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HOUSING AUTHORITY OF VINTON
REPORT ON EXAMINATION OF
FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA
(UNAUDITED)

TWELVE MONTHS ENDED JUNE 30, 2004

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

Release Date 11-10-04

Mike Estes, P.C.
A Professional Accounting Corporation

TABLE OF CONTENTS

	<u>EXHIBIT</u>	<u>PAGE</u>
<u>General Purpose Financial Statements</u>		
Compilation Opinion		1
Management's Discussion and Analysis		2 - 9
<u>Basic Financial Statements</u>		
Balance Sheet - Enterprise Fund	A	10
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Enterprise Fund	B	11
Statement of Cash Flows - Enterprise Fund	C	12 - 13
Notes to the General-Purpose Financial Statements		14 - 22
Index		14
Notes to Financial Statements		15 - 22
<u>Supplementary Information</u>		
Statement of Actual Modernization Costs	E(1)	23
Statement of Modernization Costs - Uncompleted	E(2)	24
Report on Agree-upon Procedures Regarding Louisiana Attestation Questionnaire		25 - 29
Schedule of Findings and Questioned Costs		30

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PUBLIC ACCOUNTANTS

Board of Commissioners
Housing Authority of Vinton
Vinton, Louisiana

We have compiled the accompanying annual sworn general purpose unaudited financial statements of the Housing Authority of Vinton, Louisiana for the year ended June 30, 2004, in accordance with Statements on Standards for Accounting and Review Services.

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

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

We have also performed agreed-upon procedures to test representations included in the Louisiana Attestation Questionnaire for the year-ended June 30, 2004, all included therein.

Mike Estes, P.C.
Fort Worth, Texas
October 28, 2004

HOUSING AUTHORITY OF THE CITY OF VINTON, LOUISIANA
REQUIRED SUPPLEMENTAL INFORMATION
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2004

The management of the Housing Authority of Vinton, Louisiana presents the following discussion and analysis of the Housing Authority's financial activities for the fiscal year ending June 30, 2004. This represents an overview of financial information. Please read this in conjunction with the Authority's audited financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The Housing Authority's assets exceeded its liabilities by \$979,361 at the close of the fiscal year ended 2004.
 - ✓ Of this amount, \$434,769 of unrestricted assets may be used to meet the Housing Authority's ongoing obligations to citizens and creditors. This amount equals 88 percent, or about 11 months, of the total operating expenses for the fiscal year 2004.
 - ✓ The remainder of \$544,592 represents a restriction equal to the net amount invested in land, building, furnishings, leasehold improvements, and equipment.
- The Housing Authority's total net assets decreased by \$35,953, a 4% decrease from the prior fiscal year 2003. This decrease is primarily attributable to additional depreciation expense. There was actually an increase in unrestricted cash and a decrease in liabilities, described in more detail below.
- The Housing Authority continues to operate without the need for debt borrowing during the current fiscal year. The primary source of funding for these activities continues to be HUD.

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.

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 2004?" 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 three most significant funds, Low Rent Public Housing, Housing Choice Vouchers, and Public Housing Capital Fund Program.*

The Housing Authority's auditors provided assurance in their independent auditors' report, located immediately following the MD&A, 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.

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

CONDENSED FINANCIAL STATEMENTS

Condensed Balance Sheet
As of June 30, 2004

ASSETS	
Current Assets	\$ 489,678
Capital Assets, Net of Depreciation	<u>544,593</u>
Total Assets	<u><u>1,034,271</u></u>
LIABILITIES	
Current Liabilities	47,761
Non-Current Liabilities	<u>7,148</u>
Total Liabilities	<u>54,909</u>
NET ASSETS	
Invested in Capital Assets	544,593
Unrestricted	<u>434,769</u>
Total Net Assets	<u>979,362</u>
Total Liabilities and Net Assets	<u><u>1,034,271</u></u>

Housing Authority of the City of Vinton, Louisiana
Management's Discussion and Analysis (MD&A)
June 30, 2004

CONDENSED FINANCIAL STATEMENTS (Continued)

**Condensed Statement of Revenues, Expenses,
and Changes in Fund Net Assets
Fiscal Year Ended June 30, 2004**

OPERATING REVENUES	
Rental Revenue	\$ 111,294
Other	7,389
Total Operating Revenues	<u>118,683</u>
OPERATING EXPENSES	
Administration	132,393
Tenant Services	100
Utilities	5,884
Ordinary maintenance and operations	112,654
General	40,397
Depreciation	79,612
Housing Assistance	123,022
Total Operating Expenses	<u>494,062</u>
Income (Loss) from Operations	<u>(375,379)</u>
NON-OPERATING REVENUES	
Federal Grants - Operating	329,623
Federal Grants - Capital	4,719
Interest Earnings and Other Revenue	5,085
Total Non-Operating Revenues	<u>339,427</u>
NET CHANGE IN ASSETS	(35,952)
NET ASSETS, Beginning of Year	<u>1,015,313</u>
NET ASSETS, End of Year	<u><u>979,361</u></u>

In future years, a comparative analysis of Authority-wide data with the prior year will be presented. (A comparative analysis for the current year is not required by accounting standards followed by the Authority.)

Compared with the prior fiscal year, total revenues increased only \$3,221, or by 1%, due to two offsetting causes:

Housing Authority of the City of Vinton, Louisiana
Management's Discussion and Analysis (MD&A)
June 30, 2004

- An increase in tenant revenues by 7% due to an increase in occupancy from 79% to 97%. This was related to the capital asset additions described further below.
- A 1% decrease in funding from HUD for operations and capital projects. The Housing Authority was still in the process of completing projects funded from grants in HUD fiscal years 2001 through 2003, and is awaiting approval of a grant submitted during fiscal year 2004.

Compared with the prior fiscal year, total expenses increased \$27,917, or by 6%, due to a combination of several offsetting causes:

- A budget-authorized increase in administrative salaries and benefits, plus increases in audit, accounting, and other expenses, resulting in a combined increase of 19% over the prior year. The additional salary and benefits were required by the Executive Director to manage the capital asset additions described further below
- A 25% increase in employee benefits, materials, and contract labor for ordinary maintenance and repairs. Additional staff was needed to make repairs related to the capital assets additions described further below.
- A decrease in depreciation expense by 14% from numerous assets reaching the end of their expected useful lives during 2004.
- A minor decrease of 2% in Housing Assistance Payments to landlords.

Net Assets therefore decreased \$35,952, or by 3½%, due to the combined effect of the excess of expenses over revenues. This change caused a decrease in assets of \$46,136 and a decrease in liabilities of \$10,184.

However, cash flow actually increased by \$28,021 since most of the decrease in assets was due to an offsetting addition to accumulated depreciation of \$72,454. Most of the decrease in liabilities was from a decrease in amounts due to HUD from the Low Rent Program.

BUDGETARY ANALYSIS

The final operating budgets approved by HUD for the Low Rent Public Housing Program for fiscal year ended June 30, 2004 showed a deficit of budgeted expenses exceeding budgeted revenues of \$31,192. The Housing Choice Vouchers Program showed budgeted expenses equal to budgeted revenues.

Low Rent Program Budgetary Highlights

The original proposed expense budget of \$206,290 was revised during fiscal year 2004 to \$228,670 for increases in administrative salaries, sundry administrative expenses, and anticipated collection losses from tenants. There were several significant variations between the final adopted annual budget and the actual income and expenses:

- Total revenues exceeded the budget of \$197,478 by \$27,395, attributable to increases in occupancy from 79% to 97%.
- Ordinary repairs and maintenance expenses were below the budget of \$64,400 by \$21,184 due to a \$15,722 decrease in both staff and contract labor, and a \$5,680 decrease in materials cost.
- The extraordinary repairs and equipment replacement budget of \$13,850 was underspent by \$13,241.
- Administrative expense was above the \$73,480 budget by \$12,613 due to decreases in payments for legal fees, accounting fees, travel, and sundry expenses.
- There were \$76,940 in other budgeted expenses which were not significantly over- or underspent.

Housing Choice Voucher Program Budgetary Highlights

The original proposed expense budget of \$152,125 for fiscal year 2004 was underspent by \$8,070 due to underspending for administrative salaries, employee benefits, and Housing Assistance Payments to landlords.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the Housing Authority had \$544,592 invested in a broad range of assets listed below, and is virtually unchanged from the prior year other than completion of construction in progress of \$37,978. More detailed information about capital assets appears in the notes to the financial statements.

Housing Authority of the City of Vinton, Louisiana
Management's Discussion and Analysis (MD&A)
June 30, 2004

**Capital Assets,
Net of Accumulated Depreciation
As of June 30, 2004**

Land	\$ 78,099
Buildings	339,559
Furniture and Equipment	28,179
Leasehold Improvements	<u>98,756</u>
Total	<u>544,593</u>

As of the end of the 2004 fiscal year, the Housing Authority completed a grant totaling \$124,086 obtained from HUD for the 2000 fiscal year. The Authority is still in the process of completing HUD grants of \$325,479 obtained during the 2001 through 2003 fiscal years. A total of \$118,666 will be received and \$115,943 will be spent for these projects during fiscal year 2005.

Additional major capital projects of \$101,739 are planned for the 2005 fiscal year from a HUD grant submitted during fiscal year 2004 and still pending approval.

Debt

Long-term debt includes a liability for employee sick leave and vacation time not yet taken. 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 2005 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 Loretta Dorsey, Executive Director, at the Housing Authority of the City of Vinton, Louisiana telephone number (337) 589-5331.

HOUSING AUTHORITY OF THE CITY OF VINTON
 ENTERPRISE FUNDS – BALANCE SHEET
 YEAR ENDED JUNE 30, 2004

	General	Housing Choice Voucher Fund	Capital Fund	Total
<u>ASSETS</u>				
Current Assets				
<i>Cash and cash equivalents</i>	\$ 277,635	\$ 83,783	\$ 0	\$ 361,418
Investments	77,768	0	0	77,768
Accounts receivable net	231	0	2,723	2,954
Interfund receivable	21,063	0	0	21,063
Interest receivable	153	0	0	153
Prepaid items and other assets	18,398	0	0	18,398
Inventory	2,307	0	0	2,307
Total Current Assets	397,555	83,783	2,723	484,061
Restricted Assets				
Investments	5,617	0	0	5,617
Capital Assets, net				
Land	78,099	0	0	78,099
Buildings, and equipment (net)	409,981	0	56,513	466,494
Total Capital Assets, net	488,080	0	56,513	544,593
TOTAL ASSETS	891,252	83,783	59,236	1,034,271
<u>LIABILITIES</u>				
Current Liabilities				
Deferred revenues	\$ 437	\$ 0	\$ 0	\$ 437
Accounts payable	2,194	5,022	0	7,216
Accrued compensation absences	2,569	318	0	2,887
Accrued PILOT	10,541	0	0	10,541
Interfund payable	0	18,340	2,723	21,063
Total Current Liabilities	15,741	23,680	2,723	42,144
Current Restricted Assets -				
<i>Deposits due others</i>	5,617	0	0	5,617
Noncurrent Liabilities				
Compensated absences payable	6,312	836	0	7,148
TOTAL LIABILITIES	27,670	24,516	2,723	54,909
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt				
Restricted	488,080	0	56,513	544,593
Unrestricted	375,502	59,267	0	434,769
Net Assets	863,582	59,267	56,513	979,362
TOTAL LIABILITIES AND NET ASSETS	891,252	83,783	59,236	1,034,271

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

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

	General	Housing Choice Voucher Fund	Capital Fund Program	Total
OPERATING REVENUES				
Dwelling rental	\$ 111,294	\$ 0	\$ 0	\$ 111,294
Other	7,389	0	0	7,389
Total Operating Revenues	118,683	0	0	118,683
OPERATING EXPENSES				
Administration	86,093	21,800	24,500	132,393
Tenant services	100	0	0	100
Utilities	5,884	0	0	5,884
Ordinary maintenance & operations	55,104	780	56,770	112,654
General expenses	40,397	0	0	40,397
Depreciation	73,073	0	6,539	79,612
Housing assistance payments	0	123,022	0	123,022
Total Operating Expenses	260,651	145,602	87,809	494,062
Income (loss) from Operations	(141,968)	(145,602)	(87,809)	(375,379)
Non Operating Revenues				
Interest earnings and other revenue	5,037	48	0	5,085
Federal grants – operating	83,698	147,267	98,658	329,623
Federal grants – capital	0	0	4,719	4,719
Total Non-Operating Revenues	88,735	147,315	103,377	339,427
Income (loss) before contribution and transfers	(53,233)	1,713	15,568	(35,952)
Operating Transfer In	17,388	0		17,388
Operating Transfers Out	0	0	(17,388)	17,388
Income (loss) before contribution	(35,845)	1,713	(1,820)	(35,952)
Capital contributions				
Transfers In	47,183		0	47,183
Transfers Out	0	(47,183)	0	(47,183)
Change In Net Assets	11,338	(45,470)	(1,820)	(35,952)
Total Net Assets - beginning	852,244	104,737	58,333	1,015,314
Total Net Assets - ending	\$ 863,582	\$ 59,267	\$ 56,513	\$ 979,362

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

HOUSING AUTHORITY OF THE CITY OF VINTON
 ENTERPRISE FUNDS – STATEMENT OF CASH FLOWS
 YEAR ENDED JUNE 30, 2004

	General C	Housing Choice Voucher Fund E	Capital Fund Program G	Total I
CASH FLOWS FROM OPERATING ACTIVITIES				
Rental receipts	\$ 111,336	\$ 0	\$ 0	\$ 111,336
Other receipts	(35,986)	49,432	(1,943)	11,503
Payments to vendors	(94,073)	(10,556)	(81,270)	(185,899)
Payments to employees – net	(95,494)	(11,874)	0	(107,368)
Payments to private landlords	0	(123,022)	0	(123,022)
Net Cash Provided (Used) by Operating Activities	<u>(114,217)</u>	<u>(96,020)</u>	<u>(83,213)</u>	<u>(293,450)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Operating transfers in	64,571	0	0	64,571
Operating transfers out	0	(47,183)	(17,388)	(64,571)
Federal grants	83,698	137,596	100,601	321,895
Net Cash Provided (Used) by Non- Capital Financing Activities	<u>148,269</u>	<u>90,413</u>	<u>83,213</u>	<u>321,895</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	(609)	0	(4,719)	(5,328)
Federal Capital Grants	0	0	4,719	4,719
Net Cash Provided (Used) by Capital And Related Financing Activities	<u>(609)</u>	<u>0</u>	<u>0</u>	<u>(609)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	1,039	48	0	1,087
Purchase of investments	(901)	0	0	(901)
Net Cash Provided (Used) by Interest Income net of purchases of Investment	<u>138</u>	<u>48</u>	<u>0</u>	<u>186</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	33,581	(5,559)	0	28,022
CASH AND CASH EQUIVALENTS Beginning of Fiscal Year	<u>249,671</u>	<u>89,342</u>	<u>0</u>	<u>339,013</u>
CASH AND CASH EQUIVALENTS End of Fiscal Year	<u>\$ 283,252</u>	<u>\$ 83,783</u>	<u>\$ 0</u>	<u>\$ 367,035</u>

Continued

HOUSING AUTHORITY OF THE CITY OF VINTON
 ENTERPRISE FUNDS – STATEMENT OF CASH FLOWS
 YEAR ENDED JUNE 30, 2004

	<u>General</u>	<u>Housing Choice</u> <u>Voucher Fund</u>	<u>Capital Fund</u> <u>Program</u>	<u>Total</u>
	C	E	G	I
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ (141,967)	\$ (145,602)	\$ (87,809)	\$ (375,378)
Adjustment to reconcile operating income to net cash provided by operating activities:				
Depreciation Expense	73,073	0	6,539	79,612
Waivered PILOT	4,137	0	0	4,137
Provision of uncollectible accounts	522	0	0	522
Change in assets and liabilities:				
Receivables	(480)	0	0	(480)
Due from other funds	(16,397)	31,092	720	15,415
Inventories	(703)	0	0	(703)
Prepaid items	(647)	0	0	(647)
Account payables	(228)	164	0	(64)
Accrued expenses	(152)	(14)	0	(166)
Deferred revenue	437	0	(720)	(283)
Due to other funds	(31,812)	18,340	(1,943)	(15,415)
Net Cash Provided by Operations	\$ <u>(114,217)</u>	\$ <u>(96,020)</u>	\$ <u>(83,213)</u>	\$ <u>(293,450)</u>
				Concluded

HOUSING AUTHORITY OF THE CITY OF VINTON
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2004

INDEX

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	15
A. REPORTING ENTITIES	15
B. FUNDS	15
C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING	16
D. CASH AND CASH EQUIVALENTS	16
E. INVESTMENTS	17
F. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES	17
G. INVENTORY	17
H. PREPAID ITEMS	17
I. CAPITAL ASSETS	17
J. DEFERRED REVENUES	18
K. COMPENSATED ABSENCES	18
L. RESTRICTED NET ASSETS	18
M. INTERFUND ACTIVITY	18
N. USE OF ESTIMATES	18
NOTE 2 – DEPOSITS AND INVESTMENTS	19
NOTE 3 – ACCOUNTS RECEIVABLE	20
NOTE 4 – CAPITAL ASSETS	20
NOTE 5 – RETIREMENT SYSTEM	20
NOTE 6 – ACCOUNTS PAYABLE	21
NOTE 7 – COMPENSATED ABSENCES	21
NOTE 8 – COMMITMENTS AND CONTINGENCIES	21
NOTE 9 – INTERFUND RECEIVABLES AND PAYABLES	21
NOTE 10 – GENERAL LONG – TERM OBLIGATIONS	22
NOTE 11 – INTERFUND TRANSFERS	22

HOUSING AUTHORITY OF THE CITY OF VINTON
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2004

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

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

The Housing Authority has the following units:

PHA Owned Housing	FW 588	68
Section 8		
Housing Choice Vouchers	LA 046VO	50

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

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

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

All funds of the Housing Authority are classified as proprietary. The general fund accounts for the transactions of the public housing Low Rent program. The Housing Choice Voucher Fund accounts for the Section 8 Housing Choice Voucher programs. The Capital Funding program accounts for Capital Funding grants.

HOUSING AUTHORITY OF THE CITY OF VINTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

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

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

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

HOUSING AUTHORITY OF THE CITY OF VINTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

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

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

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

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

Definitions:

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

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

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

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

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

I. CAPITAL ASSETS Capital assets are recorded at historical cost and depreciated over their estimated useful lives (excluding salvage value). The capitalization threshold is \$250. Donated capital assets are recorded at their estimated fair value at the date of donation. Estimated useful live is management's estimate of how long the asset is expected to meet service demands. Straight line depreciation is used based on the following estimated useful lives:

Site improvements	15 years
Buildings	33 years
Furniture and equipment	5 to 7 years

HOUSING AUTHORITY OF THE CITY OF VINTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

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

J. DEFERRED REVENUES The Housing Authority reports deferred revenues on its combined *balance sheet*. *Deferred revenues arise when resources are received by the Housing Authority before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when the Housing Authority has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and the revenue is recognized.*

K. 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.

L. RESTRICTED NET ASSETS *Net assets are reported as restricted when constraints placed on net assets 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.

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

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

N. 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 THE CITY OF VINTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

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

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

At June 30, 2004 the Housing Authority has Cash equivalents, and investments totaling \$444,803 as follows:

Cash on hand	\$	75
Interest-bearing demand deposits		366,960
Time deposits		77,768
Total	\$	444,803
Cash and cash equivalents	\$	361,418
Cash and cash equivalents – restricted		5,617
Investments		77,768
Total	\$	444,803

Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At June 30, 2004, the Housing Authority's carrying amount of deposits was \$444,728 and the bank balance was \$456,852. Of the bank balance, \$100,000 was covered by federal depository insurance (GASB Category 1). The remaining \$356,852 was collateralized with securities held by the pledging financial institution's trust department or agent but in the housing Authority's name (GASB Category 3).

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

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

HOUSING AUTHORITY OF THE CITY OF VINTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

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

<u>Class of Receivables</u>	<u>General</u>	<u>Capital Fund</u>	<u>Total</u>
Local sources			
Tenants	\$ 231	\$ 0	\$ 231
Federal sources:			
Grants	0	2,723	2,723
Total	\$ 231	\$ 2,723	\$ 2,954

The tenants account receivable is net of an allowance for doubtful accounts of \$522.

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

	<u>Balance 6-30-03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6-30-04</u>
Land	\$ 78,099	\$ 0	\$ 0	\$ 78,099
Buildings	2,759,517	0	0	2,759,517
Furniture and equipment	118,401	5,328	7,224	116,505
Total	2,956,017	5,328	7,224	2,954,121
Less: accumulated depreciation				
Buildings	2,253,375	66,678	0	2,320,053
Furniture and equipment	83,699	13,000	7,224	89,475
Total	2,337,074	79,678	7,224	2,409,528
Fixed assets, net	\$ 618,943	\$ (74,350)	\$ 0	\$ 544,593

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

Under a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Each participant in the plan is required to make monthly contributions equal to 6 percent of each participant's basic (excludes overtime) compensation. The employer is required to make monthly contributions equal to 8.5 percent of each participant's effective compensation.

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.

HOUSING AUTHORITY OF THE CITY OF VINTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

The Housing Authority's contributions were calculated using the base salary amount of \$_____. The Housing Authority made the required contributions of \$9,707 for the year ended June 30, 2004, of which \$5,845 was paid by the Housing Authority and \$3,862 was paid by employees. No payments were made out of the forfeiture account.

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

	General	Housing Choice Voucher Fund	Total
Federal grants	\$ 0	\$ 4,858	\$ 4,858
Vendors	1,490	164	1,654
Payroll taxes & retirement withheld	704	0	704
Total	\$ 2,194	\$ 5,022	\$ 7,216

NOTE 7 – COMPENSATED ABSENCES At June 30, 2004, employees of the Housing Authority have accumulated and vested \$10,035 of employee leave computed in accordance with GASB, Codification Section C60.

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

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

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

NOTE 9 – INTERFUND RECEIVABLES / PAYABLES Interfund receivables / payables at June 30, 2004 are as follows: The Section Eight Housing Choice Voucher Program and the Capital Funding Program owed \$18,340 and \$2,723, respectively to the Low Rent Program.

HOUSING AUTHORITY OF THE CITY OF VINTON
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2004

NOTE 10 – GENERAL LONG – TERM OBLIGATIONS The following is a summary of the long – term obligation transactions for the year ended June 30, 2004.

		<u>Compensated Absences</u>
Balance, beginning	\$	9,885
Additions		150
Deductions		0
Balance, ending	\$	<u>10,035</u>
Amounts due in one year		<u>2,887</u>

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

<u>Transfer To</u>	<u>Transfer From</u>	
Low Rent	Capital Fund	\$17,388

The Capital Fund grant provisions allowed the PHA to transfer \$17,388 to the Low Rent program to pay for eligible Low Rent expenses and to also increase the operating reserve.

SUPPLEMENTARY INFORMATION

HOUSING AUTHORITY OF THE CITY OF VINTON
STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST
ANNUAL CONTRIBUTION CONTRACT

YEAR ENDED JUNE 30, 2004

A) The Actual Modernization Costs are as follows:

		2000 Capital Fund
Funds approved	\$	124,086
<i>Funds expended</i>		<u>124,086</u>
Excess of funds approved	\$	<u>0</u>
Funds advanced	\$	124,086
Funds expended		<u>124,086</u>
Excess of funds advanced	\$	<u>0</u>

2. The distribution of costs by project as shown on the Final Statement of Modernization Costs dated January 20, 2004 accompanying the Actual Modernization Costs Certificate submitted to HUD for approval is in agreement with the PHA's records.
3. All modernization costs have been paid and all related liabilities have been discharged through payment.

HOUSING AUTHORITY OF THE CITY OF VINTON
STATEMENT OF MODERNIZATION COSTS – UNCOMPLETED

YEAR ENDED JUNE 30, 2004

	<u>CASH BASIS</u>		
	<u>2001</u> <u>Capital Fund</u>	<u>2002</u> <u>Capital Fund</u>	<u>2003</u> <u>Capital Fund</u>
Funds approved	\$ 126,551	\$ 111,986	\$ 86,942
Funds expended	<u>120,682</u>	<u>67,284</u>	<u>21,570</u>
Excess of funds approved	<u>\$ 5,869</u>	<u>\$ 44,702</u>	<u>\$ 65,372</u>
Funds advanced	\$ 117,967	\$ 67,276	\$ 21,570
Funds expended	<u>120,682</u>	<u>67,284</u>	<u>21,570</u>
Excess of funds advanced	<u>\$ 2,715</u>	<u>\$ 8</u>	<u>\$ 0</u>

See accountant's report

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MEMBER
AMERICAN INSTITUTE OF CERTIFIED
PUBLIC ACCOUNTANTS

Independent Accountant's Report
on Applying Agreed-Upon Procedures

Board of Commissioners
Housing Authority of Vinton
Vinton, 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 Vinton, 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 June 30, 2004 included in the accompanying *Louisiana Attestation Questionnaire*. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Public Bid Law

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

There were no expenditures made during the year for materials and supplies exceeding \$20,000.

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.

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 April 21, 2003 which indicated that the budget had been adopted by the commissioners by unanimous consensus. On June 16, 2004, the Board approved revisions to the budget.

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

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

Accounting and Reporting

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

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

We examined supporting documentation for each of the sixty 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 sixty 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 Vinton 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 Bonues

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 October 24, 2003, contained one audit finding. See the Schedule of Findings and Questioned Costs.

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
October 28, 2004

LOUISIANA ATTESTATION QUESTIONNAIRE
(For Attestation Engagements of Government)

October 24, 2004 (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 [date] 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 (date of completion/representations).

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 []

We have had our financial statements audited or compiled in accordance with LAS-RS 24:513.

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 []

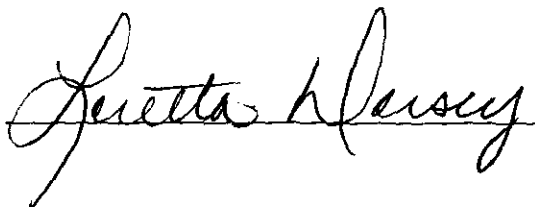
Advances and Bonuses

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 October 25, 2007 Date

HOUSING AUTHORITY OF THE CITY OF VINTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004

Prior Audit Findings

An OMB A-133 audit was prepared for the year ended June 30, 2004. That audit contained one audit finding, as follows:

Finding 03-01 - Tenant Files Independent Income Verification

In several of the tenant files we reviewed, several did not include Section 214, Declaration of Citizenship Status Forms. For one tenant, income was not independently verified: The PHA is currently obtaining Section 214 forms on all tenants, and independently verifying income. This finding is cleared.

Current Findings

None