital contributions for the year.

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and the
AICPA GOVERNMENTAL
AUDIT QUALITY CENTER

MIKE ESTES, CPA

Independent Accountant's Report
on Applying Agreed-Upon Procedures

Board of Commissioners
Housing Authority of Southwest Acadia
Estherwood, 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 Estherwood, 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 September 30, 2006 included in the accompanying *Louisiana Attestation Questionnaire*. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Public Bid Law

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

There were two expenditures made during the year for materials and supplies exceeding \$20,000. We examined documentation which indicated that their expenditures had been properly advertised and accepted in accordance with the provisions of LAS-RS 38:2211-2251. They were to the same contractor, and totaled \$73,193.

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 July 21, 2005 which indicated that the budget had been adopted by the commissioners by unanimous consensus. The budget was revised, by board resolution in September 2006.

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 thirty-two selected disbursements (excluding payroll that was also reviewed) and found that payment was for the proper amount and made to the correct payee.

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

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

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

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

Meetings

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

The Housing Authority of Southwest Acadia 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 February 27, 2006, 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
February 28, 2007

HOUSING AUTHORITY OF SOUTHWEST ACADIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2006

Prior Findings

None

Current Findings

None

SUPPLEMENTARY INFORMATION

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

YEAR ENDED SEPTEMBER 30, 2006

CASH BASIS

		<u>2004 Capital Fund</u>
Funds approved	\$	81,572
Funds expended		<u>81,572</u>
Excess of funds approved	\$	<u>0</u>
Funds advanced	\$	81,572
Funds expended		<u>81,572</u>
Excess of funds advanced	\$	<u>0</u>

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 September 13, 2006 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 SOUTHWEST ACADIA
STATEMENT OF MODERNIZATION COSTS – UNCOMPLETED

YEAR ENDED SEPTEMBER 30, 2006

CASH BASIS

		2005 Capital Fund
Funds approved	\$	73,130
Funds expended		41,021
Excess of funds approved	\$	<u>32,109</u>
Funds advanced	\$	41,021
Funds expended		41,021
Excess of funds advanced	\$	<u>0</u>

See accountants' report

HOUSING AUTHORITY OF SOUTHWEST ACADIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2006

FEDERAL GRANTOR PROGRAM TITLE	<u>CDFA NO.</u>	<u>PROGRAM EXPENDITURES</u>
U. S. Department of Housing and Urban Development Direct Programs:		
Low-Income Housing Operating Subsidy	14.850	\$ <u>68,524</u>
Public Housing Capital Fund	14.872	<u>73,431</u>
Total United States Department of Housing and Urban Development		\$ <u>141,955</u>
Total Expenditures of Federal Awards		<u>\$ 141,955</u>

See accountants' report

HOUSING AUTHORITY OF SOUTHWEST ACADIA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2006

NOTE 1 – GENERAL The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the Housing Authority of Estherwood, 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>141,955</u>
Total	\$ <u>141,955</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)

February 28, 2007 (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 September 30, 2006 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 February 28, 2007.

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.

Ken Dandy Executive Director 3-1-07 Date