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HOUSING AUTHORITY OF NEW ROADS
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 12-15-04

Mike Estes, P.C.
A Professional Accounting Corporation

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MEMBER
AMERICAN INSTITUTE OF CERTIFIED
PUBLIC ACCOUNTANTS

Board of Commissioners
Housing Authority of New Roads
New Roads, Louisiana

We have compiled the accompanying financial statements of the business-type activities, each major fund, for the year ended June 30, 2004, which collectively comprise the Housing Authority of New Roads, Louisiana's basic financial statements as listed in the table of contents, and the accompanying supplementary information, which are presented for supplementary analysis purposes, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

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

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.

The management's discussion and analysis and budgetary comparison information, on pages two through nine, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have compiled the supplementary information 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 June 30, 2004, all included therein.

Mike Estes, P.C.
Fort Worth, Texas
November 30, 2004

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

Housing Authority of the City of New Roads, Louisiana

Management's Discussion and Analysis (MD&A)

June 30, 2004

The management of the Housing Authority of New Roads, 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 discussion and analysis in conjunction with the Authority's audited financial statements, which follows.

FINANCIAL HIGHLIGHTS

- The Housing Authority's assets exceeded its liabilities by \$820,579 at the close of the fiscal year ended June 30, 2004.
 - ✓ Of this amount, \$249,616 of unrestricted assets may be used to meet the Housing Authority's ongoing obligations to citizens and creditors. This amount equals 115%, or is equivalent to about 14 months, of total operating expenses for the fiscal year 2004.
 - ✓ The remainder of \$570,963 represents a restriction equal to the net amount invested in land, building, furnishings, leasehold improvements, and equipment.
- The Housing Authority's total net assets increased by \$146,939, a 20% increase from the prior fiscal year due primarily to completion in 2004 of construction projects granted by HUD in fiscal year 2002.
- 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 most significant two funds, Low Rent Public Housing and Public Housing Capital Fund Program.

The Housing Authority's auditors provided assurance in their independent auditors' report, located immediately preceding 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.

Housing Authority of the City of New Roads, Louisiana

Management's Discussion and Analysis (MD&A)

June 30, 2004

FINANCIAL ANALYSIS

CONDENSED UNAUDITED FINANCIAL STATEMENTS

**Condensed Balance Sheet
As of June 30, 2004**

ASSETS

Current Assets	\$ 295,125
Restricted Assets	3,911
Capital Assets, Net of Depreciation	<u>570,963</u>
Total Assets	<u>869,999</u>

LIABILITIES

Current Liabilities	46,150
Non-Current Liabilities	<u>3,270</u>
Total Liabilities	<u>49,420</u>

NET ASSETS

Invested in Capital Assets	570,963
Unrestricted	<u>249,616</u>
Total Net Assets	<u>820,579</u>
Total Liabilities and Net Assets	<u>869,999</u>

Housing Authority of the City of New Roads, Louisiana

Management's Discussion and Analysis (MD&A)

June 30, 2004

CONDENSED UNAUDITED FINANCIAL STATEMENTS (Continued)

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

OPERATING REVENUES	
Rental Revenue	\$ 79,969
Other	19,964
Total Operating Revenues	<u>99,933</u>
OPERATING EXPENSES	
Administration	48,326
Tenant Services	835
Utilities	3,311
Ordinary maintenance and operations	58,370
General	26,434
Depreciation	79,058
Total Operating Expenses	<u>216,334</u>
Income (Loss) from Operations	<u>(116,401)</u>
NON-OPERATING REVENUES	
Federal Grants - Operating	95,108
Federal Grants - Capital	168,127
Interest Earnings and Other Revenue	105
Total Non-Operating Revenues	<u>263,340</u>
NET CHANGE IN ASSETS	146,939
NET ASSETS, Beginning of Year	<u>673,640</u>
NET ASSETS, End of Year	<u>820,579</u>

In future years, a comparative analysis of Authority-wide data with the prior year will be presented.

Compared with the prior fiscal year, total revenues increased \$54,719, or by 17%, due to:

Housing Authority of the City of New Roads, Louisiana

Management's Discussion and Analysis (MD&A)

June 30, 2004

- An 22% increase 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 year 2003, and is awaiting approval of a grant submitted during fiscal year 2004.
- An increase in tenant revenues by 3% due to an increase in minimum rentals from tenants. Occupancy remained at nearly 100% during fiscal year 2004, and there were no significant write-offs of unpaid rents from vacated units.

Compared with the prior fiscal year, total expenses decreased \$8,624, or by 4%, due to:

- A decrease in ordinary maintenance and repairs by 12% due to a combined 40% decrease in materials and labor, offset by a 108% increase in contract labor.
- An 48% decrease in sundry administrative expenses
- A decrease in utilities usage by 17%.
- An offsetting 12% increase in depreciation on fixed assets.

Net Assets therefore increased \$146,939, or by 20%, due to the combined effect of the excess of revenues over expenses. This change resulted in an increase in total assets of \$175,859 and a \$28,920 decrease in liabilities.

Although capital improvements increased total assets by \$179,262 from completion of grants received in fiscal years 2002 and 2003, a decrease in assets of \$79,058 from additional accumulated depreciation offset this.

BUDGETARY ANALYSIS

The final operating budget submitted to HUD for the Low Rent Public Housing Program for fiscal year ended June 30, 2004 showed surplus of budgeted revenues exceeding budgeted expenses of \$26,841 thousand.

Low Rent Public Housing Program Budgetary Highlights

The original approved budget of \$131,275 was revised during fiscal year 2004 to \$143,405 from a request for additional extraordinary maintenance, which was pending approval as of the end of the current fiscal year. There were some significant variations between the final adopted annual budget and the actual income and expenses:

- Total revenues exceeded the budget of \$170,246 by only \$1,082, or by 1%.
- Ordinary maintenance expenses were below the budget of \$40,550 by \$5,998 due to declines in amounts spent for materials and contract labor. There was an extensive program of improvement of facilities in the prior fiscal year, whereas in the current fiscal year there was more emphasis on construction of new facilities.

Housing Authority of the City of New Roads, Louisiana

Management's Discussion and Analysis (MD&A)

June 30, 2004

- Administrative expenses were below the budget of \$51,980 by \$3,654 due to declines in amounts spent for sundry expenses, plus an unspent allowance for staff training.
- General expenses were below the budget of \$35,190 by \$8,758 due to an under spent budget for employee benefits.
- Other budget items (tenant services, utilities, and betterments) totaling \$15,685 were not significantly over- or under spent.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the Housing Authority had \$2,031,127 invested in a broad range of assets, listed below, and construction in progress from projects funded in fiscal years 2002 and 2003. This amount, not including depreciation, represents a net increase of \$179,262, or by 9%, from the prior year. More detailed information about capital assets appears in the notes to the financial statements.

As of the end of the 2004 fiscal year, the Housing Authority completed a grant totaling \$113,380 obtained from HUD for the 2002 fiscal year. The Authority is still in the process of completing HUD grants of \$111,879 obtained during the 2003 fiscal year. A total remainder of \$51,971 will be received and \$9,543 spent for these projects during fiscal year 2005.

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

Land	\$ 31,193
Buildings	401,261
Furniture and Equipment	36,233
Leasehold Improvements	2,540
Construction in Progress	<u>99,736</u>
Total	<u>570,963</u>

Additional major capital projects of up to \$103,006, which are still awaiting approval, are planned for the 2005 fiscal year from a HUD grant for operating funds submitted during fiscal year 2004.

Debt

The Housing Authority has not incurred any mortgages, leases, or bond indentures for financing capital assets or operations, which are entirely subsidized by HUD.

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 Tom Nelson, Executive Director, at the Housing Authority of the City of New Roads, Louisiana telephone number (225) 638-8940.

HOUSING AUTHORITY OF NEW ROADS
ENTERPRISE FUNDS - BALANCE SHEET
YEAR ENDED JUNE 30, 2004

	General	Capital Fund Program	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 198,184	\$ 0	\$ 198,184
Accounts receivable net	1,170	42,428	43,598
Interfund receivable	42,428	54	42,482
Prepaid items and other assets	10,861	0	10,861
Total Current Assets	<u>252,643</u>	<u>42,482</u>	<u>295,125</u>
Restricted Assets			
Cash	3,911	0	3,911
Capital Assets, net			
Land	31,193	0	31,193
Buildings, and equipment (net)	364,697	175,073	539,770
Total Capital Assets, net	<u>395,890</u>	<u>175,073</u>	<u>570,963</u>
Total Assets	<u>652,444</u>	<u>217,555</u>	<u>869,999</u>
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 3,614	\$ 0	\$ 3,614
Deferred revenue	0	54	54
Interfund payable	54	42,428	42,482
Total Current Liabilities	<u>3,668</u>	<u>42,482</u>	<u>46,150</u>
Current Liabilities - payable from Current Restricted Assets -			
Deposits due others	3,270	0	3,270
Total Liabilities	<u>6,938</u>	<u>42,482</u>	<u>49,420</u>
NET ASSETS			
Invested in capital assets, net of related debt	395,890	175,073	570,963
Unrestricted	249,616	0	249,616
Net Assets	<u>645,506</u>	<u>175,073</u>	<u>820,579</u>
Total Liabilities and Net Assets	<u>652,444</u>	<u>217,555</u>	<u>869,999</u>

See accompanying notes and accountants' report

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

	General	Capital Fund Program	Total
OPERATING REVENUES			
Dwelling rental	\$ 79,969	\$ 0	\$ 79,969
Other	19,964	0	19,964
Total Operating Revenues	99,933	0	99,933
OPERATING EXPENSES			
Administration	48,326	0	48,326
Tenant services	835	0	835
Utilities	3,311	0	3,311
Ordinary maintenance & operations	34,552	23,818	58,370
General expenses	26,434	0	26,434
Depreciation	72,455	6,603	79,058
Total Operating Expenses	185,913	30,421	216,334
Income (loss) from Operations	(85,980)	(30,421)	(116,401)
Non Operating Revenues (Expenses)			
Interest earnings	105	0	105
Federal grants	71,290	191,945	263,235
Total Non-Operating Revenues (Expenses)	71,395	191,945	263,340
Income (loss) before contribution and transfer	(14,585)	161,524	146,939
Income (loss) before contribution	(14,585)	161,524	146,939
Capital Contribution			
Transfers in	196,135	0	196,135
Transfers out	0	196,135	(196,135)
Change in net assets	181,550	(34,611)	146,939
Total net assets - beginning	463,956	209,684	673,640
Total net assets - ending	645,506	175,073	820,579

See accompanying notes and accountants' report.

HOUSING AUTHORITY OF NEW ROADS
 ENTERPRISE FUNDS – STATEMENT OF CASH FLOWS
 YEAR ENDED JUNE 30, 2004

	General	Capital Fund Program	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Rental receipts	82,802	0	82,802
Other receipts	(11,867)	31,765	19,898
Payments to vendors	(63,477)	(23,818)	(87,295)
Payments to employees – net	(53,171)	0	(53,171)
Net cash (used) by operating activities	(45,713)	7,947	(37,766)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Federal grants	71,290	(7,947)	63,343
Net cash (used) by non- capital financing activities	71,290	(7,947)	63,343
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(11,494)	(168,127)	(179,621)
Federal Capital Grants	0	168,127	168,127
Net cash (used) by capital and related financing activities	(11,494)	0	(11,494)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	126	0	126
Net cash provided by interest income net of purchases of investment	126	0	126
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	14,209	0	14,209
CASH AND CASH EQUIVALENTS Beginning of Fiscal Year	187,886	0	187,886
CASH AND CASH EQUIVALENTS End of Fiscal Year	202,095	0	202,095

Continued

HOUSING AUTHORITY OF NEW ROADS
 ENTERPRISE FUNDS – STATEMENT OF CASH FLOWS
 YEAR ENDED JUNE 30, 2004

	<u>General</u>	<u>Capital Fund Program</u>	<u>Total</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	(85,980)	(30,421)	(116,401)
Adjustment to reconcile operating income to net cash provided by operating activities:			
Depreciation Expense	72,455	6,603	79,058
Change in assets and liabilities:			
Receivables	2,833	0	2,833
Due from other funds	(31,765)	(54)	(31,819)
Prepaid items	(357)	0	(357)
Account payables	(2,779)	0	(2,779)
Accrued expenses	(174)	0	(174)
Deferred revenue	0	54	54
Due to other funds	54	31,765	31,819
Net cash provided by operations	<u>(45,713)</u>	<u>7,947</u>	<u>(37,766)</u>

Concluded

HOUSING AUTHORITY OF NEW ROADS
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2004

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HOUSING AUTHORITY OF NEW ROADS
NOTES TO THE GENERAL PURPOSE 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. BASIS OF PRESENTATION Housing Authorities are chartered as a public corporation under the laws (LSA-R.S. 40:391) of the state of Louisiana for the purpose of providing safe and sanitary dwelling accommodations. This creation was contingent upon the local governing body of the city declaring a need for the Housing Authority to function in such city. The Housing Authority is governed by a five-member board of Commissioners. The members, appointed by the Honorable Mayor of the city of New Roads, serve staggered multi-year terms.

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

The Housing Authority had 60 units in Low Rent management in one project.

Program	Contract Number	Number Of Units
PHA owned housing	FW-2004	60

B. REPORTING ENTITY 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.

The Housing Authority is a related organization of the City of New Roads since the City of New Roads appoints a voting majority of the Housing Authority's governing board. The City of New Roads 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 New Roads. Accordingly, the Housing Authority is not a component unit of the financial reporting entity of the City of New Roads.

HOUSING AUTHORITY OF THE CITY OF NEW ROADS
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2004

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:

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.

C. 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. Proprietary funds account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds differ from governmental funds in that their focus is on income measurement, which together with the maintenance of equity, is an important financial indicator.

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 for 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.

D. BUDGETS

General Budget Policies The following summarizes the budget activities of the Housing Authority during the year ended June 30, 2004:

HOUSING AUTHORITY OF THE CITY OF NEW ROADS
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2004

The Housing Authority adopted budgets for all HUD-funded programs. The budget is controlled by fund at the function level. All appropriations lapse at year end. Budgets are prepared on the modified accrual basis of accounting.

The Executive Director is authorized to transfer amounts between line items within any fund, with the exception of salaries, provided such does not change the total of any function.

E. CASH AND CASH EQUIVALENTS Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. 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.

Under state law, the Housing Authority may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at the lower of market or cost.

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

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

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

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

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.

HOUSING AUTHORITY OF THE CITY OF NEW ROADS
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2004

G. 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.

H. INVENTORY AND PREPAID ITEMS Inventories consist of expendable supplies held for consumption stated on a lower of cost or market on a first-in, first-out basis. They are reported at cost which is recorded as an expenditure at the time individual inventory items are used.

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

I. CAPITAL ASSETS Fixed assets are recorded at historical cost and depreciated over their estimated useful lives (excluding salvage value). 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 demands. Interest costs during construction have not been capitalized. Straight-line depreciation is used based on the following estimated useful lives:

Site improvements	15 years
Buildings	33 years
Building improvements	15 years
Furniture and fixtures	5 to 7 years
Computers	3 years

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

K. 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.

L. USE OF ESTIMATES The preparation of financial statements in conformity with generally accepted accounting principles 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 statement and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

HOUSING AUTHORITY OF THE CITY OF NEW ROADS
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2004

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

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

At June 30, 2004 the Housing Authority has Cash equivalents, and investments totaling \$202,095 as follows:

Interest-bearing demand deposits		202,095	
		202,095	
Total	\$	202,095	
Cash and cash equivalents – restricted		3,911	
Investments		198,184	
		198,184	
Total	\$	202,095	

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 \$202,095 and the bank balance was \$205,592. Of the bank balance, \$100,000 was covered by federal depository insurance (GASB Category 1). The remaining \$105,592 was collateralized with securities held by the pledging financial institution's trust department or agent but not in the Housing Authority's name (GASB Category 3).

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

NOTE 3 –RECEIVABLES The receivables of \$43,598 at June 30, 2004, are as follows:

<u>Class of Receivables</u>	
Local sources	
Tenants	\$ 1,170
Federal sources:	
Grants	42,428
	42,428
Total	\$ 43,598
	43,598

HOUSING AUTHORITY OF NEW ROADS
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2004

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

	Balance 6-30-03	Additions	Deletions	Balance 6-30-04
Land and Buildings	\$ 1,763,995	\$ 53,992	\$ 0	\$ 1,817,987
Furniture and equipment	77,743	36,019	358	113,404
Construction in progress	10,127	89,609	0	99,736
Total	<u>1,851,865</u>	<u>179,620</u>	<u>358</u>	<u>2,031,127</u>
Less: accumulated depreciation				
Buildings	1,317,066	70,502	0	1,387,568
Furniture and equipment	64,166	8,556	126	72,596
Total	<u>1,381,232</u>	<u>79,058</u>	<u>126</u>	<u>1,460,164</u>
Fixed assets, net	<u>\$ 470,633</u>	<u>\$ 100,562</u>	<u>\$ 232</u>	<u>\$ 570,963</u>

NOTE 5 – 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 full-time employees are eligible to participate in the plan from the first anniversary date of the employment.

Under a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Each participant in the plan is required to make monthly contributions equal to 5 percent of his effective compensation, and can make additional contributions up to 10 percent. The employer is required to make monthly contributions equal to 7 percent of each participant's effective compensation.

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

The Housing Authority's contributions were calculated using the base salary amount of \$40,985. The Housing Authority made the required contributions of \$8,807 for the year ended June 30, 2004, of which \$2,869 was paid by the Housing Authority and \$5,938 was paid by employees. No payments were made out of the forfeiture account.

HOUSING AUTHORITY OF NEW ROADS
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2004

NOTE 6 – ACCOUNTS PAYABLE The payables of \$3,614 at June 30, 2004, are as follows:

Trade payables	\$	3,277
Payroll withholdings		337
	\$	<u>3,614</u>

NOTE 7 – COMMITMENTS AND CONTINGENCIES

Litigation The Housing Authority is not presently involved in litigation.

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.

Grant Disallowances The Housing Authority participates in a number of state and federally assisted grant programs. The programs are still subject to compliance audits. Housing Authority management believes that the amount of disallowances, if any, which may arise from future audits will not be material.

NOTE 8 – INTERFUND RECEIVABLES AND PAYABLES At June 30, 2004, the Capital Fund owed \$42,482 to the Low Rent program.

SUPPLEMENTARY INFORMATION

HOUSING AUTHORITY OF NEW ROADS
STATEMENT OF ACTUAL MODERNIZATION COST
ANNUAL CONTRIBUTION CONTRACT

YEAR ENDED JUNE 30, 2004

		2002 Capital Fund
Funds approved	\$	113,380
Funds expended		113,380
Excess of funds approved	\$	0
Funds advanced	\$	113,380
Funds expended		113,380
Excess of funds advanced	\$	0

2. The distribution of costs by project as shown on the Final Statement of Modernization Cost dated June 1, 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 NEW ROADS
STATEMENT OF MODERNIZATION COSTS - UNCOMPLETED

YEAR ENDED JUNE 30, 2004

	2003 <u>Capital Fund</u>	2003 <u>Bonus</u>
Funds approved	\$ 93,287	\$ 18,592
Funds expended	<u>88,408</u>	<u>13,928</u>
Excess of funds approved	<u>\$ 4,879</u>	<u>\$ 4,664</u>
Funds advanced	\$ 59,908	\$ 0
Funds expended	<u>88,408</u>	<u>13,928</u>
Excess of funds advanced	<u>\$ (28,500)</u>	<u>\$ (13,928)</u>

See accountant's report

HOUSING AUTHORITY OF NEW ROADS
STATEMENT OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2004

FEDERAL GRANTOR PROGRAM TITLE	<u>CDFA NO.</u>	<u>PROGRAM EXPENDITURES</u>
U. S. Department of Housing and Urban Development Direct Programs:		
Low-Income Housing Operating Subsidy	14.850	<u>71,290</u>
Public Housing Capital Fund	14.872	<u>191,945</u>
Total United States Department of Housing and Urban Development	\$	<u>263,235</u>
Total Expenditures of Federal Awards	\$	<u>263,235</u>

Total Expenditures of Federal Awards

HOUSING AUTHORITY OF NEW ROADS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2004

NOTE 1 – GENERAL The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the Housing Authority of New Roads, Louisiana (the “Housing Authority”). The Housing Authority reporting entity is defined in note 1(A) to the Housing Authority’s general-purpose financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, is included on the schedule.

NOTE 2 – BASIS OF ACCOUNTING The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in note 1(C) to the Housing Authority’s general-purpose financial statements.

NOTE 3 – RELATIONSHIP TO GENERAL-PURPOSE FINANCIAL STATEMENTS Federal awards revenues are reported in the Housing Authority’s general-purpose financial statements as follows:

		Federal Sources
Enterprise funds:		
Public Housing	\$	71,290
Capital Fund		191,945
Total	\$	263,235

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

NOTE 5 – FEDERAL AWARDS PROGRAMS For those funds that have matching revenues and state funding, federal expenditures were determined by deducting matching revenues from total expenditures. In accordance with HUD Notice PIH 98-14, “federal awards” do not include Housing Authority operating income from rents or investments (or other non-federal sources). In addition, debt service annual contribution payments made by HUD directly to fiscal agents for holders of Housing Authority bonds or for Housing Authority notes held by the federal financing bank (FFB), are not considered when determining if the Single Audit Act “federal awards expended” threshold is met by the Housing Authority in a fiscal year. In addition, the entire amount of operating subsidy received during the fiscal year is considered to be “expended” during the fiscal year.

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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 New Roads
New Roads, 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 New Roads, 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 three expenditures made during the year for materials and supplies exceeding \$20,000, but no expenditures were made for public works exceeding \$100,000. We examined documentation which indicated that all of these expenditures had been properly advertised and accepted in accordance with the provisions of LAS-RS 38:2211-2251.

Code of Ethics for Public Officials and Public Employees

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

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

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

Management provided us with the required list.

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

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

Budgeting

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

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

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

We traced the adoption of the original budget to the minutes of a meeting held on May 28, 2003 which indicated that the budget had been adopted by the commissioners by unanimous consensus. Amendments to the budget were approved in a June 23, 2004 board meeting.

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

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

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

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

Inspection documentation supporting each of the twenty-eight 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 New Roads 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 November 20, 2003, covered a Yellow Book audit. There is a separate schedule that details that audits' findings.

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
November 30, 2004

LOUISIANA ATTESTATION QUESTIONNAIRE
(For Attestation Engagements of Government)

November 30, 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 []

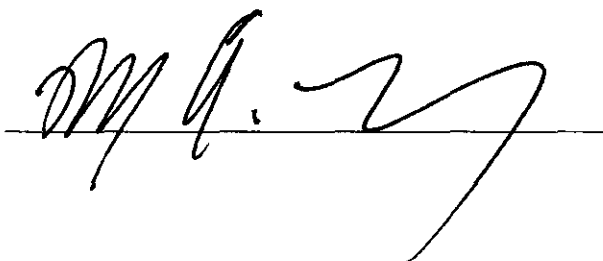
Advances and Bonuses

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 11/29/04 Date

HOUSING AUTHORITY OF NEW ROADS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2004

Prior Audit Findings

A Yellow Book Audit was performed for the year ended June 30, 2003. That audit contained three audit findings as follows:

03-01 – Budget Overrun

Total administrative expenses and total routine expenses exceeded the budgeted amounts. This did not occur in the current year. This finding is cleared.

03-02 – Independent Verification of Income

In five of the six tenant files we reviewed, income was not verified directly in writing with the source. This is currently being done. This finding is cleared.

03-03 – Inventory Needs Updating

The PHA did not have a complete inventory listing of ranges and refrigerators, listed by serial number and unit. Even last year, the PHA had a list of recently purchased ranges and refrigerators. Presently, the PHA has a complete listing. This finding is cleared.

HOUSING AUTHORITY OF THE CITY OF NEW ROADS
SCHEDULE OF MANAGEMENT LETTER ITEMS

YEAR ENDED JUNE 30, 2004

03-04 – Minutes of Board of Commission Meetings Not Published

The PHA was not publishing the proceedings of its Board newspaper in a local newspaper. The PHA began publishing with its November 26, 2003 meeting. This finding is cleared.

Current Findings

None